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Australia's trade and investment relationships with countries of the Middle East

Joint Standing Committee on Foreign Affairs, Defence and Trade
Inquiry of the Trade Sub-Committee

May 2016
Canberra

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Foreword

Over the past decade Australia's trade and investment relations have grown with many of the 18 countries that make up the Middle East and North Africa region.

From Morocco to Iran, the region is one of extraordinary contrasts and differing cultures. Despite several of the countries being beset by security issues, there still remains powerhouse economies such as Saudi Arabia, the United Arab Emirates, Kuwait and Qatar, which are building new airports, hotels and metro stations, along with multi-million dollar sports stadiums, hospitals and railway networks across their countries.

Fortunately, Middle Eastern countries have also been seeking out Australian skills and expertise in architecture and construction, railways, green building design, education, health, hospitality and events management to help their ambitious plans to diversify and grow their economies.

Australian farmers and graziers have a long history of sending our agricultural produce such as wheat and sheep to the region, but in recent years the growth in flights between Australia and Dubai, Abu Dhabi and Doha, have opened the door to Australia now selling its freshest produce to the region.

With more than 150 flights per week between Australia and the Middle East, premium cargos of chilled lamb, seafood, cheeses, peaches, pears, and much more are filling these airliners' holds with the best Australia has to offer.

The Trade Sub-Committee welcomed the opportunity presented by this inquiry to explore these relationships. We examined Australia's current trade relationships with each country, identified opportunities to deepen and expand commercial links, and looked at any barriers and impediments to trade and investment that presently exist. During the course of the inquiry, a delegation of Committee members travelled to the United Arab Emirates, Saudi Arabia, Kuwait and Qatar. The delegation's observations are reflected in this report.

The Committee recommends the Australian Government prioritise the resumption of negotiations for a free trade agreement with the Gulf Cooperation Council,

representing Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, that stalled in 2009.

Should the impasse on resuming trade negotiations with the GCC continue, then the Committee urges the Australia Government to place a priority on pursuing a range of bilateral trade, services and investment agreements with individual Gulf nations such as the UAE, Saudi Arabia, Kuwait and Qatar.

The Committee heard a range of views on the impact of federal, state and territory governments, and business associations, promoting their own commercial interests in the Middle East, and whether this leads to confusion or trade mission fatigue among potential Middle Eastern clients. The Committee recommends that a joint government study be undertaken of Australia's trade promotion efforts with a view to coordinate a more coherent unified strategy.

Noting the value of services exports, particularly in education and tourism, the Committee established the need for the Department of Education and Training and also Tourism Australia to have their representatives in the region to build relationships and raise the profile of Australia as a desirable destination for Middle Eastern students and tourists. This would emulate the successful placement of a Department of Agriculture and Water Resources' counsellor in the United Arab Emirates, which the Committee also recommends be expanded.

We are optimistic that Australia can build on a strong reputation as a reliable exporter of clean, green food for the Middle East, and forge much closer trade and investment relationships with the region. These countries clearly want Australian skills and expertise to help diversify their economies beyond the oil and gas sector.

While Australian trade with Asia is strong, it would be prudent for Australia to diversify its trade into another fast-growing market such as the Middle East.

Finally I would like to thank the Department of Foreign Affairs and Trade's Middle East Branch, and especially the Australian ambassadors to the UAE, Saudi Arabia and Kuwait and their staff, and those from Austrade, for all their support of the Committee delegation's visit to the Middle East in December 2015.

The Hon Bruce Scott MP
Chair

Trade Sub-Committee

Membership of the Joint Standing Committee on Foreign Affairs, Defence and Trade

Chair The Hon Teresa Gambaro MP

Deputy Chair Mr Nick Champion MP

Members	The Hon Bob Baldwin MP (from 19 October 2015)	Senator Mark Bishop (until 30 June 2014)
	The Hon Michael Danby MP	Senator Sean Edwards (from 1 July 2014)
	The Hon David Feeney MP	Senator Alan Eggleston (until 30 June 2014)
	Mr Laurie Ferguson MP	Senator David Fawcett
	The Hon Alan Griffin MP (from 4 December 2013 until 3 September 2014) (from 10 February 2015)	Senator Mark Furner (until 30 June 2014)
	Ms Natasha Griggs MP (from 2 March 2016)	Senator Alex Gallacher (from 1 July 2014)
	Mr Andrew Hastie MP (from 2 March 2016)	Senator Helen Kroger (until 30 June 2014)
	Mr Alex Hawke MP (until 21 September 2015)	Senator the Hon Joseph Ludwig (from 1 July 2014)
	Dr Dennis Jensen MP	Senator the Hon Ian Macdonald
	Mr Ewen Jones MP	Senator Anne McEwen
	Mr Craig Kelly MP	Senator Bridget McKenzie (from 1 July 2014)
	The Hon Richard Marles MP	Senator Deborah O'Neill (from 1 July 2014)

Mr Andrew Nikolic AM CSC MP Senator Stephen Parry (until 30 June 2014)

The Hon Melissa Parke MP
(from 3 September 2014 to 10 February 2015 and
from 24 June 2015)

Senator Linda Reynolds CSC
(from 1 July 2014)

Mr Keith Pitt MP
(from 19 October 2015 to 2 March 2016)

Senator the Hon Lisa Singh

The Hon Tanya Plibersek MP
(until 24 June 2015)

Senator the Hon Ursula Stephens
(until 30 June 2014)

Mrs Jane Prentice MP
(from 22 September 2014 to 2 March 2016)

Senator Peter Whish-Wilson

Mr Don Randall MP
(until 21 July 2015)

Senator Nick Xenophon

Mr Wyatt Roy MP
(until 21 September 2015)

The Hon Philip Ruddock MP

The Hon Bruce Scott MP


Mr Luke Simpkins MP
(until 22 September 2014)

The Hon Dr Sharman Stone MP

Ms Maria Vamvakinou MP

Mr Nickolas Varvaris MP
(from 19 October 2015)

Mr Matt Williams MP
(from 2 March 2016)



Membership of the Trade Sub-Committee

Chair The Hon Bruce Scott MP

Deputy Chair Ms Maria Vamvakinou MP

Members The Hon Bob Baldwin MP
(from 19 October 2015)

Senator Sean Edwards (from 1 July 2014)

Mr Nick Champion MP (ex officio)

Senator David Fawcett

The Hon Teresa Gambaro MP
(ex officio)

Senator Alex Gallacher (from 1 July 2014)

The Hon Alan Griffin MP
(from 4 December 2013 until 3 September 2014)
(from 10 February 2015)

Senator the Hon Ian Macdonald

Ms Natasha Griggs MP
(from 2 March 2016)

Senator Bridget McKenzie
(from 1 July 2014)

Mr Andrew Hastie MP
(from 2 March 2016)

Senator Deborah O'Neill (from 1 July 2014)

Mr Alex Hawke MP (until 21 September 2015)

Mr Ewen Jones MP

Mr Craig Kelly MP

The Hon Melissa Parke MP
(from 3 September 2014 to 10 February 2015)

Mr Keith Pitt MP
(from 19 October 2015 to 2 March 2016)

The Hon Tanya Plibersek MP
(until 24 June 2015)

Mr Wyatt Roy MP (until 21 September 2015)

The Hon Dr Sharman Stone MP

Mr Nickolas Varvaris MP
(from 19 October 2015)

Committee Secretariat

Secretary Mr Jerome Brown

Inquiry Secretary Mr Andrew Dawson

Administrative Officers Mrs Dorota Cooley
Ms Kathleen Blunden



Terms of reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall inquire into and report on Australia's trade and investment relationships with countries of the Middle East, having particular reference to:

- the nature of Australia's existing trade and investment relationships with countries of the region;
- emerging and possible future trends in these relationships;
- barriers and impediments to trade and investment with Middle Eastern countries for Australian businesses, including examination of supply chain costs;
- opportunities for deepening existing commercial and cultural links, and developing new ones, with the countries of the Middle East; and
- the role of government, including DFAT and Austrade, in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the Middle East.



List of abbreviations

AACCI	Australia Arab Chamber of Commerce and Industry
ABS	Australian Bureau of Statistics
AFGC	Australian Food and Grocery Council
ADIA	Abu Dhabi Investment Authority
AMIC	Australian Meat Industry Council
ANU	Australian National University
ANZ	Australia and New Zealand Bank Group Ltd
ATC	Australian Turntable Company
Austrade	Australian Trade Commission
CAIS	The Centre for Arab & Islamic Studies (ANU)
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFAT	Department of Foreign Affairs and Trade
ECA	Export credit agency
EFIC	Export Finance and Insurance Corporation
EMDG	Export Market Development Grants
ESCAS	Exporter Supply Chain Assurance System
EU	European Union
EXIM	Export-Import Bank of the United States
FTA	Free Trade Agreement

FIFA	Federation Internationale de Football Association
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GHD	Gutteridge Haskins & Davey
GSO	Gulf Standards Organisation
HA	Hassad Australia
HFC	Hassad Food Company
HACCP	Hazard Analysis and Critical Control Points
IF	Islamic finance
IMF	International Monetary Fund
INSEAD	European Institute for Business Administration
IVO	Iranian Veterinary Officer
KASP	King Abdullah Scholarship Program
KHDA	Knowledge and Human Development Authority
LEP	Livestock Export Program
LPG	Liquefied Petroleum Gas
MENA	Middle East and North Africa
MLA	Meat and Livestock Australia
MOU	Memorandum of Understanding
MRC	Maranoa Regional Council
NT	Northern Territory
NSW	New South Wales
OIE	World Organisation for Animal Health
OPEC	Organisation of Petroleum Exporting Countries
OTCs	Off-terminal clearances
SA	South Australia
SME	Small and medium-sized enterprises

SMEC	Snowy Mountain Engineering Corporation
SPS	Sanitary and Phytosanitary measures
SoE	Statement of Expectations
SunRice	Ricegrowers' Limited
TAFE	Technical and Further Education
TEU	Twenty-foot equivalent unit
TBT	Technical barriers to trade
TEQSA	Tertiary Education Quality and Standards Agency
TTF	Tourism & Transport Forum
UAE	United Arab Emirates
UHT	Ultra-High-Temperature
UK	United Kingdom
US	United States
UN	United Nations
UOW	University of Wollongong
UOWD	University of Wollongong in Dubai
UTS	University of Technology Sydney
VET	Vocational Education and Training
VGBO	Victorian Government Business Offices
WA	Western Australia
WTO	World Trade Organization

List of recommendations

4 Barriers and impediments to trade and investment relations with the Middle East

Recommendation 1

The Committee recommends the Department of Agriculture and Water Resources improve national coordination and oversight of halal certification to assist exporters find the most suitable provider of certification services, and also provide online access to the halal requirements in different Middle Eastern countries.

Recommendation 2

The Committee recommends the Department of Immigration and Border Protection:

- benchmark its processes for the granting of international student visas with competitor countries;
- consider measures to simplify its international student visa process for applicants from Middle Eastern countries who present a low immigration risk; and
- undertake a review of the simplified student visa framework reforms one year after its commencement to determine their efficacy.

5 Live animal exports to the Middle East

Recommendation 3

The Committee recommends that the Australian Government explore with the Government of Saudi Arabia whether the appointment of an independent auditor to monitor implementation of the Exporter Supply Chain Assurance System would meet Saudi Arabia's sovereignty concerns.

6 Role of government in assisting Australian exporters

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.

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.

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.

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.

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.

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.

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.

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.

Introduction

1.1 On 20 March 2014, the then Minister for Trade and Investment, the Hon Andrew Robb AO MP, referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) an inquiry into Australia's trade and investment relationships with countries of the Middle East. The terms of reference of the inquiry were to:

... report on Australia's trade and investment relationships with countries of the Middle East with particular reference to:

- the nature of Australia's existing trade and investment relationships with countries of the region;
- emerging and possible future trends in these relationships;
- barriers and impediments to trade and investment with Middle Eastern countries for Australian businesses, including examination of supply chain costs;
- opportunities for deepening existing commercial and cultural links, and developing new ones, with the countries of the Middle East; and
- the role of the government, including DFAT and Austrade, in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the Middle East.

Conduct of the inquiry

1.2 The inquiry was advertised in *The Australian* newspaper on 9 April 2014 after a media release announcing the inquiry and seeking submissions was issued on 27 March 2014. The committee held the first of 22 public hearings on 18 June 2014.

- 1.3 The Committee invited relevant companies and organisations to make submissions. The Committee received 57 submissions and 19 exhibits, which are listed at Appendices A and B.
- 1.4 Public hearings were conducted by the Committee in Canberra, Sydney and Melbourne. The dates and locations of the hearings, together with the names of witnesses who appeared before the Committee are at Appendix D. Responses to questions on notice from the public hearings are at Appendix C.

Geographical scope of the inquiry

- 1.5 The primary focus of this inquiry has been directed towards the region stretching from Morocco in North Africa through the Arabian Peninsula, and then across the Persian Gulf to Iran. The countries considered part of the Middle East for the purposes of this inquiry were Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates and Yemen. These are depicted in figure 1. The on-going armed conflicts and civil unrest in Libya, Iraq, Syria and Yemen have impacted on Australia's trade with these countries.

Previous related parliamentary committee inquiries

- 1.6 Previous parliamentary committee inquiries into trade with the Middle East have included:
- In March 2005 the JSCFADT Trade Sub-Committee undertook an inquiry into Australia's trade and investment relations with North Africa. The report was tabled in May 2006.
 - In August 2003 the Trade Sub-Committee undertook an inquiry into Australia's trade and investment relations with the Gulf States. The report was tabled in February 2005.
 - The Foreign Affairs Sub-Committee of the JSCFADT undertook an inquiry into Australia's relations with the Middle East. The report was tabled in August 2001.

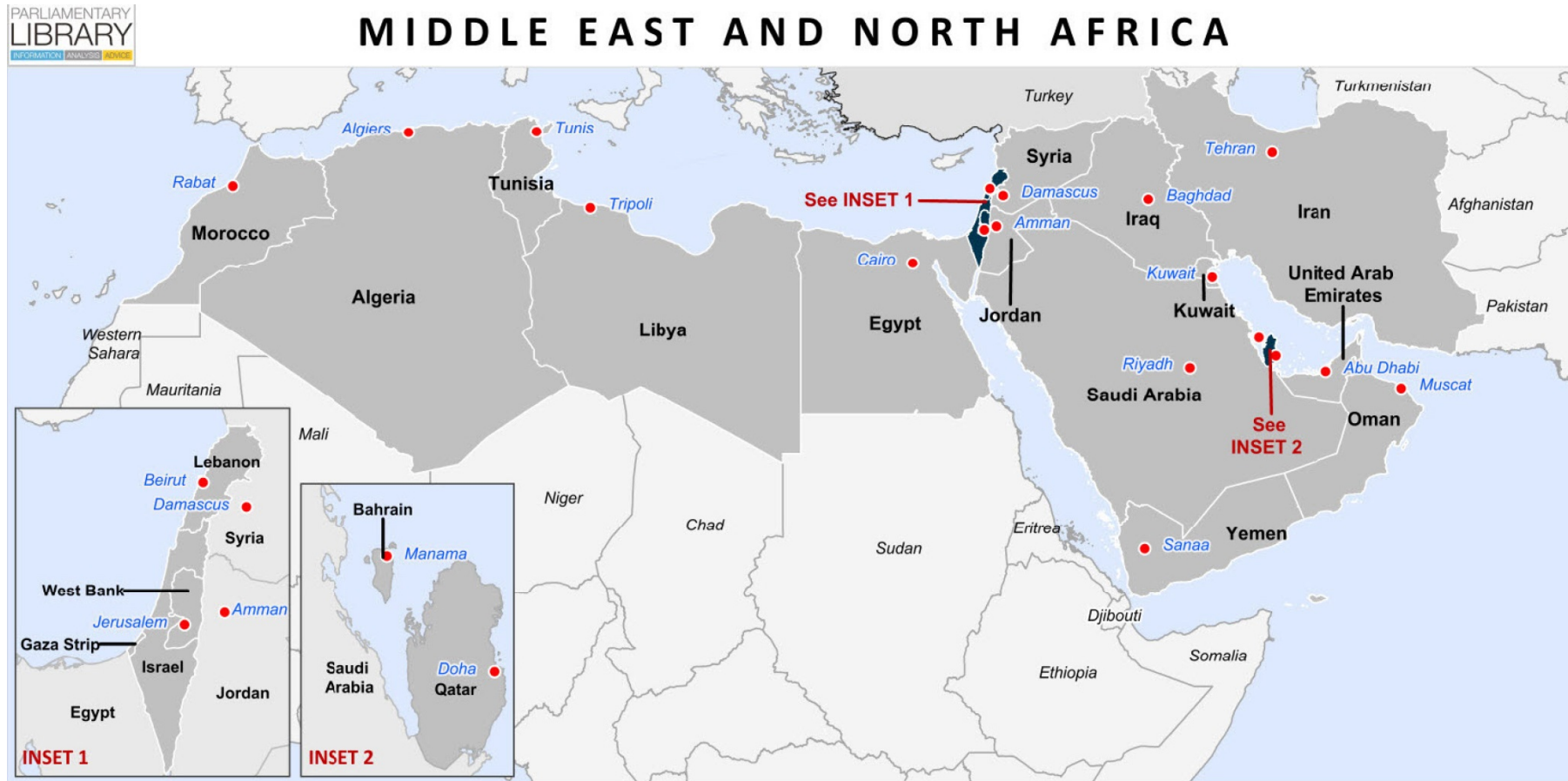
Delegation to the Middle East

- 1.7 A delegation from the Trade Sub-Committee visited four of Australia's largest trading partners in the Middle East from 6 December to 19 December 2015. Insights gained during the course of the visits to the United Arab Emirates, Saudi Arabia, Kuwait and Qatar are integral to this report and have been incorporated in the discussion. A copy of the delegation's program is at Appendix E.

Structure of the report

- 1.8 The report is structured into five sections:
- a chapter providing a regional overview and describing Australia's current trade and investment relationships with the region (Chapter 2);
 - a chapter outlining which areas hold the most trade and investment opportunities and the countries Australia has the most potential to grow trade with (Chapter 3);
 - a chapter outlining the barriers and impediments to trade and investment (Chapter 4);
 - a chapter outlining Australia's live animal exports (Chapter 5); and
 - a concluding chapter addressing the role of government in identifying and assisting Australian exporters to access opportunities in the Middle East (Chapter 6).

Figure 1.1 Map of the Middle East and North Africa region



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Overview of Australia's trade with the Middle East and North Africa

- 2.1 This chapter provides an overview of Australia's trade and investment relationships with the Middle East and North Africa (MENA) region and how these countries' fast-growing and young populations are driving demand for Australian food, education, and services, including the important role of airlines to deliver this fresh produce to the Middle East. It outlines the exports and imports of merchandise goods, and also the growing trade in services, the interest in Australia's education sector, and the areas of interest for investment funds. Trade profiles of all Australia's MENA trading partners are provided at Appendix F.

Regional overview

- 2.2 According to the Department of Foreign Affairs and Trade (DFAT), Australia's trade with MENA region is diverse and growing rapidly, in particular with the Gulf state countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).
- 2.3 In 2015, two-way merchandise trade with the region was worth \$14.7 billion, a slight increase on \$14.5 billion from the previous year. More than \$12.3 billion of that trade in 2015 was with the Gulf state countries.¹ In 2013, two-way merchandise trade with the region was worth \$16.2 billion.² In 2014, Australia imported \$2.4 billion in crude petroleum from MENA down from \$4.25 billion in 2013.³ Agricultural produce, passenger motor

1 Department of Foreign Affairs and Trade, *Australia's Merchandise Exports and Imports*.

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

3 Department of Foreign Affairs and Trade country/economy fact sheet for UAE, viewed 16 March 2016, <<http://dfat.gov.au/trade/resources/Documents/uaem.pdf>>.

- vehicles and alumina dominate Australia's exports to the Middle East region.⁴
- 2.4 By 2014-15 two-way merchandise trade with Australia's largest regional partner, the UAE, was \$6.4 billion, a nearly 8 per cent increase on 2013-14. Australian exports to UAE in 2014-15 increased 21 per cent to \$3.3 billion. In 2014-15, Australia received \$3.1 billion worth of imports from UAE, including more than \$2 billion in crude petroleum.
- 2.5 Trade with the region fluctuates with a nearly 4 per cent drop in two-way merchandise trade of \$2.5 billion in 2014-15 from the previous year with Australia's other major regional trading partner, Saudi Arabia. Australian exports to Saudi Arabia in 2014-15 decreased 6 per cent to \$2.1 billion and Australia imported \$386 million from Saudi Arabia, comprised mostly of fertilisers. Australian-made passenger motor vehicles worth \$778 million and \$355 million in beef and sheep meat dominated Australian exports to Saudi Arabia in 2014-15.⁵
- 2.6 The Gulf states have four of the 10 largest sovereign wealth funds in the world, managing assets worth more than \$2 trillion. Investment in Australia from the Middle East in 2013 was estimated by the Australian Bureau of Statistics (ABS) to be worth \$21.9 billion.⁶
- 2.7 Australia's trade, investment and community engagement with the Middle East has been enhanced by growing aviation links and the presence of more than 350 Australian companies in the region. The aviation partnerships between Qantas and Emirates, and Virgin Australia and Etihad, in addition to flights by Qatar Airways, have resulted in more than 150 flights per week between Australia and the Gulf states:
- 2.8 Vice President of International and Public Affairs at Etihad Airways, Mr Vijay Poonoosamy, submitted that aviation has been the 'cornerstone of the bilateral trade relationship between Australia and the UAE', and today Australia-UAE trade was 'valued at close to \$7 billion'.⁷
- 2.9 Mr Poonoosamy observed that Etihad had expanded into the Australia market flying from Abu Dhabi in the UAE into Sydney and Brisbane in 2007, and Melbourne in 2009, and Perth in 2014.⁸
- 2.10 Vice President of International, Government and Environment Affairs at Emirates Airline, Mr Will Lofberg, told the Committee that Emirates flying
-

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

5 Department of Foreign Affairs and Trade country/economy fact sheet for Saudi Arabia, viewed 16 March 2016, <<http://dfat.gov.au/trade/resources/Documents/saud.pdf>>.

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

7 Etihad Airways, *Submission 47*, p. 1.

8 Etihad Airways, *Submission 47*, p. 1.

between Dubai in the UAE and Australia, carried more than three and a half million passengers to and from Australia in 2013:

...we have 12 flights a day to Australia: three to the main gateways, two to Brisbane and one to Adelaide. On each one of those 777 flights we have 56 tonnes of cargo capacity and on our freighters, which we do four times a week to Sydney, there are 100 tonnes. In 2013, we carried just over 100,000 tonnes of freight from Australia.⁹

- 2.11 According to DFAT, many Australians are also living and doing business in the Middle East, which also strengthens the trade links:

Over 60,000 Australians are estimated to be living in Israel, Lebanon, Qatar and the UAE, creating community bridges that support our economic and trade links with the region.¹⁰

- 2.12 Professor Matthew Gray from the Australian National University's Centre for Arab & Islamic Studies told the Committee that as a general observation Australian Government policy towards the Middle East is 'broadly appropriate':

It does not dominate our strategic thinking the way South-East Asia and the Pacific do, but it is important. It is important for terrorism, as we see at the moment, with the deployment of ADF personnel again to the Middle East in significant numbers. It is important for global terrorism and, more importantly, geopolitically for the time being until the technology for unconventional energy improves. It is home to, depending on who you believe, between 51 and 63 per cent of the world's proven conventional oil supplies and a substantial minority of the world's proven conventional gas supplies – again, 35 to 40 per cent.¹¹

- 2.13 According to Professor Gray, three of the world's six most important shipping routes go through the Middle East – Suez Canal between the Red Sea and the Mediterranean Sea, the Strait of Hormuz between Oman and Iran, and the Bab el-Mandeb Strait between Yemen and Djibouti.¹²

9 Mr Will Lofberg, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 1.

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

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

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

Population

- 2.14 The MENA region has the world's most rapidly growing population after Africa. Between 2010 and 2050, the population, not including Iran, is expected to increase by about 80 per cent, from 217 million to 392 million.¹³ The Gulf states are also experiencing strong growth in population and GDP. For example, by 2020, the Gulf state countries are forecast to have a combined population of 53.5 million, a 30 per cent increase from 2000.¹⁴

Oil supply and Middle Eastern economies

- 2.15 Crude oil of Middle East origin is used to produce a wide range of refined petroleum products such as petrol, diesel and jet fuel. In 2015, Australia imported \$1.9 billion in crude petroleum, \$36 million in refined petroleum and \$131 million in liquefied propane and butane from MENA:

The Middle East is an increasingly important source of Australia's oil supply. In 2012-13, some 85 per cent of Australia's refinery inputs were imported, of which some 15 per cent was sourced from the Middle East. The vast majority of crude oil imports from the Middle East (over 98 per cent) were from the UAE...¹⁵

- 2.16 Saudi Arabia, UAE, Qatar, Kuwait, Iraq and Iran are the main oil exporting countries in the Middle East and are also members of the Organisation of Petroleum Exporting Countries (OPEC).

Delegation discussions relating to the MENA region

- 2.17 During its visit to the UAE, Saudi Arabia, Kuwait and Qatar in December 2015, the Committee delegation was briefed by Austrade Senior Trade Commissioner, Mr Gerard Seeber, on the latest developments in Australia's trade and investment relationships with the UAE, Iran, and the MENA overall. He described the region of 18 countries with an estimated population over 400 million as an \$8.5 billion market for Australia's merchandise exports, advanced services, research collaboration and technology.

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

14 Department of Industry and Science, *Submission 26*, p. 2.

15 Department of Industry and Science, *Submission 26*, p. 9.

- 2.18 Agricultural commodities, currently worth \$4 billion, represent 45 per cent of Australia's exports to the region. Minerals, manufactures (of mostly motor vehicles which will be phased out by 2017), transportation services, education services, and investments into Australia. Australian services are dominated mainly by higher education, vocational education, and widespread consultancies.
- 2.19 The delegation heard about the impact of falling oil prices on the economies of the Gulf states. The countries in MENA account for 69 per cent of the world's oil reserves and 47 per cent of natural gas resources. GCC governments' budgets were highly dependent on oil exports for revenue. If the oil price persisted at current levels in the vicinity of \$50 per barrel, then Austrade expected an impact on funding for major infrastructure projects and social spending.
- 2.20 The delegation also heard that the fall in oil revenue has driven investment into non-oil sectors of Gulf economies, such as mining, rail, alternate energy sources, health, agriculture, tourism, education, hospitality and logistics. All GCC countries are also seeking to invest their oil revenue surpluses internationally via their sovereign wealth funds.
- 2.21 In the UAE, HE Sultan Ahmed Bin Sulayem, the Chairman of DP World, which is Australia's largest ports operator, told the delegation that Dubai's lack of oil compared to the neighbouring Emirate of Abu Dhabi, had meant it needed to diversify its economy into tourism, ports, aviation and other services to maintain growth and survive.

Australia's merchandise exports and imports

- 2.22 Australia's two-way merchandise trade¹⁶ with the MENA region was worth \$14.7 billion in 2015 and grew by 26 per cent in the five years since 2010. Australia exported merchandise worth over \$10 billion to MENA and imported merchandise from MENA worth \$4.6 billion in 2015. Australia's exports to MENA have grown by nearly 52 per cent since 2010 and imports have declined 7 per cent in those five years, though in 2013 MENA imports into Australia had reached a highpoint of almost \$7 billion.¹⁷

16 Merchandise trade only includes trade in goods, and excludes services, capital transfers and foreign investments.

17 Department of Foreign Affairs and Trade, *Australia's Merchandise Exports and Imports*.

Exports

- 2.23 Australia's exports to the Middle East continue to be dominated by Australian-made passenger motor vehicles, sheepmeat, beef, alumina and wheat. The top ten exports products also include sheep meat, barley, beef, oil-seeds and oleaginous fruits, vegetables, live animals, milk, cream, whey, and yoghurt. These top ten exports contributed close to \$6 billion to Australia's economy.¹⁸
- 2.24 In 2014-15, the UAE and Saudi Arabia were Australia's two largest export markets in the Middle East, with the UAE importing more than \$3.3 billion of Australian merchandise and Saudi Arabia importing over \$2.1 billion of merchandise.
- 2.25 The growth in aviation links between the Gulf states and Australia has been important for trade. Emirates Airlines Mr Lofberg described the 100,000 tonnes of goods being carried in their airliner's holds from Australia each year as being mostly dairy, fresh produce and pharmaceuticals, depending on which Australian city the flight departed from.¹⁹
- 2.26 Etihad's Mr Poonosamy stated that fresh produce and other high-value perishables already constituted over three quarters of the 30,000 tonnes cargo that Etihad Airways carried from Australia.²⁰

Alumina

- 2.27 According to DFAT, the trade in alumina from Australia to the Middle East 'constituted the bulk of the \$2.3 billion trade listed as confidential items' in 2013.²¹
- 2.28 In regards to confidential items listed in trade data, the Australian Bureau of Statistics (ABS) is required to apply country level restrictions to a number of commodities to maintain confidentiality within its monthly merchandise export and import data. This has resulted in some commodities being excluded from partner country totals:

In relation to international merchandise trade statistics, the ABS has a legal obligation to confidentialise data from an individual or organisation that is identifiable if that individual or organisation has requested that the data be suppressed. These confidentiality

18 Department of Foreign Affairs and Trade, *Submission 9*, pp. 7-8.

19 Mr Will Lofberg, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 1.

20 Etihad Airways, *Submission 47*, p. 6.

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

restrictions impact on the level of detailed merchandise trade data that is potentially available for release.²²

Grain

- 2.29 Eastern Australian grain handler, GrainCorp, which has a network of grain storage and logistics assets such as bulk export terminals at ports in Queensland, New South Wales and Victoria, submitted it has strong customer relationships in the Middle East. GrainCorp stated:
- Australian wheat in particular is sought after in many Middle Eastern countries due to being clean and dry and its production of a good yield of white, high-protein flour that is excellent in producing flatbreads and other traditional staples products.²³
- 2.30 GrainCorp submitted it demonstrated the importance of the Middle East region to the company, when it announced on July 2014 it had taken a 10 per cent equity stake in leading Egyptian flour miller, Five Star Flour Mills.²⁴
- 2.31 GrainCorp argued there is a strong strategic rationale for its investment in Five Star Flour Mills, as it 'consolidates the direct connection between Australian grain growers and a key user of that grain'.²⁵
- 2.32 Western Australian grain exporter, Co-operative Bulk Handling Limited (CBH), submitted that it was a 'key participant in the Middle Eastern market', holding around a 20 per cent share of Australian exports into the region.²⁶ The Middle Eastern and African markets 'typically account for around 40 per cent of Australia's wheat and barley exports'.²⁷
- 2.33 According to the CBH Group, specific markets such as Saudi Arabia, Iran, Iraq, Yemen, and Egypt have imported significant quantities of Australian wheat and feed barley. Saudi Arabia is the largest importer of feed barley in the world, importing 7.5 million tonnes annually, with Australia supplying around 20 per cent of that demand.²⁸
- 2.34 CBH Group stated that the Gulf states of UAE, Bahrain, Qatar, Kuwait and Oman continue to be lower volume markets for Australian grain. Trade

22 Department of Foreign Affairs and Trade, *Confidentiality in Australian merchandise export statistics*, p. 1, viewed 14 April, <<https://dfat.gov.au/about-us/publications/Documents/confidentiality-in-australian-merchandise-export-statistics.pdf>>.

23 GrainCorp, *Submission 42*, p. 2.

24 GrainCorp, *Submission 42*, p. 2.

25 GrainCorp, *Submission 42*, p. 2.

26 CBH Group, *Submission 24*, p. 4.

27 CBH Group, *Submission 24*, p. 3.

28 CBH Group, *Submission 24*, p. 3.

into these countries is well established and is operated under a structured Government tender system.²⁹

- 2.35 CBH Group's Head of Trading Mr Trevor Lucas told the *The Weekly Times* in 2015 that armed conflicts in Iraq and Yemen had led to a decrease in exports of wheat to those two markets. He stated that the CBH Group only exported about 150,000 tonnes of wheat to Iraq, whereas Iraq usually buys from 700,000 to 1 million tonnes. During the 2013-14 harvest, Australia exported 842,616 tonnes of wheat to Iraq and 700,369 tonnes to Yemen.³⁰
- 2.36 According to the Department of Agriculture, MENA remains an important export destination for Australian wheat and barley exports, accounting for 26 per cent and 37 per cent of the total volume of Australian exports in 2012-13, respectively, but grain exports fluctuate significantly year to year:
- In 2012-13, Iraq and Iran were the largest export destinations for Australian wheat in the region, receiving 1.8 million and 1.3 million tonnes respectively. However, Australian shipments vary significantly from year to year, with exports to both countries more than 1 million tonnes lower in 2011-12.³¹
- 2.37 Saudi Arabia is the largest export destination for Australian barley, accounting for around 70 per cent of Australian exports to the region.³²

Processed foods

- 2.38 According to the Chief Executive Officer of the Australian Food and Grocery Council (AFGC), Mr Gary Dawson, food exports to the Middle East increased from around \$700 million to \$2.9 billion from 2005 to 2014:
- That is about a 15 per cent annual growth rate, which is significant. And then, within that, for the more processed foods, the growth rate has been even greater – often a smaller base...in 2005, less than five per cent of Australia's total food exports went to the Middle East. In 2014, it was around 11 per cent. The proportion of our food exports going to the Middle East has more than doubled over that 10-year period. It is a growing market.³³
- 2.39 Mr Dawson advised there were similar drivers of growth in exports of Australian processed food into the Middle East as had been seen in Asia:

29 CBH Group, *Submission 24*, p. 3.

30 Emma Field, *Wars in Iraq and Yemen dramatically reduces Australian wheat exports to region*, *The Weekly Times*, 30 October 2015, viewed 5 April 2016, <<http://www.weeklytimesnow.com.au>>.

31 Department of Agriculture, *Submission 27*, p. 5.

32 Department of Agriculture, *Submission 27*, p. 5.

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

You have got a growing middle class, so a growing disposable income, a growing preference for imported food as disposable incomes grow, and a change in diets – so greater exposure to a greater range of food stuffs. They have been the drivers for our food exports.³⁴

2.40 The arrival of large Western supermarkets chains into the Middle East was another factor, according to Mr Dawson:

...you have retailers – like Tesco and Carrefour and so on – who are increasingly visible in cities in the Middle East. That creates a greater level of interest beyond traditional food shopping – which, in turn, drives greater interest in imported product... it all helps drive that shift and attraction to imported products.³⁵

Red meat

2.41 According to the Department of Agriculture, the Middle East region is an important and growing export destination for Australian red meat, particularly sheep meat.³⁶

2.42 In 2014-15, the major destinations for Australian sheep meat and beef were Saudi Arabia (\$201 million in beef and \$154 million in sheep meat); UAE (\$199 million in sheep meat); Jordan (\$108 million in sheep meat and \$24 million in beef); Qatar (\$89 million in sheep meat and \$32 million in beef); Kuwait (\$63 million in sheep meat); Bahrain (\$60 million in sheep meat); and Oman (\$34 million in sheep meat).³⁷

2.43 According to the Department of Agriculture, Saudi Arabia imported 32,214 tonnes of Australian beef in 2014 (see Table 2.1) and UAE imported 8,777 tonnes.

2.44 The growth in meat exports is highlighted in the 2012–13 data when Australia exported \$489 million of sheep meat to the region (around 30 per cent of the value of total Australian sheep meat exports). The major destinations then were the UAE (\$131 million), Saudi Arabia (\$70 million), Jordan (\$61 million), Bahrain (\$55 million) and Iran (\$50 million). Lamb, rather than mutton, was the main product exported to most of these

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

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

36 Department of Agriculture, *Submission 27*, p. 6.

37 Meat & Livestock Australia, Market information for 2014 and 2015, viewed 4 April 2016, <www.mla.com.au>.

markets (see Table 2.2), and accounted for around 54 per cent of total sheep meat exported there.³⁸

2.45 In 2012–13, Australia exported \$251 million of beef and veal to the region (around 5 per cent of the value of total Australian beef and veal exports). In that same year, the major destinations for beef and veal were Saudi Arabia (\$88 million), the UAE (\$57 million), Iran (\$22 million) and Jordan (\$20 million).³⁹

2.46 Chairman of the Australian Processor Council of the Australian Meat Industry Council (AMIC), David Larkin, told the Committee:

It is important to underline that the Middle East is Australia's biggest sheep and lamb export market and has been that way for a very long period of time. It certainly does underpin agriculture, regional agricultural towns and the sheep-meat industry in general. It is a very important and growing market for Australian beef.⁴⁰

2.47 A representative of Fletcher International Exports and member of the AMIC, Graham Lyon, argued that red meat exports, especially in sheep and lamb meat, underpin the prices Australian farmers receive at the farm gate and have done so for many years:

The positive news today is that this has accelerated in the Middle East at an astonishing rate in the past 10 years. Market forces; higher incomes; investment from petro dollars; higher population growth – the average age is around 26 years of age – urbanisation; and Westernisation have seen year upon year double-digit growth in the last 10 years. During this short time Fletcher International itself has trebled its business to the region both in volume and in revenue.⁴¹

2.48 Mr Lyon said in the past 10 years the sheep, lamb (see Table 2.2) and beef industries have experienced strong growth in the chilled meat market. In 2003, 1,877 tonnes of chilled beef entered the Middle East. In 2013, 17,618 tonnes entered the region from Australia. Sheep and lamb showed similar growth with 4,693 tonnes of chilled lamb and sheep meat exported in 2003 and growing to 49,571 tonnes in 2013:

38 Department of Agriculture, *Submission 27*, p. 6.

39 Department of Agriculture, *Submission 27*, p. 6.

40 Mr David Larkin, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 13.

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

Australian red meat is now not only accepted but demanded, right through from whole fresh lamb carcasses, from Kuwaiti housewives, to supermarkets and hotels in every GCC country, right through to first and business class plates on the major airlines of that region. Demand will now spread through North Africa. Middle Eastern airlines are going to play a major role in opening up these markets to the Australian farmers.⁴²

Table 2.1 Australian beef exports to the Middle East 2012-14 (tonnes swt)

Year	Middle East	Saudi Arabia	UAE	Jordan	Kuwait	Egypt	Qatar	Iran	Lebanon	other Middle East
2012	31,351	5,241	7,640	6,012	2,263	3,167	2,118	3,421	803	686
2013	61,230	31,126	7,987	8,113	4,812	2,114	2,587	2,985	553	953
2014	59,803	32,213	8,777	5,499	4,894	4,347	2,444	0	564	1,063

Source Department of Agriculture

2.49 Vice President of the Sheepmeat Council of Australia, Jeffrey Murray, told the Committee that the sheepmeat industry has invested in developing the Middle East market 'over a long period of time, right back to the seventies when we were first exporting sheep into the MENA region':

Things have improved a great deal since then. We have spent a lot of time and money improving the facilities that handle live exports and the likes through the Middle East. I think we have become trusted partners for our boxed meat and chilled product. Currently we are struggling to keep up with the demand into the Middle East.⁴³

Table 2.2 Australian chilled lamb export values to the Middle East 2012-14 (million A\$)

Year	Middle East	Bahrain	Iran	Israel	Jordan	Kuwait	Qatar	Saudi Arabia	UAE	other Middle East
2012	161.395	12.423	6.340	0.000	30.425	9.391	27.820	11.314	63.086	0.595
2013	264.366	69.081	12.429	0.000	44.203	18.090	27.918	16.324	75.577	0.745
2014	317.798	74.022	0.000	0.000	55.972	14.942	52.126	23.402	96.144	1.190

Source Global Trade Atlas & MLA market information

Live animal exports

2.50 In 2015, Australia's live sheep exports to Middle Eastern markets were estimated be worth more than \$237 million with Kuwait the largest

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

43 Mr Jeffrey Murray, Sheepmeat Council of Australia, *Committee Hansard*, Sydney, 9 September 2014, p. 39.

importer shipping in 576,350 sheep from Australia.⁴⁴ Israel was the largest live cattle market in the Middle East for Australia in 2015.⁴⁵

- 2.51 Issues associated with live animal exports and the Exporter Supply Chain Assurance System (ESCAS) are further examined in Chapter 5.

Dairy

- 2.52 The Australian dairy industry representing 6,400 dairy farmers, producing more than 9.2 billion litres of milk, considers the Middle East a valuable market. A Board Member of Australian Dairy Farmers, Mr Chris Griffin, told the committee that Australia exported over 72,000 tonnes of dairy product valued in excess of \$330 million to countries in the Middle East region in 2013-14. This equated to over 10 per cent of total dairy exports from Australia. Mr Griffin added:

The value and volume is down since 2011-12, when over 90,000 tonnes were exported, due to factors such as increased competition from other suppliers – the EU and the USA – and political instability within the Middle East region. The most significant markets within the region for Australia in value and volume are the United Arab Emirates and Saudi Arabia, while Kuwait has been the fastest growing market in recent years.⁴⁶

Horticulture

- 2.53 Australia is counter-seasonal to northern hemisphere production and can supply fresh fruit and vegetables into the Middle East region during the northern hemisphere 'off season'.
- 2.54 The largest export markets for Australian vegetables in MENA are Egypt, the UAE and Saudi Arabia. Australia exported approximately \$246 million of vegetables into the region in 2012-13. By 2014-15, Egypt alone imported \$121 million of Australian fresh, chilled and frozen vegetables. According to AusVeg, the horticultural body representing growers, the UAE's demand for Australian vegetables has increased by 24 per cent from 2013-14.⁴⁷ The majority of vegetables exported to these countries are pulses such

44 LiveCorp, Sheep statistics, Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

45 LiveCorp, Goat statistics, Australian live goat exports by destination for 2015, <www.livecorp.com.au>.

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

47 AusVeg, *Australian vegetable exports grow*, 17 August 2015, <<http://www.ausveg.com.au/media-release/australian-vegetable-exports-grow>>.

as broad beans, chickpeas and lentils with some quantities of fresh vegetables including carrots, onions and potatoes.⁴⁸

- 2.55 The UAE receives the majority of Australia's fruit and tree nut exports to the region, accounting for almost 81 per cent of fruit exports and around 53 per cent of tree nut exports. The value of Australia's fruit exports to the UAE in 2012-13 was \$36 million (mainly grapes, citrus, stonefruit and melons) while the value of tree nut exports (mainly almonds and some macadamia exports) was \$15 million:⁴⁹

The UAE market is especially important for Australian horticulture produce. The UAE, particularly Dubai, is used as a trans-shipment point for other Middle Eastern markets, especially Gulf Cooperation Council (GCC) countries.⁵⁰

Rice

- 2.56 Rice is one of the most important food products in the Middle East with average per capita consumption about four times higher than the average consumption in Australia. Consumers in the region have a 'strong emotional attachment to rice products as rice forms a critical element of the household daily meal'.⁵¹
- 2.57 Ricegrowers' Limited, trading as 'SunRice', is one of the world's largest suppliers of rice throughout the region, with export sales in excess of \$100 million annually to markets in Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Bahrain, the UAE and Iraq and also Syria, Yemen, and Libya.⁵²
- 2.58 The company which is based in the Riverina, NSW, has operated a Middle East regional office in Jordan since 2000, and is also in partnership with a Jordan-based rice processing and packing plant. Together with its partner, SunRice employs close to 40 staff in the region, with more than 500 others across its distribution and supply network.⁵³

Shipbuilding

- 2.59 Australian shipbuilder Austal is a global defence prime contractor, designer, and manufacturer of defence and commercial ships with a presence in the Middle East. For more than 25 years, Austal has been involved in the design, construction, and maintenance of 250 mostly high

48 Department of Agriculture, *Submission 27*, p. 7.

49 Department of Agriculture, *Submission 27*, p. 7.

50 Department of Agriculture, *Submission 27*, p. 7.

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

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

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

performance aluminium ships for governments, navies and ferry operators around the world.⁵⁴

- 2.60 Defence vessels designed and built by Austal include multi-mission combatants, such as the Littoral Combat Ship (LCS) for the United States Navy, and military high-speed vessels for transport and humanitarian relief, such as the Joint High Speed Vessel (JHSV) for the US Navy and High Speed Support Vessel (HSSV) for the Royal Navy of Oman. Austal designs, constructs, integrates, and maintains an extensive range of patrol and auxiliary vessels for government agencies globally. Austal has also been at the forefront of the high-speed ferry market with market leading designs of high performance aluminium vessels.⁵⁵
- 2.61 Austal has delivered, or has under contract vessels for the following countries in the Middle East:
- Oman – two 72m High Speed Support Vessels for Royal Navy of Oman for delivery in 2016, and two 65m High Speed Vehicle-Passenger Ferries for the National Ferries Company delivered in 2008;
 - UAE – two 45m High Speed Catamaran Ferries for the Abu Dhabi National Oil Company delivered in 2015;
 - Saudi Arabia – two 69m High Speed Vehicle-Passenger Catamaran Ferries delivered in 2009; and two 88m High Speed Vehicle-Passenger Catamaran Ferries delivered in 2008;
 - Yemen – ten 38m Patrol Boats in 2005 for the Ministry of Defence;
 - Kuwait - three 22m Patrol Boats for the Kuwait Government delivered in 2004; and
 - Egypt – one 56m High Speed Catamaran Ferry for the El Salam Maritime and Transport Company delivered in 2002.⁵⁶
- 2.62 Austal opened its regional representative office in Dubai in the UAE in 2010, and relocated to Abu Dhabi during 2014. Austal has also been delivering maintenance and repair services to government-owned aluminium high speed vessels in the Sultanate of Oman since 2009.⁵⁷

Imports

- 2.63 In terms of merchandise imports, Australia imported \$2.38 billion of crude petroleum from the Middle East in 2014, down from the \$4.2 billion of crude petroleum Australia imported from the Middle East in 2013. The
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54 Austal, *Submission 23*, p. 4.

55 Austal, *Submission 23*, p. 4.

56 Austal, *Submission 23*, p. 5.

57 Austal, *Submission 23*, p. 5.

remaining top ten imports by value in 2013 included fertilisers (\$546 million), confidential items that DFAT submitted are believed to be chemicals and fertilisers (\$472 million) and liquefied propane and butane worth (\$361 million).⁵⁸

- 2.64 Australia's agricultural imports from MENA in 2012-13 were dominated by \$47 million in horticulture, mostly in tea and dried dates, and also \$19 million in seafood, largely consisting of \$17 million in marine fats and oils from Israel.⁵⁹
- 2.65 In relation to horticulture, the four major import sources were UAE (principally tea - \$10 million); Israel (principally fruit and vegetable juices - \$2.5 million; prepared horticultural products - \$2.3 million; and fresh or dried fruit - \$1.9 million); Iran (principally dried dates - \$3 million; and sultanas - \$2.9 million); and Lebanon (principally prepared horticultural products - \$3 million).⁶⁰
- 2.66 There is also interest amongst a number of MENA countries in the export to Australia of fresh dates – currently all dates from this region must be dried (ie 30 per cent or less moisture content) because of concerns over pests such as fruit fly.⁶¹

Services trade

- 2.67 Total services trade between Australia and the MENA region was worth more than \$4.7 billion in 2014-15. This represents 3.5 per cent of Australia's services trade with the world in 2014-15, which was worth \$135 billion.⁶² In the statistics available from DFAT for 2014-15, Australia's major services two-way trade partners were: the UAE (\$2.8 billion), Qatar (\$549 million), Saudi Arabia (\$399 million), Lebanon (\$183 million) and Israel (\$140 million). (see Tables 2.3 and 2.4)
- 2.68 According to DFAT, the most reliable data on services is for travel and transportation services, which is dominated by the Middle Eastern airlines such as Emirates and Etihad operating out of the UAE. For this reason, the balance of services trade appears to be skewed in the favour of the Gulf countries and Israel. However, over 350 Australian companies operate in the Gulf, including major providers of construction, financial and professional services (such as the Habtoor Leighton Group, SMEC, GHD,

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

59 Department of Agriculture, *Submission 27*, p. 7.

60 Department of Agriculture, *Submission 27*, p. 7.

61 Department of Agriculture, *Submission 27*, p. 7.

62 Department of Foreign Affairs and Trade's trade statistics.

ANZ and Woods Bagot). If more data on construction services and other business services was available to the ABS, then DFAT expects the data would reflect a more balanced two-way services trade between Australia and the Middle East.⁶³

2.69 DFAT also noted the limitations of the data on services published by the ABS, which has access to reliable data from only 35 countries, and that the level of detail is also affected by confidentiality requirements.⁶⁴

Table 2.3 Australia's total services trade with the MENA

Current price - balance of payments basis								
Country (a)	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m	2014-15 % share of total	% growth 2013-14 to 2014-15	5 year trend
Algeria	6	6	7	8	6	0.0	-25.0	0.7
Bahrain	25	17	13	16	19	0.0	18.8	-5.8
Egypt	174	132	124	103	112	0.1	8.7	-12.9
Iran	161	187	205	210	205	0.2	-2.4	7.8
Iraq	52	73	73	75	80	0.1	6.7	12.4
Israel	178	168	162	164	130	0.1	-20.7	-5.7
Jordan	50	55	52	55	57	0.0	3.6	3.8
Kuwait	71	66	72	64	61	0.0	-4.7	-0.2
Lebanon	236	232	193	163	183	0.1	12.3	-8.0
Libya	35	32	30	18	10	0.0	-44.4	-16.3
Morocco	28	26	27	31	24	0.0	-22.6	4.4
Oman	38	38	45	34	40	0.0	17.6	-1.2
Qatar	140	270	324	384	549	0.4	43.0	47.4
Saudi Arabia	336	399	399	396	399	0.3	0.8	0.4
Syria	33	17	10	3	5	0.0	66.7	-39.3
Tunisia	3	3	4	3	3	0.0	0.0	6.8
United Arab Emirates	2,468	2,691	2,981	2,693	2,853	2.1	5.9	3.8
Yemen	1	2	2	1	1	0.0	0.0	-14.5
Total services trade MENA	4,035	4,414	4,723	4,421	4,737	3.5%	7.1%	3.7%
Total services trade	109,415	113,747	120,940	129,002	134,809	100.0	4.5	5.4

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

63 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

64 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

Table 2.4 Australia's services trade balance with the MENA

Current price - balance of payments basis					
Country (a)	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m
Algeria	-2	-4	-3	-2	-2
Bahrain	1	7	5	8	13
Egypt	-84	-44	-30	-35	-44
Iran	71	81	91	84	77
Iraq	-6	-13	-23	-9	16
Israel	-38	-46	-54	-56	-48
Jordan	-8	-13	-2	1	5
Kuwait	51	44	52	48	45
Lebanon	-142	-144	-111	-77	-89
Libya	31	30	28	18	10
Morocco	-18	-18	-19	-23	-16
Oman	14	18	21	18	20
Qatar	-78	-112	-176	-204	-297
Saudi Arabia	272	305	309	316	311
Syria	-21	-5	-2	1	-1
Tunisia	-1	-1	-2	1	1
United Arab Emirates	-1,508	-1,813	-2,043	-1,587	-1,587
Yemen	1	0	0	1	1
Total MENA	-1,465	-1,728	-1,959	-1,497	-1,585

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

Exports of services

2.70 In 2014-15, Australia exported \$633 million of services to the UAE of which \$430 million was for transport; \$355 million to Saudi Arabia of which \$262 million was for education-related travel; \$141 million to Iran; \$126 million to Qatar; \$53 million to Kuwait; \$48 million to Iraq; \$47 million to Lebanon; \$41 million to Israel; \$34 million to Egypt; \$31 million to Jordan; \$30 million to Oman; and \$16 million to Bahrain⁶⁵ (see Table 2.5).

2.71 The major Australian services exported to these countries in 2012-13 included transportation (\$330 million), including passenger and freight transport by air and sea; travel services (\$625 million), which includes expenditure by travellers visiting Australia; other business services (\$152 million), including professional management and consultancy, research and development services, and technical and trade services; intellectual property (\$23 million); government services (\$12 million); and financial services (\$4 million).⁶⁶

2.72 According to the Links Group, which is a company-formation specialist operating in the UAE and Qatar with the endorsement of relevant

65 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

66 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

government authorities, the UAE has emerged as the business hub of the region.⁶⁷

- 2.73 The Links Group advises corporations and individuals on how to establish a commercial onshore presence in the UAE and Qatar. Its services assisting with the company formation process include legal structures; trade licences; visas; labour and immigration services; management of regulatory approvals; nominee local partner services; payroll services; and fiduciary services to protect shareholdings. More than 300 companies have been established by the Links Group.⁶⁸
- 2.74 Links Group consultant, Mr David Mitford-Burgess, told the committee that 'diversification remains a top priority for the UAE and Qatar economies' to lessen their governments' reliance on oil revenues:
- Aligning Australian expertise and high potential businesses to the priority growth sectors of each market will be important as the UAE and Qatar governments look abroad for know-how, skills and labour.⁶⁹
- 2.75 Aspen Medical, an Australian-owned global provider of customised healthcare services, is example of successful services company operating in the Middle East. Aspen Medical entered the UAE's health care market by establishing the new National Ambulance service in Abu Dhabi in 2011 in partnership with the Abu Dhabi Police Department. The National Ambulance has expanded to over 600 staff and 200 dedicated emergency vehicles. The National Ambulance also provides Helicopter Emergency Medical Services (HEMS) to each of the 14 Abu Dhabi National Oil Company (ADNOC) subsidiary companies.⁷⁰
- 2.76 Aspen Medical delivers internationally accredited Combat First Aid Training to the UAE military, including 20,000 military trainees recruited under the newly introduced National Military Service Program. Aspen Medical has also provided advanced clinical trauma training for approximately 650 UAE military personnel prior to their deployment on combat operations in Yemen.⁷¹

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

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

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

70 Aspen Medical, *Submission 56*, p. 1.

71 Aspen Medical, *Submission 56*, p. 2.

Table 2.5 Australia's services exports to the MENA

Current price - balance of payments basis								
Country	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m	2014-15 % share of total	% growth 2013-14 to 2014-15	5 year trend
Algeria	2	1	2	3	2	0.0	-33.3	5.6
Bahrain	13	12	9	12	16	0.0	33.3	0.4
Egypt	45	44	47	34	34	0.1	0.0	-9.4
Iran	116	134	148	147	141	0.2	-4.1	7.2
Iraq	23	30	25	33	48	0.1	45.5	15.5
Israel	70	61	54	54	41	0.1	-24.1	-10.2
Jordan	21	21	25	28	31	0.0	10.7	8.9
Kuwait	61	55	62	56	53	0.1	-5.4	2.3
Lebanon	47	44	41	43	47	0.1	9.3	-0.3
Libya	33	31	29	18	10	0.0	-44.4	-14.8
Morocco	5	4	4	4	4	0.0	0.0	2.2
Oman	26	28	33	26	30	0.0	15.4	2.0
Qatar	31	79	74	90	126	0.2	40.0	24.8
Saudi Arabia	304	352	354	356	355	0.6	-0.3	-0.1
Syria	6	6	4	2	2	0.0	0.0	-23.1
Tunisia	1	1	1	2	2	0.0	0.0	..
United Arab Emirates	480	439	469	553	633	1.0	14.5	3.3
Yemen	1	1	1	1	1	0.0	0.0	-9.4
Total MENA	1,285	1,343	1,382	1,462	1,576	2.5%	7.8%	1.8%
Total services exports	51,046	51,558	53,394	57,370	63,084	100.0	10.0	4.4

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

Imports of services

- 2.77 In 2014-15, Australia imported \$3.2 billion in services from the Middle East, including \$2.22 billion of services from the UAE. Nearly \$1.9 billion of the \$2.22 billion from the UAE was for transport services, \$423 million from Qatar, \$136 million from Lebanon, \$89 million from Israel, \$78 million from Egypt, \$64 million from Iran and \$44 million from Saudi Arabia (see Table 2.6).
- 2.78 Based on the available data in DFAT's submission, Australia's major services imports from the Gulf states and Israel in 2012-13 were transportation (\$2.25 billion), travel (\$397 million), other business services (\$53 million), and government services (\$16 million):

Of these figures, the standout figure is that of over \$2 billion worth of transportation services purchased from the UAE. This reflects the substantial number of passenger flights between Australia and the UAE operated by Emirates and Etihad, as well as Emirates' dedicated freight services between Australia and the UAE.⁷²

72 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

Table 2.6 Australia's services imports from the MENA

Current price - balance of payments basis								
Country	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m	2014-15 % share of total	% growth 2013-14 to 2014- 15	5 year trend
Algeria	4	5	5	5	4	0.0	-20.0	-1.3
Bahrain	12	5	4	4	3	0.0	-25.0	-19.9
Egypt	129	88	77	69	78	0.1	13.0	-14.3
Iran	45	53	57	63	64	0.1	1.6	9.2
Iraq	29	43	48	42	32	0.0	-23.8	8.6
Israel	108	107	108	110	89	0.1	-19.1	-3.1
Jordan	29	34	27	27	26	0.0	-3.7	-0.7
Kuwait	10	11	10	8	8	0.0	0.0	-10.6
Lebanon	189	188	152	120	136	0.2	13.3	-10.0
Libya	2	1	1	0	0	0.0
Morocco	23	22	23	27	20	0.0	-25.9	4.8
Oman	12	10	12	8	10	0.0	25.0	-8.4
Qatar	109	191	250	294	423	0.6	43.9	70.9
Saudi Arabia	32	47	45	40	44	0.1	10.0	5.6
Syria	27	11	6	1	3	0.0	200.0	-46.4
Tunisia	2	2	3	1	1	0.0	0.0	-13.7
UAE	1,988	2,252	2,512	2,140	2,220	3.1	3.7	4.0
Yemen	0	1	1	0	0	0.0
Total MENA services imports	2,750	3,071	3,341	2,959	3,161	4.4%	6.8%	4.7%
Total services imports	58,369	62,189	67,546	71,632	71,725	100.0	0.1	6.2

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

Education

- 2.79 Higher education represents an important component of trade between Australia and the Middle East. International student enrolments in Australia from the Middle East have increased from 5,000 in 2003 to over 20,000 in 2013. In the 10 years to 2012-13, the value of education exports grew ten-fold, from \$71 million to almost \$700 million.⁷³
- 2.80 The Department of Immigration and Border Protection submitted that in 2014-15 it issued 13,759 student visas for students from countries in the Middle East and North Africa region, up from 13,624 students in 2013-14 (see Table 2.7). The largest intakes of Middle Eastern students on student visas in 2014-15 were from Saudi Arabia (8,739), and Iran (1,612).
- 2.81 Compared to other source countries for international students studying in Australia, Saudi Arabia is the only Middle Eastern country in the top 10 in 2013 for higher education at 4,114 students compared to China, the largest source at 76,840 students.⁷⁴

73 Department of Foreign Affairs and Trade, *Submission 9*, p. 15.

74 Universities Australia, *Submission 21*, p. 5.

2.82 The University of Sydney's engagement in the Middle East is focused on the six countries of the GCC - Bahrain, Kuwait, Oman, Saudi Arabia, Qatar and the UAE, with some interest in Iran in relation to the recruitment of high quality research students. The University of Sydney's activities are centred on building stronger people-to-people links between Australia and the region by promoting the university and Australia as a high quality educational destination and source of research expertise.⁷⁵

2.83 According to DFAT, this strong growth in student numbers has not been uniformly experienced across the Middle East:

...enrolments from the Middle East as a whole have declined by around 15 per cent since 2010 due to competition from other countries, the strong Australian dollar, and domestic education policies that have encouraged students to attend branch campuses of foreign universities in their own countries, rather than study abroad. Middle East Embassies have also commented that they consider Australia's visa processes more onerous than those of other education providers.⁷⁶

Table 2.7 Number of Student visas (subclasses 570-576) granted to MENA nationals

Travel Document Country	2013-14	2014-15
Algeria	15	4
Bahrain	60	33
Egypt	246	201
Iran	1,521	1,612
Iraq	1042	870
Israel	148	171
Jordan	363	420
Kuwait	293	262
Lebanon	354	383
Libya	446	140
Morocco	27	37
Oman	504	536
Palestinian Authority	43	43
Qatar	29	14
Saudi Arabia	8,164	8,739
Syrian Arab Republic	28	22
Tunisia	20	11
United Arab Emirates	290	235
Yemen	31	26
TOTAL Student visa (subclasses 570-576) grants to MENA nationals	13,624	13,759

Source Department of Immigration and Border Protection, *Answers to Question on Notice*.

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

76 Department of Foreign Affairs and Trade, *Submission 9*, p. 15.

- 2.84 As a region, the Middle East is a significant market for Victorian universities, accounting for over 5,000 international enrolments. Almost half (49 per cent) of these enrolments are from Saudi Arabia, while Iran and Kuwait account for a further 30 per cent. Higher education has been the dominant sector, with over half of the Middle Eastern students in Victoria doing undergraduate or postgraduate studies.⁷⁷
- 2.85 The region is an important source of post graduate students for Victorian universities, with an undergraduate to postgraduate ratio of 1:1. Many of these students are supported by GCC government scholarships, suggesting there is a perception of a high quality offering.⁷⁸
- 2.86 The number of students from the Middle East attending the University of Wollongong (UOW) in Australia has more than quadrupled over the last decade, with 519 onshore students in 2014. This represents approximately five per cent of the university's total international student population. The largest proportion of Middle Eastern students at UOW are from Iran and Saudi Arabia.⁷⁹
- 2.87 Victorian education exporters are supported by the presence of a Victorian Government Education Services Manager based in Dubai, UAE. Activities to promote international education exports have included:
- Hosting higher education institutes and VET and TAFE institutes on Victoria's Super Trade Missions.
 - The establishment of connections with different ministries in Saudi Arabia and Oman.
 - Supporting in bound missions for Saudi Government officials to Australia.
 - Supporting Alumni events in Oman and Saudi Arabia to further develop relations with our graduates.
 - Assisting universities in developing research agreements and exchange programs with counterparts in the Middle East.⁸⁰
- 2.88 A number of Victorian universities have partnerships in the Middle East, including Deakin University, Monash University and The University of Melbourne. Mostly agreements centre on student and teacher exchange or research collaboration as well as curriculum delivery.
- 2.89 Victorian vocational education providers are also active in the Middle East including the Chisholm Institute, the William Angliss Institute, the
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77 Victorian Government, *Answers to Question on Notice*, No. 6, p. 4.

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

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

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

Holmesglen Institute and the Box Hill Institute. Partnerships involve vocational teacher training delivery and industry specific training. Vocational education initiatives such as Saudi Arabia's Colleges of Excellence present 'growing opportunities for Victorian education providers to deliver offshore services and partners with institutions in-country'.⁸¹

Delegation discussions relating to education

- 2.90 During its visit to Saudi Arabia, the Committee delegation had the opportunity meet with the Saudi Ministry of Education, deputy ministers and members of the Shura Council. Discussions included the difficulties, from a Saudi Arabian perspective, associated with the complexity of applying for student visas to Australia, that the visas are despatched from the UAE, the visas for the students' families, and other problems experienced by Saudi students.
- 2.91 In separate discussions with the delegation, the ministers and the parliamentarians queried why the Australian visas are issued from the UAE and not Riyadh. They also raised the inconvenience when visas expire and requiring the student or accompanying family member to leave Australia to get the visa re-issued.
- 2.92 At a meeting with the Ministry of Education, the Ambassador of Saudi Arabia to Australia, HE Mr Nabil Mohammed A. Al Saleh, raised concerns about the issuing of visas from Dubai, not Riyadh. The Australian Ambassador to Saudi Arabia, Dr Ralph King, clarified that the visas for Saudis are largely processed online before being issued from the Department of Immigration and Border Protection's central processing office in the UAE. The Ambassador HE Mr Al Saleh also requested if the visa forms could be made available in Arabic, asking how Saudi students wanting to learn English in Australia can answer so many questions in English.
- 2.93 The problems experienced by Saudi students applying for visas were raised again at a meeting with the Vice Speaker of the Shura Council, HE Dr Mohammed Amin Jefri, followed by a roundtable with the Saudi-Australia Friendship Committee. Dr Amin Jefri told the delegation that he had received correspondence from students unhappy with the visa process. He warned of the negative impact on the students, who are likely to become promoters of Australia after their studies.

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

- 2.94 On the issue of Saudi students and their families renewing their visas without the cost of having to leave Australia, the Ambassador HE Mr Al Saleh, told the Committee delegation of a possible solution to the visa expiry issue he had already raised with the Department of Immigration and Border Protection. He requested that the Department notify the Royal Embassy of Saudi Arabia three months in advance of a Saudi student's visa expiring so the Embassy can organise having the visa reissued. At the time of this discussion, the Ambassador was waiting upon a response.

Tourism and travel services

- 2.95 According to Tourism Australia, the countries of the Middle East make up a small but growing inbound tourism market, which the agency estimates to be one of five markets with the potential to be worth over \$1 billion by 2020. By comparison, three of Tourism Australia's key markets such as China are expected to be worth more than \$5 billion and four markets are expected to be worth more than \$2.5 billion.⁸²
- 2.96 In the Middle East, Tourism Australia's focus is on the UAE and Saudi Arabia, and its target customer is the high-spending Gulf national, aged 35-54 years old, travelling with family and friends, who resides in Abu Dhabi or Dubai in the UAE or in Riyadh, Saudi Arabia.⁸³
- 2.97 In the 12 months ending December 2014, the Australian Bureau of Statistics' (ABS) Overseas Arrivals and Departures Survey showed there were a total of 104,600 visitors from the broader Middle East and North African region, including 35,900 from the United Arab Emirates (UAE) and 11,300 from Israel.⁸⁴
- 2.98 The Department of Immigration and Border Protection told the Committee there has been a slight increase in visitor visa numbers from the Middle East with 37,215 visitor tourist visas issued MENA nationals in 2014-15, up from 33,728 visitor tourist visas issued in 2013-14 (see Table 2.8).⁸⁵

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

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

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

85 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

Table 2.8 Number of Visitor visas (subclass 600) - Tourist stream granted to MENA nationals⁸⁶

Travel Document Country	2013-14	2014-15
Algeria	77	85
Bahrain	366	329
Egypt	2,128	2,141
Iran	5,750	7,509
Iraq	519	508
Israel	5,259	5,318
Jordan	1,052	1,146
Kuwait	2,101	2,177
Lebanon	4,487	4,810
Libya	60	53
Morocco	277	256
Oman	577	801
Palestinian Authority	102	106
Qatar	913	1,012
Saudi Arabia	5,954	6,954
Syrian Arab Republic	157	166
Tunisia	91	99
United Arab Emirates	3,792	3,682
Yemen	66	63
TOTAL Subclass 600 tourist stream grants to MENA nationals	33,728	37,215

Source Department of Immigration and Border Protection, *Answers to Question on Notice*.

- 2.99 There was also an additional 4,573 visitors, including 1,023 from Israel and 775 from Saudi Arabia, who entered Australia on the business stream visitor visa in 2014-15. (see Table 2.9)⁸⁷ The visa application charge for a tourist from the GCC is \$135 for a visitor visa (subclass 600) tourist stream, lodged by an applicant who is outside of Australia.⁸⁸
- 2.100 The largest visitor numbers of MENA nationals in 2014-15 came from Iran (7,509), Saudi Arabia, (6,954), Israel (5,318), Lebanon (4,810), United Arab Emirates (3,682), Egypt (2,141), Kuwait (2,177), and Jordan (1,146).⁸⁹

86 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

87 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 19.

88 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 16.

89 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

Table 2.9 Number of Visitor visas (subclass 600) – Business visa granted to MENA nationals⁹⁰

Travel Document Country	2013-14	2014-15
Algeria	116	56
Bahrain	67	71
Egypt	618	515
Iran	483	542
Iraq	177	123
Israel	953	1,023
Jordan	294	276
Kuwait	71	52
Lebanon	248	337
Libya	54	4
Morocco	107	99
Oman	172	125
Palestinian Authority	44	30
Qatar	71	71
Saudi Arabia	470	775
Syrian Arab Republic	70	49
Tunisia	122	80
United Arab Emirates	435	326
Yemen	19	19
TOTAL Subclass 600 business stream grants to MENA nationals	4,591	4,573

Source Department of Immigration and Border Protection, *Answers to Question on Notice*.

2.101 Tourism Australia, which does not have a representative office in the Middle East with its nearest Tourism Australian office in Mumbai, India, submitted that the Middle East is a relatively small market compared to China, UK or the USA.

In the context of the total inbound visitors of over 6.9 million in the same period, the number of visitors from the Middle East and North Africa (which includes visitors from Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, the UAE and Yemen) was small, accounting for just 1.5 per cent of total inbound visitors to Australia. During the same period China accounted for 839,500 (12.2 per cent) visitors, the UK 652,100 (9.5 per cent) and the USA 553,000 (8.1 per cent).⁹¹

⁹⁰ Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 19.

⁹¹ Tourism Australia, *Submission 53*, p. 2.

Cost of trade finance

- 2.102 The Export Finance and Insurance Corporation (EFIC) is Australia's export credit agency assisting to finance Australian companies that have 'viable export opportunities and growth opportunities in international markets but are unable to raise finance from the private market'.⁹²
- 2.103 EFIC stated it has been supporting Australian businesses in the Middle East and at 30 June 2015, EFIC's exposure on its Commercial Account to the Middle East was around \$150 million, which represented around 8 per cent of EFIC's total credit portfolio.
- 2.104 Over the last five years EFIC has provided an estimated \$25 million worth of facilities to small businesses who are exporting to the Middle East:
- Our current SME portfolio in the Middle East—just to put it in perspective—represents just a little under five per cent of our portfolio. Today we have in the SME space exposures of about \$7.8 million, so recognising that exposures run off... That represents 17 exporters. Whilst it is not a substantial number, that represents the fact that we have only in the last two years shifted our focus towards small businesses where previously we were a lot more focused on helping large projects.⁹³
- 2.105 As an example, EFIC explained how it helped finance DownUnder Geosolutions (DUG) from Western Australia which develops specialised software for oil and gas exploration expand into the Middle East market. The company had just won a contract to install hardware and DUG's software onto a fleet of six seismic vessels in Dubai to enable the detection of oil and gas deposits which other technologies in the market cannot identify:
- They have no collateral that the banks would recognise as being of any value in an enforcement scenario. All of their assets, their intellectual property, their code—it is not something that the banks can get their foot on and sell in an enforcement scenario.⁹⁴
- 2.106 To allow DUG to fulfil the contract, EFIC provided its bank with a US\$5.8 million guarantee enabling it to increase its funding to support this contract and fund upgrades to its overseas offices to better position the company for overseas sales.⁹⁵

92 Mr Andrew Watson, EFIC, *Committee Hansard*, Canberra, 25 November 2015, p. 1.

93 Mr Andrew Watson, EFIC, *Committee Hansard*, Canberra, 25 November 2015, p. 1.

94 Mr Andrew Watson, EFIC, *Committee Hansard*, Canberra, 25 November 2015, p. 2.

95 EFIC, *Submission 55*, p. 4.

- 2.107 EFIC is no longer supporting DUG and the company now receives all of their funding from the private market.
- 2.108 Other examples of Australian companies helped by EFIC in Middle Eastern markets include:
- Boost Media Holdings - Boost is a NSW SME that provides strategic revenue solutions for print, TV, internet and radio sales and advisory services. The provision of \$1.5 million of working capital from EFIC has assisted Boost to provide services to UAE's Arabian Radio Network.
 - AOM Group - AOM is a Queensland SME that exports organic beef to the Middle East. In order for AOM to meet its growing export orders, EFIC provided AOM's bank with an \$500K guarantee, needed for the purchasing, processing and packaging of its meat.
 - Fibre King - Queensland-based engineering SME, Fibre King, specialises in the design and manufacture of packaging machinery. They won a large contract for the supply and installation of seven case packing machines and end of line palletisers for two new factories in Dubai. Under the contract, Fibre King needed to provide more than \$US1 million in advance payment bonds, as security for upfront payments from the purchaser – EFIC provided the bonds.⁹⁶
- 2.109 In the last 5 years, EFIC has not been involved in any capital works projects to build roads in the Middle East. However, EFIC has assisted companies involved in other types of construction in the region, including:
- Bothar Boring and Tunnelling Pty Ltd - Specialist SME in underground trenchless pipeline construction and tunnelling and has offices in Brisbane, Sydney, Abu Dhabi and Kuwait.
 - JML Engineering Facades Pty Ltd - Specialist SME in building façade design, engineering and construction.⁹⁷

Investment profile of the Middle East

- 2.110 According to ABS data, in 2014 total investment from the United Arab Emirates (UAE) in Australia was estimated at \$26 billion, Saudi Arabia invested \$4.7 billion in Australia and Kuwait invested \$3.6 billion in Australia.⁹⁸

96 EFIC, *Submission 55*, p. 4.

97 EFIC, *Answers to Question on Notice*, No. 11, p. 2.

98 Department of Foreign Affairs and Trade country/economy fact sheets for UAE, Saudi Arabia and Kuwait, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

- 2.111 According to Australia's Foreign Investment Review Board (FIRB) Annual Report 2014-15, the UAE was ranked 12th internationally in the number of FIRB approvals by country. The FIRB approved 38 separate investments by the UAE worth \$1.8 billion across a range of sectors. Approvals were given for the UAE to invest \$184 million in the financial and insurance sector, \$547 million in manufacturing, \$427 million in real estate, and \$667 million in services.⁹⁹ The previous FIRB Annual Report 2013-14 recorded the 33 approvals for investments worth \$2.5 billion from the UAE. It also recorded 11 investment approvals from Kuwait worth \$2.6 billion including \$1.75 billion in investments for mineral exploration.¹⁰⁰
- 2.112 In 2014, Australia's investment in the UAE was \$2.4 billion.¹⁰¹ The Abu Dhabi Investment Authority (ADIA), the world's second largest sovereign wealth fund, became Australia's largest hotel owner in late 2013, acquiring 31 Accor-branded hotels. The ADIA has also invested in ports and the Queensland Motorway project. Other UAE sovereign wealth funds also have assets in Australia and are looking for other investment opportunities in Australia.¹⁰²

99 Foreign Investment Review Board, *Annual Report 2014-15*, p. 35.

100 Foreign Investment Review Board, *Annual Report 2013-14*, p. 31.

101 Department of Foreign Affairs and Trade country/economy fact sheet for UAE, viewed 16 March 2016, <<http://dfat.gov.au/trade/resources/Documents/uaem.pdf>>.

102 Department of Foreign Affairs and Trade, *Submission 9*, p. 53.



The Committee delegation visited Sheikh Zayed Grand Mosque in Abu Dhabi



Emirates CEO HH Sheikh Ahmed bin Saeed Al Maktoum with the delegation in Dubai



Committee delegation members at Emirates HQ overlooking Dubai International Airport



The Hon Dr Sharman Stone MP meets the Foreign Affairs Minister of the United Arab Emirates, HE Dr Anwar Gargash



Delegation meet UAE's Foreign Affairs Minister, HE Dr Anwar Gargash. Also present are Australia's Deputy Head of Mission Ms Kim Debenham and Austrade's Mr Gerard Seeber



Delegation members meet the Chairman of DP World, HE Sultan Ahmed Bin Sulayem, and Vice Chair, Mr Jamal Majid Bin Thaniah, in Dubai



Delegation members with UAE's Minister of Economy, HE Sultan bin Saeed Almansoori, and the then Australian Ambassador HE Mr Pablo Kang (far left)



The Hon Teresa Gambaro MP and Ms Maria Vamvakinou MP meet the Deputy Speaker of UAE's Federal National Council, HE Mr Marwan Ahmad bin Ghalita



The delegation meet Jones the Grocer Managing Director, Mr Yunib Siddiqui, in the UAE



National Ambulance CEO, Mr Robert Ball, meets the delegation in Abu Dhabi



Delegation at Etihad Innovation Centre with Etihad's Mr Vijay Poonoosamy and staff



Australian Alumni Dr Shaikha Al Maskari of Johnson Controls & Global discusses her time at an Australian university with the Hon Dr Sharman Stone MP

Building two-way trade and investment

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

Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.11 According to DFAT:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to MENA trade objectives

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

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

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

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

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

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

Agricultural commodities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dairy

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

Grains

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

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

Rice

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Red meat

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

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

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

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

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

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

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

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

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

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

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

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

Camel meat

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

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

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

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

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

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

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

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

Horticulture

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

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

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

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

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

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

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

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

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

Barramundi and aquaculture

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to agricultural exports

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

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

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

Infrastructure and mining

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to rail and mining

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

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

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

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

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

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

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

Water and energy infrastructure and management

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

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

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

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

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

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

- 3.85 An Australian consultancy, Seventh Sense, which provides high-level regulation, policy, planning and strategy advice to government departments in the UAE sees good opportunities for Australian expertise on water regulation, management strategies and planning, and also in improving water efficiency by the use of technology and rating systems.⁶³

- 3.86 According to Austrade, the UAE Government spends in excess of US\$800 million annually on maintaining water desalination plants with estimates this cost will continue to grow to over US\$3.22 billion by 2016.⁶⁴

- 3.87 Following the success of various water infrastructure projects throughout Australia, Austrade has identified numerous possibilities for companies to effectively enter the water sector in the UAE, including:

- water management
- green building expertise
- facility management
- project management
- building materials and products.⁶⁵

- 3.88 The Managing Director of Seventh Sense, Mr Ibrahim Awad, claimed the University of Technology Sydney wants to develop an Institute for

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

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

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

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

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

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

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

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

Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Education

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Australian universities in the Middle East

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

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

University of Wollongong Dubai

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

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to Middle Eastern universities and vocational training colleges

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

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

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

Tourism

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

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

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

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

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

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

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

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

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

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

- 3.147 The National Chairman of the Australia Arab Chamber of Commerce and Industry, Mr Geoffrey Puttick, argued that if Australia can attract more tourism from the Middle East it will also help grow other trade opportunities:
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107 Tourism Australia, *Submission 53*, pp. 2 – 3.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to the UAE's two airlines

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

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

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

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

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

Motor vehicles and automotive components

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to the car industry

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

Sovereign wealth funds and institutional investors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Delegation discussions relating to investment

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

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

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

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

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

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

Islamic finance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Specific countries presenting opportunities for increased trade and investment relations

United Arab Emirates

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

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

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

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

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

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

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

Qatar

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

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

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

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

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

Saudi Arabia

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

Kuwait

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

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

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

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

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

Morocco

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

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

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

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

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

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

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

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

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

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

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

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

Iran

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Israel

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

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

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

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

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

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

Committee comment

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

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

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



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



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



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



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



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



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



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



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



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



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



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



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



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

Barriers and impediments to trade and investment relations with the Middle East

- 4.1 This chapter examines the barriers and impediments to Australia growing its trade and investment relationships with a diverse region, including the cultural differences and the concerns some Australians may have about doing business in the Middle East and North Africa (MENA). Business people with experience in the Middle East provide their views on the perceptions of security risks, the bureaucracies, and the role of Sharia law, along with an outline of the tariffs and technical barriers to trade that can impact on Australian exports. Other issues examined include Halal certification, food and product labelling, supply chain costs, and the cost of trade finance. The challenges faced by Middle Eastern residents to obtain visas to enter Australia for tourism, business or study are outlined.

Business environment

- 4.2 The Middle East is unfamiliar terrain for many Australian businesses who have exported to European and North American markets:
- The region's distance from Australia, as well as perceptions about security and cultural differences, have made some exporters wary of entering the market.
 - Factors such as bureaucratic inefficiency, changing policies and regulations, lack of infrastructure, and levels of workforce skill, are all cited as hindrances to business. Such obstacles can sometimes be mitigated through market research and by engaging local expertise.¹

1 Department of Foreign Affairs and Trade, *Submission 9*, p. 24.

- Differing legal regimes also present some challenges. The application of Sharia law introduces an element of incompatibility to some Australian companies operations.²

4.3 The Export Council of Australia submitted that in Australia there is a perceived risk of doing business in the Middle East largely based on a lack of understanding of the culture and business practices in the region, and Australian businesses are more likely to put it in 'too hard' basket.³

4.4 The Director of the Export Council of Australia, Mr Stephen Deady, recalled the Middle East not featuring too highly as a place for Australians to do business, according to an international business survey by the Business Council of Australia, Austrade, Export Finance and Insurance Corporation and Sydney University:

The UAE was mentioned there as ranked 16th in markets of interest. Significantly it demonstrated that Saudi Arabia, another obviously key member of the GCC, was one of the more difficult markets to penetrate. That does, I think, reflect the level of regulation in those countries...A lack of transparency, hurdles to foreign investment in exports and investment go hand in hand now with the nature of world trade, and some of the foreign investment restrictions that are in that part of the world certainly inhibit Australian exporters. There were some specific aspects of the market that are also important, including some of the costs of doing business there and the certification that is often required. Even in Australia for exports of meat, for example, are really a revenue-raising issue for the Emirates, in particular, but do effect the profitability for Australian exporters to do business in that market.⁴

4.5 According to the CEO of the Australia Arab Chamber of Commerce and Industry, Mrs Suzannah Moss-Wright, receiving full payment for contracts can also be a significant issue confronting some Australian companies involved in the Middle East's expansive construction and infrastructure sector:

The ability to recover payments that are due and owing is the single biggest issue affecting Australian companies wishing to do business in the Middle East. This is something that is involved in the due diligence process up front. Many companies have

2 Department of Foreign Affairs and Trade, *Submission 9*, p. 24.

3 Export Council of Australia, *Submission 13*, p. 2.

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

significant amounts of money still outstanding from companies based in the Middle East region, and to recover those funds through the legal system is difficult and protracted. That in turn results in companies having a lesser appetite to go back into that region, because obviously that profitability is marginalised by the fact that there is a non-payment.⁵

4.6 Mrs Moss-Wright cautions any Australian companies chasing opportunities on multi-million dollar construction and infrastructure projects in the Middle East that they will need to undertake a rigorous due diligence process, and ensure that their legal documents are in a form and a structure that allows them to recover outstanding funds. Even companies as large as Habtoor Leighton, the Middle Eastern subsidiary of Australian construction giant Leighton Holdings, have had challenges either collecting outstanding debts or paying out performance bonds during some of its multi-million dollar construction projects in the Gulf.⁶

4.7 The Managing Director of trade consultants Dearin & Associates, Ms Cynthia Dearin, advised that she was aware of some businesses or exporters that wait a long time before receive full payment for their services or goods in the Middle East:

It is one of the things that is reported as being a challenge. That is not to say that you do not get paid, but, typically, it is much slower than it is here. That probably has a cultural element, because time is not seen in the same way as it is seen here. We have the saying, 'Time is money;' the Arabs have the saying, 'God has given us unlimited quantities of two things: time and sand.' So we have a much stricter approach to time and to things like payment deadlines, and that is not always as strictly observed. But, yes, people do report being paid in a timely fashion as a challenge, and I can attest to the fact that that is, in some cases, true.⁷

4.8 The then Chief Executive Officer of the Bank of Sydney, Ms Julie Elliott, told the Committee that not enough Australian exporters were aware of the potential of the Middle East region, particularly with so much of Australia's trade focus being on Asia:

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

6 Mrs Suzannah Moss-Wright, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, p. 4 and Damon Kitney, *Leighton bracing for Qatar legal row*, *The Australian*, 5 August 2013, viewed 3 December 2015, <<http://www.theaustralian.com.au/business/companies/leighton-bracing-for-qatar-legal-row/story-fn91v9q3-1226691068142>>.

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

Competing countries are entering the market with cheaper products and Australia's status as a major exporter to the region is falling. For example, in 2000, Australia was in the top 10 importers into the region; now, we are ranked 22nd. From our perspective, we believe that with the decline in car manufacturing this could fall further unless action is taken.⁸

- 4.9 Ms Elliott warned there were a range of misconceptions about doing business in the region:

There is a perceived contagion risk of the region, supported by regular media reporting of conflicts in the region and minimal coverage of the opportunities. There is a perceived tyranny of distance, although interestingly the distance is the same as some of the major cities in China. Finally, there is incorrectly perceived cultural differences, such as lack of women in business. That fallacy is demonstrated by the fact that I was appointed to run a Middle-Eastern owned bank here in Australia.⁹

- 4.10 Australian shipbuilder, Austal, which has been building high-speed ferries, patrol boats and support vessels for Middle Eastern governments, navies and ferry operators since 2002, recommended Australian companies establish an office or take on local agents for a greater presence in the region. Austal opened its office in the UAE in 2010:

It is very difficult to do business in the Middle East without actually being in the Middle East, either with a permanent presence, or willingness for staff to spend significant time on the ground. This has direct implications for sales and marketing budgets. Meetings in person are generally most effective for furthering relationships, followed by telephone, and then emails. It should be remembered that while much of the Middle East speaks very good English, it is a second language and one that they are generally more comfortable speaking than writing.¹⁰

- 4.11 Vice President of Sales and Marketing at Austal, Mr David Shiner, told the Committee it took five years from the opening an office in the UAE to delivery of commercial boats in 2015, but it does show it takes time to build strong relationships in the Middle East:

So some people would argue five years from establishing an office to actual order delivery would be a long time. There is a long incubation period. Some people would argue that is a cost which

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

9 Ms Julie Elliott, Bank of Sydney, *Committee Hansard*, Canberra, 9 September 2014, p. 23.

10 Austal, *Submission 23*, p. 8.

would be considered a barrier to entry. From our perspective, it is a necessity, if you wish to establish a relationship with the countries in the Middle East, you need to demonstrate that you are committed to a long-term commercial relationship.¹¹

- 4.12 Mr Shiner observed that relationships are important for doing business in the region and potential Middle Eastern clients like to be able to engage with an Australian supplier or representative based in their country whenever they need support, or answers to questions:

The Middle East is particularly sensitive to relationships so personal relationships are immensely important. It is about establishing trust, building trust and integrity around the relationships you have, and that is generally not achieved through flying in and flying out. Equally, relationships between organisations extend beyond one or two individuals so it is important to have a balance. What we find is a requirement to have presence on the ground by Australians because the customers want to see Australians in their countries. They want to see Australian organisations invest resources into their countries, but with a mix of local regional support, and supported frequently with senior management visits to the region to reinforce there is a senior commitment and it is not just an outstation that has been left and forgotten.¹²

- 4.13 Austal submitted that finding a skilled local representative or partner for an Australian company can prove successful:

Local agents/consultants/representatives can play a pivotal role in identifying opportunities for trade and investment, establishing and fostering relationships with potential customers and suppliers, and gaining important market intelligence.¹³

- 4.14 Austal explained there were various mechanisms for engaging and retaining a local representative, and 'with all business partnerships, finding the right partner is crucial':

This includes their suitability for a given industry e.g. Austal's representatives are familiar and experienced in our markets; but also ensuring they are properly registered under local laws, and conduct business appropriately. Austal has strict ethical and legal obligations, and policy with regards to the manner in which it

11 Mr David Shiner, Austal, *Committee Hansard*, Canberra, 14 October 2015, p. 2.

12 Mr David Shiner, Austal, *Committee Hansard*, Canberra, 14 October 2015, p. 2.

13 Austal, *Submission 23*, p. 8.

conducts business and effective due diligence is required when selecting a local representative.¹⁴

- 4.15 According to Austal, Australian businesses should be prepared to research extensively, utilising local chambers of commerce, business groups, Austrade and DFAT:

The rules under which agents can and can't represent foreign businesses vary from country to country, particularly for government contracts, so it is important to research or take advice.¹⁵

- 4.16 The Australian Livestock Exporters' Council (ALEC) advised the MENA region is comprised of a complex mix of states and governments requiring a significant understanding of each country for anyone dealing in the many jurisdictions. According to ALEC, the commercial environment and the way that government interacts with business is vastly different to the West and varies greatly from country to country:

Some of the MENA states are governed by vast and somewhat cumbersome bureaucracies which have created layers of regulation which even local businessmen find hard to comprehend. Anything requiring approval by municipal, city, provincial or national government is unlikely to progress quickly, or at all, without the influence of a significant and well-connected local partner.¹⁶

- 4.17 According to ALEC, in some poorer Middle Eastern countries, corruption is allegedly more common which 'can work both for and against business interests'. Time was required to build closer people-to-people relationships in these countries:

Spending significant time in market with the people that you are dealing with is the only way you can be sure of their intent and honour relative to your business and the way in which it is being processed through official channels.¹⁷

- 4.18 The Chairman of the Australian Turntable Company (ATC), Mr Paul Chapman, commented on the challenges his engineering firm faced to win contracts in the UAE, Oman, Qatar, Iran and Iraq installing large scale turntables for revolving restaurants, car dealerships and loading docks. Mr Chapman listed the main barriers for ATC's expansion into the Middle

14 Austal, *Submission 23*, p. 8.

15 Austal, *Submission 23*, p. 8.

16 Australian Livestock Exporters' Council, *Submission 16*, p. 13.

17 Australian Livestock Exporters' Council, *Submission 16*, p. 13.

East, including international recognition, and local suppliers of maintenance services in the Middle East:

- Initially the biggest barrier was that ATC had only a small resume of projects delivered outside Australia, and none into the UAE. Hence there were some concerns of the Emiratis with our capability.
- Buyers in the Middle East like to have a supplier's representative close by, and initially this was a problem for ATC. However we now have a UAE company that undertakes our installations and maintenance, and the locals are much more comfortable.¹⁸

Cultural understanding

4.19 ATC Chairman, Mr Chapman, advised that Australian companies seeking to enter the Middle Eastern markets should develop a good understanding of the diverse cultures of the people they will deal with across the region.¹⁹

4.20 Mr Chapman recalled his own negotiations for a project in Iran, and how his cultural understanding, along with reciting a Persian mathematician's poem from his childhood helped ATC overcome some last minute hurdles to win a contract to install a large turntable for a revolving restaurant:

What I did not know was that very close to the end of the negotiations the head of the [Iranian] government department who was purchasing this revolving restaurant stood up and asked me, 'Mr Chapman, how can I trust you?' which was an interesting question. Without being prepared, I had remembered a poem that my late father used to recite to me. He was a great poet. He settled the kids on his knees as we grew up and would recite every bit of poetry he could remember. He recited one a few times to me that went like this:

The Grape that can with Logic absolute
 The Two-and-Seventy jarring Sects confute:
 The subtle Alchemist that in a Thrice
 Life's leaden Metal into Gold transmute.

I said that to Mr Siddiqui, the head of the department. He looked at the people around him and said, 'That is from the *Rubaiyat of*

18 Australian Turntable Company, *Answers to Question on Notice*, No. 4, pp. 1-2.

19 Mr Paul Chapman, Australian Turntable Company, *Committee Hansard*, Melbourne, 17 October 2014, p. 14.

Omar Khayyam. 'I said, 'That's right, Sir.' He said, 'This deal is done.'²⁰

4.21 By contrast, Mr Chapman warned how a lack of respect for an Iranian client and his culture by a third-party engineering firm in Melbourne cost one of his subsidiary businesses a lucrative contract to design and engineer a new energy efficient apartment complex in Tehran.²¹

4.22 Deakin University's Professor Akbarzadeh, commented that despite Australia's broad engagement with the Middle East including significant trade, by sending Australian military forces there, and by educating thousands of international students from the region, there remains a lack of awareness in Australia of the various cultures of the Middle East, especially in the Gulf region:

There is a lot of misconception as to what people in the region believe and how they operate. From my point of view, it is very important to address those areas of need if we hope to expand our engagement with the region and facilitate various companies and the education sector to play a more active and more productive role.²²

4.23 The Australian Livestock Exporters' Council (ALEC) submitted that the MENA region is dominated by the significant influence of Islam and the cultural legacy of, for the 'most part, being less than a century removed from nomadic, Bedouin or tribal culture'²³. The Kingdom of Saudi Arabia, as custodian of the Two Holy Mosques, the most revered of sites for the world's 1.6 billion Muslims, remains an influential country in the region according to ALEC. Long standing traditions and religious practices influence almost every aspect of life in the MENA region, including the way in which business is conducted.²⁴

4.24 The Managing Director of Seventh Sense, Ibrahim Awad, who is an Australian of Middle Eastern heritage, told the Committee of his recollection of a previous *Australia Unlimited* trade symposium in Dubai trying to sell Australia to the Emiratis:

I think that it is easy to come and try to sell Australia and Australian companies but to do that properly you need a very

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

21 Mr Paul Chapman, Australian Turntable Company, *Committee Hansard*, Melbourne, 17 October 2014, p. 16.

22 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 18.

23 Australian Livestock Exporters' Council, *Submission 16*, p. 11.

24 Australian Livestock Exporters' Council, *Submission 16*, p. 11.

good understanding of the culture and have a respect for the culture. You need to have done a lot of relationship-building, and that requires quite a bit of effort. As I say, I think there is more room for us to understand the culture. I do not think that we are encouraging students at school to learn Arabic even though the trade minister said that the Middle East is now the third most important trading region for Australia...²⁵

- 4.25 Professor Akbarzadeh suggested universities across Australia offer students the opportunity study languages:

It is very important to invest in languages – Arabic, Persian. At the moment Arabic is taught in a number of institutions in Australian universities, including at Deakin University. Persian is offered only at ANU, and at the Australian Defence College for service personnel. It is important to invest in language programs.²⁶

- 4.26 Professor Matthew Gray from the ANU's Centre for Arab & Islamic Studies (CAIS) argued that more government resources are needed to better promote the teaching of Arabic and Persian languages at both schools and universities, and also improve Australian's cultural awareness of the people of the diverse MENA region.²⁷

- 4.27 Professor Gray contended that extra grant funding would allow the academics at CAIS and the Middle East specialists at other universities to undertake more indepth analysis of Australia's trade and investment relationships with a very strategically important part of the world:

Beyond just the general pool of money that the Australian Research Council has, some grants, even if modest, that would let us do so much more applied work on some of the challenges of trade, investment and other elements of the relationship between Australia and the Middle East would be very welcome.²⁸

- 4.28 Mr Chapman stated Australia needs to better promote its multiculturalism and also encourage more young Australians to learn second languages such as Arabic and Persian to help build stronger relationships with the Middle East:

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

26 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 18.

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

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

We have a multicultural workplace, which I promote. An Iranian and a Qatari work for me, I have got a thing about promoting second languages from a young age. If we can get that happening in Australia that builds a cultural bridge and that will help.²⁹

- 4.29 In times of budgetary constraints at universities, Professor Akbarzadeh argued that more government support was needed for expanding the teaching of Arabic and Persian in Australia. He explained a proposed Centre for Gulf Studies at Deakin University would follow a similar funding model to the one used by the ANU to help fund its CAIS:

A lot of the success at the ANU is due to, and thanks to, the contribution and donations of external bodies. I believe the lecturer position in Persian language was initiated with support from the Iranian government, the Turkish language, the Arabic language – a lot of programs that are offered at the ANU have started with external funding but the university matches it... That track record has demonstrated that a five-year investment into a centre for Gulf studies, for example, has the capacity to be self-sufficient over the long run because we understand and we know that there is a demand for that level of cultural acquisition, language acquisition and building up of expertise.³⁰

- 4.30 Another avenue to improve cultural understanding between Australia and the Middle East were Saudi government scholarships on offer for Australians to study at universities in Saudi Arabia. The Saudi Ministry of Higher Education offers up to 30 scholarships for Australian students under 25 years of age to study for an undergraduate degree, students under 30 years of age for a Masters, and students under 35 years of age for a Doctorate at one of 23 designated Saudi universities. The scholarship will cover the healthcare of a student and their family living in Saudi Arabia, accommodation, annual travel home, financial stipends while they study and upon graduation, and other benefits enjoyed by Saudi students. The students can study any discipline available except medicine and health-related disciplines. The Saudi Arabian Cultural Mission in Canberra offers Australian students assistance with the application process.³¹

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

30 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 18.

31 Saudi Arabian Cultural Mission website, Scholarships, viewed 23 February 2016, <<http://www.sacm.org.au/E/pages/Scholarship.html>>.

Delegation discussions relating to business in MENA

- 4.31 During its visit to Middle East, the Committee delegation had the opportunity to meet and discuss issues with senior executives of the largest companies in the Gulf states, as well as a broad range of business people involved in chambers of commerce and other representative bodies in the UAE, Saudi Arabia and in Kuwait. The Committee delegation also had meetings and informal discussions with a range of Australian businesspeople working in the Middle East.
- 4.32 At a reception hosted by the Australian Business Council of Dubai in the UAE, the Committee delegation were able to have informal discussions with a range of Australian and Middle Eastern business people about doing business in the UAE. Several UAE business people advocated for Australian participation in Expo 2020 in Dubai, while others voiced concerns regarding the difficulty in obtaining visas for staff to travel to Australia, compared to countries like the UK.
- 4.33 The Committee delegation also attended a Australian Business Group and UAE Alumni Network function at the residence of then Australian Ambassador to UAE, Mr Pablo Kang, in Abu Dhabi. They had informal discussion with members of the Australian business community in the UAE, local business people, and also an alumni of Emirati graduates of Australian universities.
- 4.34 During its visit to Saudi Arabia, the Committee delegation participated in a roundtable meeting with the Council of Saudi Chambers (CSC) in Riyadh. Chamber members told the delegation that the Saudi mining sector was seeking out more Australian mining companies to get involved with.
- 4.35 The Head of Women's Investments Unit, CSC, Ms Khlood Al-Tamimi, reported to the Committee delegation that there was a national business forum for women, and on her role was to promote business opportunities for 43,000 business women across all sectors.
- 4.36 During its visit to Kuwait, the Committee delegation held a meeting with the Kuwait Chamber of Commerce & Industry (KCCI) and its board members. A board member, Mr Diraar Y. Al-Ghanim, observed that the growth in flights to Australia by the Gulf airlines had made Australia a lot closer and easier to get to, but the Kuwaiti tourism market in Australia needed more support.
- 4.37 Mr Al-Ghanim noted there was a large expansion of services provided by the Kuwaiti health sector, including a new 1200 bed hospital and a lot of opportunities for Australians with expertise in the health sector to offer their services and equipment.

- 4.38 Mr Al-Ghanim also reminded the Committee delegation that Australian business delegations visiting Kuwait were rare, but the KCCI did host delegations from the UK and France. According to Mr Al-Ghanim, these visits had helped significantly grow trade with these countries.

Sharia law

- 4.39 The Australian Livestock Exporters' Council (ALEC) submitted that Australian businesses need to be aware that Sharia law applies over much of the MENA region and that it plays a significant role, particularly in those countries where it is the base for judgment of criminal cases.³²
- 4.40 Sharia judicial proceedings have significant differences from Western legal traditions, including those in both common law and civil law:

Sharia's rules on written evidence necessarily diminish the utility of written contracts to structure economic relations. Given the significant difference in the structure of law and justice in much of MENA, it is imperative that any Australian active in business in the region has an understanding of the principles of Sharia law.³³

Security

- 4.41 Armed conflicts in Syria, Iraq, Libya and Yemen, are making these countries challenging places for Australian companies and exporters seeking to do business.
- 4.42 ATC Chairman Mr Chapman, whose company had installed large turntables in Northern Iraq in recent years before the so-called Islamic state fighters took hold, contended the security issues in these Middle Eastern countries do unfairly tarnish the reputation of the whole region and deter some Australian companies from seeking opportunities:

The unstable tensions between Sunni and Shia protagonists dominate news headlines, and generate a perception that everywhere you go in the Middle East this volatile situation exists. It is not true. Ignorance and limited cultural knowledge is a factor why Australians fear the region. We learnt very early that 'war is war and business is business'.³⁴

32 Australian Livestock Exporters' Council, *Submission 16*, p. 14.

33 Australian Livestock Exporters' Council, *Submission 16*, p. 14.

34 Australian Turntable Company, *Answers to Question on Notice*, No. 4, p. 5.

- 4.43 The Managing Director of trade consultants Dearin & Associates, Ms Cynthia Dearin, asserted that the general public's perception of security risks in the Middle East was an unfortunate reality that must be considered by business:

It only reinforces in people's minds that this is a region that is dangerous to travel to and too hard to work in, although, as those of us who travel there frequently know, you just cannot encompass the entire region with that blanket statement, because it is not the case. There are plenty of places in the region that it is completely fine to travel to and that I would have no hesitation whatsoever in going to, by myself or accompanied.³⁵

- 4.44 As an experienced and frequent traveller to the Middle East, Ms Dearin observed that much of the region can be a safe place to travel to and do business:

In terms of the practicality: again, it is on a case-by-case basis, and even, within certain countries, a region-by-region basis. Most people would be absolutely horrified at the thought of taking off for Iraq to do business at this point in time, and yet, if you were to go to Basra in the south of Iraq, you would find that it is quite calm. If you were in, for example, the oil and gas business, or you were moving things in through the port, it would still be possible for you to do that with a fairly high likelihood of being safe.³⁶

- 4.45 The Managing Director of Ego Pharmaceuticals, Mr Alan Oppenheim, which has been exporting skincare products to the Middle East for 22 years, stated that security issues were limiting expansion plans into some countries such as Iraq and Syria.³⁷

- 4.46 Mr David Mitford-Burgess, a consultant with the Links Group, which assists businesses from Australia with the set-up companies, branch offices and representative offices in the UAE and Qatar, argued that many of the Gulf states are safe:

When the Arab Spring occurred in 2010...a lot of companies and people moved to the UAE and that part of the world because it is seen as stable. Generally, most reports you read by independent

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

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

37 Mr Alan Oppenheim, Ego Pharmaceuticals, *Committee Hansard*, Melbourne, 17 October 2014, p. 3.

bodies put it not as the safest but certainly at the upper end, as opposed to being a risky part of the world.³⁸

Delegation discussions relating to security issues

4.47 During its visit to the Middle East in December 2015, the Committee delegation was briefed by Austrade Senior Trade Commissioner, Mr Gerard Seeber, on the impact of security issues on Austrade in MENA that have impacted the most on Libya, Iraq, Syria and Yemen. According to Mr Seeber these developments have 'implications on Austrade's coverage and priorities across the MENA region,' but Austrade intends to remain in markets with stability, growth and where opportunities exist in the MENA plan's priority sectors.

Market access barriers

4.48 There are a range of tariff and non-tariff barriers across the region that can impede Australian trade and investment.

Tariffs

4.49 According the Department of Agriculture, the applied tariffs on agricultural products imported by the Middle Eastern countries are low. Australia's agricultural exports to the GCC member countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE generally face minimal tariff levels, with rates largely around 5 per cent:

However, in a number of other countries in the region, particularly those such as Israel and Morocco where domestic agriculture is more expansive, Australian agricultural exports face significant tariff barriers.³⁹

Grains

4.50 Tariffs on wheat, barley and canola are generally less than 5 per cent across the MENA region. However, in Tunisia, Israel and Morocco, the applied tariff on wheat is 36 per cent, 50 per cent and 69.5 per cent,

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

39 Department of Agriculture, *Submission 27*, p. 13.

respectively. Canola is also subject to higher tariffs in Tunisia and Morocco at 15 per cent and 26.2 per cent.⁴⁰

Red meat

- 4.51 Morocco applies high tariffs to agricultural imports, particularly for meat. The applied tariff on live cattle is 233.5 per cent; on sheep and goats is 153.5 per cent; beef tariffs range from 195 per cent to 254 per cent; and sheep and goat meat faces a 304 per cent applied tariff.⁴¹
- 4.52 Israel applies no tariff on frozen beef imports. However, a tariff of 190 per cent applies to fresh and chilled beef imports. On sheep meat, Israel in the last 18 months has lowered the tariff applied to sheep meat from 50 to 30 per cent following Australian representations. The Department of Agriculture submitted that it continues to encourage Israel to further reduce this tariff rate for sheep meat imports from Australia, noting the preferential rates applying to imports from the European Union and Mercosur (a South American trade bloc covering Argentina, Brazil, Paraguay, Uruguay and Venezuela).⁴²

Dairy

- 4.53 Generally, the applied tariffs on dairy products imported by MENA countries are low. However, there are some notable exceptions. Israel imposes tariffs on milk powders of 212 per cent, and tariffs on dairy products of between 40 per cent and 140 per cent. Morocco also has high tariffs on milk powders, between 92 per cent and 102 per cent, while butter faces tariffs between 30.5 per cent and 32.5 per cent. Imports of cheese face tariffs of up to 38 per cent, on average.⁴³

In 2012 it was estimated that Australian dairy exporters paid around \$13.5 million in tariffs to Gulf Cooperation countries.⁴⁴

Horticulture

- 4.54 Fruit and vegetable tariffs on imports into the MENA region mostly range between 0 per cent and 30 per cent. However, the average tariff applied by Morocco is 49 per cent. In Israel, some tariffs applied to imported vegetables are as high as 75 per cent and some specialty fruits face tariffs as high as 95 per cent. Tunisia applies tariffs of 36 per cent to all vegetable

40 Department of Agriculture, *Submission 27*, p. 13.

41 Department of Agriculture, *Submission 27*, p. 13.

42 Department of Agriculture, *Submission 27*, p. 13.

43 Department of Agriculture, *Submission 27*, p. 13.

44 Australian Dairy Industry, *Answers to Question on Notice*, No. 6, p. 3.

and fruit imports. Iran totally prohibits the import of fresh fruit and potatoes.⁴⁵

Technical barriers to trade

4.55 According to the Department of Agriculture, technical barriers to trade (TBTs) are technical regulations and standards that cover all traded goods, and include standards for food packaging and labelling, animal welfare, agriculture and veterinary chemicals, fisheries and forestry. TBTs can create interruptions and stifle trade opportunities.⁴⁶

Dairy

4.56 A Board Member of Australian Dairy Farmers, Mr Chris Griffin, told the Committee that technical barriers to trade remain a growing area of concern for Australian food and agricultural exports, including for dairy:

With the support of federal and state governments there is an excellent opportunity with the Australian dairy industry to reduce such technical barriers by focusing on these impediments to trade in various country-to-country discussions. We are working hard on these issues and although the industry is prepared to do everything it can, the reality is that many of these obstacles require government-to-government intervention. This agenda must be resourced effectively through dedicated in-market support like that currently provided through the Department of Agriculture's overseas councillors, as well as supporting government resources within Australia.⁴⁷

4.57 The General Manager of Trade and Industry Strategy for Dairy Australia, Mr Charlie McElhone, asserted that the TBTs added hundreds of millions of dollars to the cost of Australia's dairy exports to the Middle East:

The biggest one that we face is about expiry date restrictions, the shelf-life restrictions, which did not take into account the cold chain and the quality assurance systems that Australia has. As a result, it restricts our ability to get the maximum value out of that market. In terms of opportunity forgone, we have had a recent study done by David Harris & Associates, which looked at about

45 Department of Agriculture, *Submission 27*, p. 16.

46 Department of Agriculture website, Technical Barriers to Trade, viewed 31 March 2016, <<http://www.agriculture.gov.au/market-access-trade/tbt>>.

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

\$390 million worth of cost of those technical market access barriers that we face in that market.⁴⁸

- 4.58 As noted, Dairy Australia commissioned economic and agribusiness consultants David Harris and Associates in 2013/14 to undertake a comparative evaluation of technical barriers to trade for Australian dairy products. The study reviewed the technical requirements of import markets and identified technical barriers to trade. A comparison of these TBTs, and an estimate of the impact to industry in value terms was carried out. The project examined nine separate product categories across eleven categories of technical requirements along the supply chain.
- 4.59 A total of 356 TBTs were identified by the report with 141 of these being deemed to be significant in their impact to trade. Of these, 32 were in South East Asian markets and 20 in North Asia, 50 were in the Middle East and 21 in Central Asia, 2 were in North America and 16 across other markets.⁴⁹
- 4.60 Market impacts have been aggregated in the report to present a regional perspective. The report shows TBTs have an impact of \$398 million in the Middle East.
- 4.61 The most significant dairy TBT relating to the Middle East is an inconsistency with respect to date marking of dairy products. Qatar has sought, through the Sanitary and Phytosanitary (SPS) notification process, to apply mandatory date marking of some dairy products which are shorter than those applied by other GCC countries.
- 4.62 Specifically:
- Full Cream Milk Powder/Instant Full Cream Milk Powder - acceptable shelf life is 24 months in all GCC markets except Qatar where it is 12 months. The Australian Dairy Industry would like it to be standardised to 24 months across GCC.
 - Butter (Unsalted) - acceptable shelf life is 24 months in all GCC markets except Qatar where it is 18 months. The Australian Dairy Industry would like it to be standardised to 24 months across GCC.
 - Ultra-High-Temperature milk in tight sealed carton - acceptable shelf life is 6 months in all GCC markets. The Australian Dairy Industry suggest that this be extended to 9 months:

The dairy industry does not support the setting of mandatory expiration periods, as manufacturers are best placed to determine the most appropriate expiration dates to achieve the required

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

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

safety and quality requirements, based on the composition, processing and packaging of their specific products.⁵⁰

4.63 According to the Australian Dairy Industry the setting of defined periods does not take into consideration these factors. For example in the draft standard under 4.4.1 Chilled Food Products: To be stored at a temperature from 0°C – 5°C' expiry periods for pasteurized milk and heat treated milk (UHT) are defined at 5 days and 6 months respectively. The Australian Dairy Industry outlined that pasteurized milk shelf life can be as long as three weeks, while advances in technologies mean Extended Shelf Life milk products with shelf life far beyond traditional pasteurized milk are now available...The Australian Dairy Industry believed a manufacturer is best placed to understand how these factors work together to determine shelf life. With the correct processing, manufacturers can achieve UHT shelf life of 9 months or more.⁵¹

4.64 According to the Australian Dairy Industry, another TBT in the GCC is the inclusion of a shelf stable product as UHT milk in the 'chilled food products' section of the standards. Apart from these UHT products, the coverage of the mandatory standard appears to be for 'higher risk' products, including chilled products, baby food products, food products which need specific temperatures for keeping, along with fresh foods and seafoods. The Australian Dairy Industry believed lower risk shelf stable products such as UHT milk, should be covered in the voluntary standard, not the mandatory standard:

The actual shelf life of milk powders is dependent on a range of factors including packaging, the physical state of the lactose and other carbohydrates, water activity and temperature. Again a manufacturer is the best placed to understand how these factors work together to determine shelf life. Australian manufacturers can achieve shelf life of 24 months or more for full cream dried milk.⁵²

Red meat

4.65 The Australian Meat Industry Council also raised concerns about TBTs and the increasing use of sanitary and phytosanitary agreements that allow member nations of the WTO, such as in the Middle East, to apply their own levels of quarantine and food safety on Australian food imports, especially meat:

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

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

52 Australian Dairy Industry, *Answers to Question on Notice*, No. 5, p. 3.

Those barriers are often unique to the market and can involve a wide spectrum of technical, political, religious and cultural impediments. In addition, developing countries are continually developing a greater level of independence. Where in the past they would have accepted a US or EU standard, today they issue their own individual requirements in response to tariff liberalisation requiring individual negotiations and agreement.⁵³

- 4.66 Chairman of the Australian Processor Council of the Australian Meat Industry Council, David Larkin, argued that ‘market access has moved away from veterinary health certificates and disease control to technical trade barriers, and it has moved away from tariffs and duties’:

As we have seen, with the move away from health status and tariff and duties to technical barriers, our industry faces a myriad of them every day. One that is particularly relevant in the Middle East is labelling and expiry dates. They range in different formats throughout all of the GCC. We face that in a lot of other areas of the world as well. Sovereign countries will demand products labelled in their own language and other countries will not accept products pre-labelled with that. So, if you are sitting in a meat plant processing cattle and you have not sold your product, it is very hard to generically label it for all markets. Those sorts of trade barriers really impact on us.⁵⁴

- 4.67 The General Manager of Trade and Economic Services, Meat and Livestock Australia, Dr Peter Barnard, asserted what the problems with shelf-life restrictions were:

An important point is that those shelf-life restrictions do not relate at all to the safety of the product. Most countries in the world do not have regulated shelf-life restrictions, because if it is in a vacuum pack it is sealed and it will perform wonderfully. In fact, a lot of products perform better after being in a vacuum pack for a period of time, than they do fresh. So, it really is a misunderstanding by Middle Eastern countries and it is something that we have to work on, because it is an impediment to trade.⁵⁵

- 4.68 The Regional Manager Australia of Meat and Livestock Australia, Lachlan Bowtell, advised that the issue was raised regularly with Middle Eastern governments that have the shelf-life restrictions:

53 Australian Meat Industry Council, *Submission 34*, p. 7.

54 Mr David Larkin, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 15.

55 Dr Peter Barnard, Meat & Livestock Australia, *Committee Hansard*, Sydney, 9 September 2014, p. 40.

We have raised it on numerous occasions throughout the region. It tends to be that other countries do not have the same food safety standards or standards of packaging that we have in Australia. So unfortunately we are at the behest of our lowest competitor in the marketplace from a food safety point of view... There is a recognition that Australia has the world's best standards in place.⁵⁶

- 4.69 In the GCC countries, shelf life of 70 days for red meat rather than 90 days is a significant barrier. Victorian exporters would prefer no limit is applied as is consistent with other markets such as Japan, EU and US.⁵⁷ In Egypt there is a shelf life for chilled meat of 29 to 49 days, making the export of chilled meat from Australia barely viable.⁵⁸
- 4.70 The Department of Agriculture First Assistant Secretary of the Exports Division, Greg Read, stated there was no uniform approach across the Middle East to the labelling requirements of chilled, frozen and vacuum-sealed meat. This was due mostly to the differing shelf life standards imposed on these countries' own domestic meat suppliers, which were then also applied to imported meat from Australia.⁵⁹
- 4.71 In Kuwait, rigorous testing procedures are required to be undertaken on produce such as meat before a health certificate is issued to importers. According the Victorian Government, this poses an import barrier on such produce due to some product losses for sampling purposes, and the time taken for clearance. However, other markets in the MENA region, such as the UAE, put greater trust in Australian certifying authorities and do not test every consignment.⁶⁰
- 4.72 Jordan requires temperature probes in the shipping containers transporting meat and other food produce adding cost to the export process. The probes allow importers to monitor if refrigerated containers remain temperature controlled throughout transport. This is not a requirement in other key MENA markets such as the UAE and Saudi Arabia.⁶¹
- 4.73 For exports to Iran, an Iranian Veterinary Officer (IVO) and Islamic teams must be on site in Australian abattoirs for all product destined for Iran. According to the Victorian Government this is onerous when compared to
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56 Mr Lachlan Bowtell, Meat & Livestock Australia, *Committee Hansard*, Sydney, 9 September 2014, p. 40.

57 Victorian Government, *Answers to Question on Notice*, No. 6, p. 1.

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

59 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 8.

60 Victorian Government, *Answers to Question on Notice*, No. 6, p. 1.

61 Victorian Government, *Answers to Question on Notice*, No. 6, p. 1.

other countries in the region and restricts trade. Some Australian abattoirs do not need a vet present during processing, and tier 2 abattoirs use a Department of Agriculture and Water Resources vet. It is an additional cost to fly in an Iranian vet.⁶²

Lentils

4.74 The Victorian Government noted that in Saudi Arabia there was zero tolerance of the presence of vetch seed, a common weed in lentils. As a result, many Australian exporters were not prepared to send lentils directly to Saudi Arabia, and risk the presence of vetch being found on inspection, despite there being a strong market for lentils in Saudi Arabia. The UAE, Egypt and other MENA countries accept Australian lentils.⁶³

Rice

4.75 While the SunRice submission acknowledged few restrictions exist in the form of import tariffs and that other trade-related regulatory requirements do not place significant burden on the company trading in the Middle East, SunRice has experienced ongoing issues with phytosanitary protocols and certification.⁶⁴

4.76 According to the Department of Agriculture's guide for exporting plants and plant products, Australian exporters are required to confirm whether the importing country requires a phytosanitary certificate, need to search the Plants database or contact the importing country's National Plant Protection Organisation. The phytosanitary certificate guarantees that Australian plants or plant products:

- have been inspected and tested using appropriate procedures;
- are considered to be free from quarantine pests and practically free from other injurious pests; and
- conform with current phytosanitary regulations of the importing country.⁶⁵

4.77 SunRice commented that there were challenges with the initial step in the process, obtaining the importing country's phytosanitary requirements from their government's quarantine department:

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

63 Victorian Government, *Answers to Question on Notice*, No. 6, p. 1.

64 SunRice, *Submission 31*, p. 15.

65 Department of Agriculture, *Exporting plants and plant products: A step-by-step guide for Australian exporters*, viewed 5 April 2016, <http://www.agriculture.gov.au/Style%20Library/Images/DAFF/_data/assets/pdf/0005/2271533/plant-export-guide.pdf>.

SunRice has found this can often be a lengthy and difficult process, even with the assistance of our 'in country' distributors and/or customers. These challenges can result in lengthy delays in finalising the phytosanitary certification process, which in turn, means delays in being able to export our product to the country in question.⁶⁶

- 4.78 SunRice wants consideration given to having Australian authorities manage the process of obtaining the importing country's phytosanitary requirements on behalf of the exporting company. SunRice believes managing this process at a government departmental level would likely to be far more efficient and effective:

An example of the challenges SunRice has faced in this area is in relation to trade to Iraq, where SunRice has been a regular exporter for the past eight years. SunRice is yet to receive details of a phytosanitary protocol despite regular requests by the company to the relevant Iraqi authorities. Despite the lack of a phytosanitary protocol, exports to Iraq have been able to continue, however, these have been subject to prolonged shipment timeframes and increased levels of administration and processing. Both these issues would be resolved through the establishment of a phytosanitary protocol and certification.⁶⁷

- 4.79 SunRice submitted that a 'lack of timely communication of amendments to phytosanitary protocols has at times caused significant business interruption'⁶⁸ to trade because without the correct import documentation SunRice has been unable to enter goods into some Middle Eastern markets:

It is essential all Australian exporters are immediately alerted to changes to phytosanitary requirements. We would like to see a process similar to the DFAT travel advisories where any changes to phytosanitary requirements would be immediately communicated to affected exporters via direct email.⁶⁹

Pharmaceuticals

- 4.80 Ego Pharmaceuticals, Mr Oppenheim, which exported more than \$14 million worth of products into the Middle East in 2013, told the

66 SunRice, *Submission 31*, p. 15.

67 SunRice, *Submission 31*, p. 15.

68 SunRice, *Submission 31*, p. 15.

69 SunRice, *Submission 31*, p. 15.

Committee of the challenges of negotiating through the different regulations of each country:

How they interpret their written regulations varies hugely from country to country. You can have one product that in one country has a high level of registration, in the next country it is a very low level of registration and in the next country it is a cosmetic and needs no registration at all. Then you go to the very next product and it is the reverse. You would have thought that the regulation of pharmaceuticals and cosmetics and products you use on humans would be fairly consistent across the world, and I can tell you it is not. At times it varies between Australia and New Zealand, and Australia and other countries, and whether it is prescription or not, and it becomes quite challenging.⁷⁰

Halal certification

- 4.81 According to the Australian Food and Grocery Council (AFGC), many Australian food manufacturers seek halal certification of their facilities and processes, in order to label their products as halal and ensure they are able to be enjoyed by Muslim consumers, as well as the broader non-Muslim population, both domestically and in international export markets.⁷¹
- 4.82 The consumption of halal (or 'lawful') and the avoidance of haram (or 'unlawful') food and drink is of particular significance to observant Muslims.⁷²
- 4.83 Halal products include halal meat from animals slaughtered according to Islamic rules (no pigs, dogs, donkeys, monkeys, cats, other carnivores, amphibians, or birds of prey). Milk, honey, fish, fruit, vegetables, non-intoxicating plants, legumes and grains are also considered halal.⁷³
- 4.84 For a product to be halal, it must be as a whole, and in part:

70 Mr Alan Oppenheim, Ego Pharmaceuticals, *Committee Hansard*, Melbourne, 17 October 2014, p. 2.

71 Australian Food & Grocery Council website, AFGC policies on halal certification, viewed 16 February 2016, <<http://www.afgc.org.au/about-afgc/our-policies/halal-certification/>>.

72 Australian Food & Grocery Council website, AFGC policies on halal certification, viewed 16 February 2016, <<http://www.afgc.org.au/about-afgc/our-policies/halal-certification/>>.

73 Australian Food & Grocery Council website, AFGC policies on halal certification, viewed 16 February 2016, <<http://www.afgc.org.au/about-afgc/our-policies/halal-certification/>>.

- free from any substance taken or extracted from a haram animal or ingredient (e.g. pigs, dogs, carnivorous animals, animals not slaughtered in compliance with Islamic rites);
 - made, processed, manufactured and/or stored by using utensils, equipment and/or machinery that has been cleaned according to Islamic law (e.g. not cleaned with alcohol); and
 - free from contact with, or being close to, a haram substance during preparation, manufacture, processing and storage (e.g. blood, alcohol, poisonous and intoxicating plants and cockroaches).⁷⁴
- 4.85 The Australian Meat Industry Council (AMIC) described one of its major challenges over the last 50 years has been to develop a service delivery model for halal certification that provides reliable market access for its meat processors in the most efficient and cost-effective manner. Halal certification has been an essential component of Australia gaining long term access for its meat products into the Middle East region but there are ongoing challenges.⁷⁵
- 4.86 To be recognised as a halal certifier within Australia, the organisation must have an approved arrangement with the Department of Agriculture that covers the training of slaughtermen, the training of other processor staff in matters of halal, the provision of audits of processors, the provision of halal certificates and the provision of reports to Australian and importing authorities.⁷⁶
- 4.87 The process is overseen by a Department of Agriculture Sub-Committee on Halal, which includes the department's Halal Consultative Committee, industry representatives such as AMIC, and the approved halal certifiers.⁷⁷
- 4.88 The First Assistant Secretary of the Department of Agriculture's Export Division, Mr Greg Read, told the Committee about the halal process in Australian abattoirs:
- The requirements, in the main, will be quite uniform with the...presence of an appropriate Muslim with the slaughter process, and the slaughter process is in accordance with Sharia law and so forth...They will be quite particular in relation to what happens when an animal is deemed to be non-halal or haram – dogs that are present on the facility are appropriately constrained

74 Australian Food & Grocery Council website, AFGC policies on halal certification, viewed 16 February 2016, <<http://www.afgc.org.au/about-afgc/our-policies/halal-certification/>>.

75 Australian Meat Industry Council, *Submission 34*, p. 8.

76 Australian Meat Industry Council, *Submission 34*, p. 9.

77 Australian Meat Industry Council, *Submission 34*, p. 9.

and muzzled; there must be no sign of pigs or pork around that facility; there must be appropriate segregation from a non-halal product; and a range of supervisory presences in that plan to ensure that this program is met from the religious side – and that varies. It is quite complex from market to market, and, from time to time, the certifiers that are accredited for each market keep changing as well.⁷⁸

4.89 The department's activities in relation to halal certification are a prescribed program by the Australian Government under the *Export Control Act 1982 (Cth)*:

...from the process of the accreditation of certifiers, as recognised by the importing country, through to the relevant protocols that are applied by each of the different countries in relation to exported meat – various audit obligations around approved programs sit within that system – ultimately, then through to the certificates that are issued to those markets. There are varying requirements from different markets in relation to halal slaughter...we seek to minimise those divergences as much as possible to ensure that we can have as broad a distribution as possible internationally on carcasses.⁷⁹

4.90 Mr Read explained the challenges of different interpretations internationally around the 'halalness' of products:

In relation to the halal program with Malaysia we spent a number of years providing scientific evidence around the time between stunning and cutting and death of animals, just to provide appropriate assurances to them in that regard. Equally, other countries again are very sensitive, particularly with the stunning of cattle, about what constitutes an appropriate indent in the head, which is not such a great indent that it causes death but is appropriate to provide the level of stunning needed prior to slaughter.⁸⁰

4.91 An issue for Australian exporters are that standards for halal vary significantly:

Effectively, it is fair to say that there is no international standard for halal, so every country pretty much has its own autonomy to

78 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 2.

79 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 1.

80 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 1.

be prescriptive in what it requires. That will range then from the recognition of the certifiers. In Australia, we have 21 certifiers. For example, only six of those 21 are recognised by Saudi Arabia.⁸¹

4.92 Mr Read explained:

In regard to challenging some of those decisions or seeking to explore why a certain decision was taken, quite often in the sphere of halal certification an answer is never that straightforward. Particularly, in terms of a competent authority from a sanitary perspective as opposed to a religious perspective, again, it is very hard for us to make any particular reference to why they are establishing a particular religious practice that does not make sense to us, or should be broader or done another way.⁸²

4.93 The AMIC argued that government should become more directly involved in halal certification. This is 'driven by the finding that there is a lack of transparency within the commercial halal certification system'⁸³. It also recommended that the 'act of ritual slaughter and certification should be delivered and charged in a way that only recovered the actual costs of the service':

Over the years other certifiers have emerged. Along with this, some importing countries have started to set their own standards including requiring certifiers to be registered and some charged a fee. Another practice has emerged that requires charitable donations be made to religious organisations in the importing country.⁸⁴

4.94 According to AMIC, some importing countries have a preference for a single certifier which has 'encouraged monopoly activity'. Some halal certifiers have also become labour hire companies offering the option of sourcing the halal slaughtermen and halal supervisors from them charged at a premium. These activities are all adding to the costs of Australian meat exporters.⁸⁵

4.95 According to the CEO of the Australian Food and Grocery Council (AFGC), Mr Gary Dawson, food exports from Australia into Islamic societies were worth around \$13 billion a year:

81 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 2.

82 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 2.

83 Australian Meat Industry Council, *Submission 34*, p. 8.

84 Australian Meat Industry Council, *Submission 34*, p. 8.

85 Australian Meat Industry Council, *Submission 34*, pp. 8-9.

This is a significant export trade. That trade either requires or benefits from halal certification in Australia, so it is an important facilitator of that trade into Islamic countries. We do have some concerns around the certification systems in Australia. We think that they could benefit from more transparency around who is doing it, why it is done, whether they are a commercial or a not-for-profit operation and what the proceeds go towards, for example.⁸⁶

4.96 Mr Dawson expressed concerns about the extent of influence an importing country may have on the halal certification process in Australia:

...where an importing country might determine that halal certification in Australia, or within a particular state of Australia, must be done by a certain halal certifier and thereby set up, essentially, a local monopoly around halal certification in that state. That can be problematic when it comes to exporting to a range of countries and having to get four or five different halal certifications on the same product.⁸⁷

4.97 The Australian Dairy Industry submitted that offering halal-compliant food was important since the GCC nations consume more than US\$40 billion worth of halal food products every year:

The predominant markets for halal products in the Middle East are the GCC countries. Australian exporters have a number of certifying organisations that are recognised by Middle Eastern countries. Exporters advise a fixed cost of between \$3,000 to \$5,000 for the halal certification service.⁸⁸

4.98 The Senior Policy Manager for Australian Dairy Farmers, Mr David Losberg, told the Committee that most dairy products are certified halal because that is obviously key to exporting into the Middle East:

My understanding is that the costs for certification as halal are not that significant... It is a major selling point into the Middle East market obviously, apart from the fact that we make good, safe and nutritious products.⁸⁹

86 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 6.

87 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 6.

88 Australian Dairy Industry, *Answers to Question on Notice*, No. 5, p. 1.

89 Mr David Losberg, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, p. 23.

- 4.99 According to AMIC, the Australian halal meat production system is one of the best in the world and has been recognised as such by markets and during international forums such as the World Halal Congress. The system has been replicated by other countries.⁹⁰

Committee comment

- 4.100 The Committee notes that many Australian food manufacturers seek halal certification of their facilities and processes, in order to label their products as halal, and ensure these can be exported to markets in the Middle East and throughout Asia.
- 4.101 For most food exporters, the costs for certification as halal do not appear significant, and certainly worth the expense when halal certification is a major selling point for selling into the Middle East market.
- 4.102 Despite the relatively minimal cost of halal certification on a large export order of chilled meat or dairy product, the Committee shares concerns about the lack of transparency within the commercial halal certification system in Australia. The system could benefit from more information on who the certifiers are, whether they are a commercial, or a not-for-profit operation, and what the proceeds go towards.

Recommendation 1

The Committee recommends the Department of Agriculture and Water Resources improve national coordination and oversight of halal certification to assist exporters find the most suitable provider of certification services, and also provide online access to the halal requirements in different Middle Eastern countries.

Food and product labelling

- 4.103 The Victorian Government advised that differences in importer labelling regimes across the Middle East add costs for Australian exporters. Labelling regulations across Egypt and Algeria present a particular challenge for food exporters. Importer labelling is technically onerous in

⁹⁰ Australian Meat Industry Council, *Submission 34*, p. 9.

these North African countries when compared to more standardised labelling in GCC countries, including Saudi Arabia.⁹¹

- 4.104 The Department of Agriculture's Mr Read, stated that while there is a Gulf Standards Organisation in the GCC countries overseeing issues such as food labelling and expiry dates, these countries can still independently regulate their domestic market:

...there is a Gulf standard-setting organisation, but effectively countries still have the sovereign capacity to set a range of prescribed requirements in relation to shelf life, which they do. That has caused some limited times in many cases for the range of products and variability across different products, which again has added to the complexity and cost of exporting product in this country. As to what we do about it – those countries are putting those requirements in place not so much to disaffect exporters, but as a regulatory regime, in terms of their domestic production system.⁹²

- 4.105 The Department of Agriculture uses its Consul (Agriculture) based in the UAE to raise these issues with government officials and is also pursuing it in international forums with the aim of standardising the labelling requirements for meat and exporters of other foods from Australia.⁹³

- 4.106 Strict food labelling laws in the UAE are said to pose a more moderate barrier. Labels for new products need to be approved by the Dubai Municipality. Labels need to be in Arabic and stick-on labels are generally not allowed. Some food additives that are commonly used in processed foods are also banned. These generally relate to the 'E' series of additives. Qatar has a similar system and other MENA countries have variations on this theme.⁹⁴

- 4.107 Mr Alan Oppenheim of Ego Pharmaceuticals suggested that some of the regulators were trying to get 'rid of or clean out their markets of smaller companies' by constantly changing regulations on labelling that impact on the cost of manufacture:

One of the blocks is this constant change of regulation. For example, one of the regulators – I think it is the Ministry of Health in Saudi – is proposing that expiry dates which are currently on packs, and date of manufacture, which is unique to the Middle

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

92 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 8.

93 Department of Agriculture, *Answers to Question on Notice*, No. 9, p. 3.

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

East, are now going to be required to be done in Arabic. At the moment, our machinery cannot do Arabic; it is not possible. If that actually comes through there are going to be hundreds of thousands of dollars in capital costs of changing our equipment.⁹⁵

Delegation discussions in relation to food labelling

- 4.108 The Committee delegation attended a roundtable lunch in Dubai with the representatives of food exporters and importers in the UAE, which was hosted by Austrade's Senior Trade Commissioner in the UAE, Mr Gerard Seeber.
- 4.109 Food labelling was discussed with the Committee delegation and several food importers noted that Australian products could be better labelled and marketed locally with an example being Australian chocolates labelled in the UAE to celebrate the end of Ramadan. There was also acknowledgement of the risk of exporting Australian product in bulk for local labelling and packaging, and if something went wrong in storage or transport, it may threaten Australia's existing reputation for clean and safe food. The importers admitted Australian products did not have the same profile in the UAE as many products from the US and Europe, and more promotion was required to help drive sales.

Supply chain costs

- 4.110 A representative of Fletcher International Exports and member of the AMIC, Graham Lyon, told the Committee about the burden of added supply chain costs from using rail to transport product from its meat processing plants in Dubbo and in Western Australia to export. Mr Lyon highlighted the company's experience with transporting processed farm products from Dubbo in central NSW to the Sydney port:

...it costs more to get a container of meat from Dubbo to Sydney than it does to get it from Sydney to Beijing. That is a fact...but a classic example is that our rail system is probably running at about half the efficiency that it should be, and that is a burden that has to be carried by the Australian farmer.⁹⁶

95 Mr Alan Oppenheim, Ego Pharmaceuticals, *Committee Hansard*, Melbourne, 17 October 2014, p. 2.

96 Mr Graham Lyon, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 18.

- 4.111 According to Mr Lyon, the Managing Director of Fletcher International Exports, Roger Fletcher, has taken steps himself to identify the bottlenecks and weaknesses along these sections of rail infrastructure to 'allow longer trains, faster freight movements to port and opening up bottlenecks':

We are right at the forefront of doing that. We have built an intermodal rail terminal at Dubbo. We knew we had enough for half the freight for an efficient train. Most trains run at between 600 and 800 metres long; the train that Fletcher now leases is up to 1.2 kilometres long and carrying a full load of freight when it moves from Dubbo to Sydney. We have built a grain terminal and other import-export businesses around that privately to make that train efficient.⁹⁷

- 4.112 Fletcher International Exports had undertaken similar measures in Western Australia since opening up a factory in Narrikup near Albany:

Often heavy containers are moved in single container movements between the abattoir and the port. We have been able to work with the state government over there to build a truck that is capable of moving two 20-foot containers and a 40-foot container, so it is three times more efficient than some of the most simple freight movements. That is something we employ right through our business. But working with government will be key in other regions to making us more efficient globally.⁹⁸

- 4.113 Problems with the supply chain for wheat and barley exports were outlined by eastern Australian grain handler and exporter, GrainCorp, which stores and transports wheat to markets. GrainCorp, which is the largest exporter of grain from eastern Australia, blamed the poor performance of rail freight and costly port regulations for adding significant costs to grain exporters.⁹⁹

- 4.114 According to GrainCorp, which operates freight trains with an annual rail capacity in excess of 4 million tonnes, the competitiveness of eastern Australian grain exports into the Middle East is being 'endangered by the poor performance of our rail freight network', which:

- Adds significant cost, eroding Australia's ocean freight advantage and reducing the returns available to grain growers; and

97 Mr Graham Lyon, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 18.

98 Mr Graham Lyon, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 18.

99 GrainCorp, *Submission 42*, p. 2.

- May cause international customers, including those in the Middle East, to question Australia's ability to service growing demand reliably and for a reasonable cost.¹⁰⁰
- 4.115 GrainCorp submitted that rail rates in eastern Australia were estimated to be \$10 per tonne above 'best practice' and can cost, for similar distances, \$20 per tonne more than in Canada and \$10 per tonne more than in Western Australia.¹⁰¹
- 4.116 GrainCorp argued these extra supply chain costs were attributable to:
- Slow loading speeds and cycle times with dated loading infrastructure at most country silos, meaning some unit trains with 40 wagons take over 12 hours to be loaded;
 - Short sidings at most country silos, which are government-owned, are unable to accommodate a full unit train with 40 wagons. This requires trains to be shunted at a site or broken between two or more country silos; and
 - Weight restrictions on branch lines due to most of the regional rail network suffering from 'persistent underinvestment, as governments have prioritised road infrastructure'. Consequently a substantial portion of the rail network has payload restrictions, requiring trains to be at least 20 per cent under-loaded.

As a result, rail now only handles 50 per cent of all deliveries into GrainCorp's ports – a figure that has declined from 90 per cent just 10 years ago. This is the equivalent to up to 2 million tonnes of export grain per annum in an average year that would arrive at GrainCorp's ports by train, now being transported on a truck.¹⁰²

- 4.117 According to GrainCorp, the competitiveness of Australian wheat exports is also being increasingly undermined by outdated regulation of its port terminals. GrainCorp stated this regulation was specific to the wheat industry and did not apply to the export of other commodities. GrainCorp estimates the indirect cost to the industry of this regulation to be in excess of \$2 per tonne or \$10 million¹⁰³ when applied across all exports from eastern Australia:

The increasing costs and inefficiencies of unnecessary port regulation are borne by industry (and ultimately by growers).

100 GrainCorp, *Submission 42*, p. 4.

101 GrainCorp, *Submission 42*, p. 4.

102 GrainCorp, *Submission 42*, p. 4.

103 GrainCorp, *Submission 42*, p. 2.

These costs undermine our competitiveness in key regions including the Middle East.¹⁰⁴

- 4.118 The regulation required GrainCorp to have an Access Undertaking with the Australian Competition and Consumer Commission (ACCC) to provide access to third party exporters. It was introduced as a transitional measure to facilitate the transition from a single export desk for wheat to a competitive, deregulated environment.¹⁰⁵
- 4.119 Since the deregulation of the wheat export market in 2008, GrainCorp asserted that a competitive market has been established, with numerous exporters competing to export Australian wheat, including the major global grain trading houses, as well as GrainCorp and other operators. GrainCorp argued the continued application of the port access regulation to its port facilities was becoming increasingly inequitable, with a number of new bulk ports not subject to port access regulation, while its operations continue to be regulated.¹⁰⁶
- 4.120 According to GrainCorp, the continued port access regulation of its seven bulk grain ports on the eastern seaboard meant it had:
- limited commercial flexibility to enter into flexible agreements with customers who wish to lock in export arrangements – a disincentive for long-term planning to service key export regions;
 - limited pricing flexibility;
 - limited ability to innovate with customers to improve services; and
 - limited incentive to invest in the supply chain, as ‘any investment in new capacity is effectively nationalised and available to all customers’.¹⁰⁷
- 4.121 GrainCorp asserted the port access regulation:
- ...endangers the competitiveness and reputation of Australia’s grain industry, by reducing operating flexibility, innovation and investment in the Australia’s grain chain.¹⁰⁸
- 4.122 GrainCorp argued industry-specific regulation was no longer necessary, and bulk wheat port elevators should operate in the same way as coal, container, woodchip and other bulk commodity terminals; and be subject to the national access regulations under the *Competition and Consumer Act 2010 (Cth)*:

104 GrainCorp, *Submission 42*, p. 4.

105 GrainCorp, *Submission 42*, p. 2.

106 GrainCorp, *Submission 42*, p. 2.

107 GrainCorp, *Submission 42*, pp. 2 - 3.

108 GrainCorp, *Submission 42*, p. 3.

The case for ongoing industry specific-regulation is particularly problematic in eastern Australia. Unlike the situation in South and Western Australia, eastern Australian growers have access to a large domestic grain market that consumes 50-60 per cent of production and various alternative export supply chains.¹⁰⁹

- 4.123 GrainCorp faced competition from five unregulated bulk port elevators: Newcastle Agri Terminal and Louis Dreyfus port terminal in Newcastle; Queensland Bulk Terminals in Brisbane; Quattro Ports grain terminal in Port Kembla and a planned Bunge terminal in Geelong. GrainCorp also faced increasing competition from export containers. GrainCorp estimated that the export of grain in containers has increased from 0.5 to 2.5 million tonnes per annum in the past 10 years and was supported by 'aggressive transport rates from shipping lines seeking backload for empty containers'.¹¹⁰

Shipping document legalisation costs

- 4.124 According to DFAT, in the UAE, the lack of a centralised regulatory framework for imports can result in delays and added costs for Australian food exporters, who are also required to pay large fees for certification of documents and other administrative services. Such transaction costs, and resulting impacts on transit time and shelf life for fresh produce, can reduce the competitiveness of Australian goods in the UAE.¹¹¹
- 4.125 SunRice's submission raised concerns about the levies imposed by a number of Middle Eastern country's embassies or consulates in Australia to legalise shipping documents:

While it is a normal requirement for shipping documents to be legalised, costs vary widely. In particular, the UAE legalisation costs are extraordinarily high. For example, a single shipment of rice products could incur several thousands of dollars in legalisation costs to the UAE embassy in Australia. This increases the cost of exporting goods to the UAE and for a staple and relatively low margin product such as rice, it adds a substantial fiscal burden.¹¹²

109 GrainCorp, *Submission 42*, p. 3.

110 GrainCorp, *Submission 42*, p. 3.

111 Department of Foreign Affairs and Trade, *Submission 9*, p. 25.

112 SunRice, *Submission 31*, p. 16.

- 4.126 SunRice would welcome a review of the legalisation cost structure for shipping documents during any bi-lateral trade talks with Middle East countries.

The Department of Agriculture and Water Resources export clearances

- 4.127 Mainstream Aquaculture expressed concern about obtaining new export licences and clearances from the Department of Agriculture and Water Resources' Melbourne offices outside of regulation business hours. Mainstream Aquaculture are faced with challenges when its time-sensitive exports of live barramundi fingerlings in large satchels of water need to be flown to their end destination in Saudi Arabia or other international markets in under three days to avoid the fish dying:

There are some issues on transport logistics. I am happy to give examples, such as we might have to turn up to a DAFF [Department of Agriculture] office for a physical inspection of fish at 4 pm because the flight leaves at 7 am the next day but the DAFF office is not open that early. To send live fish, we have about 48 to 68 hours as a maximum. So if you take up 16 hours between your checkpoint and when the plane leaves it chews into a lot of that time.¹¹³

- 4.128 The Department of Agriculture's, Mr Read, responded that the department seeks to be flexible in its hours and staff availability, when given at least 24 hours' notice:

...we clearly want the bulk of exports, where we can do that, to run in a service core hour arrangement, if possible. That is where the bulk of our staff will be, and we will be able to deal with issues, inquiries and so forth. So the six-to-six process, or time frame, could be categorised as that sort of area that we would target or that we would hope industry can provide most of its activity through. Industry supports us in that, because that is how a range of these charges have been structured with industry to encourage that to occur...our officers are very flexible with notice in terms of providing staff out of hours. And we will do that, as

113 Dr Paul Harrison, Mainstream Aquaculture, *Committee Hansard*, Melbourne, 17 October 2014, p. 46.

long as we have early enough notification that they require an inspection.¹¹⁴

- 4.129 According to Mainstream Aquaculture, and depending on the import requirements of the countries the exports are destined for, the Department of Agriculture officers are required to do a physical health check of the juvenile fish exports taken by Mainstream to the department's offices before their scheduled flight:

They just open up our boxes at random and confirm that the fish are in there and that they look good. That is supported by a veterinary certificate which is done prior to that, but there is a physical inspection.¹¹⁵

- 4.130 Where a client requests service outside of normal business hours, according to the Department of Agriculture, an overtime fee is charged to recover associated overtime and shift penalties for officers on duty:

The department is flexible around the provision of documentation services. Requests for service outside of business hours are required no later than 2:00pm the day before the booking. In the event of a cancellation, the department will not impose a fee if there are no costs incurred. In some circumstances, a fee will be charged if a cancellation request is received late and the department is unable to contact the attending officer and costs have already been incurred.¹¹⁶

Cost of trade finance

- 4.131 The Executive Chairman of the Australian Turntable Company (ATC), Mr Paul Chapman, explained the challenges he found when seeking finance for export opportunities overseas:

A major barrier for ATC has been the unwillingness of Australian bankers to facilitate the funding of some projects in the Middle East. My opinion is that our banks, and in particular our regional banks are ignorant of dealing in the region and have to use third parties or foreign banks that are recognised globally. It is a sad indictment on Australia's entrepreneurial spirit to have our

114 Mr Greg Read, Department of Agriculture, *Committee Hansard*, Canberra, 3 December 2014, p. 9.

115 Dr Paul Harrison, Mainstream Aquaculture, *Committee Hansard*, Melbourne, 17 October 2014, p. 46.

116 Department of Agriculture, *Answers to Question on Notice*, No. 9, p. 6.

financiers too ignorant and way too scared to support quality companies sell Australia's expertise into the Middle East.¹¹⁷

- 4.132 The then CEO of the Bank of Sydney, Ms Elliott, observed that there was a 'lack of awareness of what banking facilities are available' in the Middle East. The Bank of Sydney, which is a wholly owned subsidiary of the Bank of Beirut with branches in Sydney, Melbourne and Adelaide, had financial connections in the region:

Few Australian banks have local representation in the region and few exporters are aware of the banks that do have representation such as ourselves. We regularly get contacted by customers or exporters who have difficult transactions into different countries within the region that just cannot get any of the big name banks to look at them and support them...As a bank, of course you would understand that risk is a major concern for us. It is not that we are taking more risk than the other banks; it is because our parent has been banking in the region for 50 years, so it is an area that we understand. We believe we are better placed to understand and assess the risks that banks and exporters take on from a finance perspective into the region. We do believe that there is an opportunity for the government and key banks with representation in the area to work closely together to make this really happen and come to life.¹¹⁸

- 4.133 The CEO of Arab Bank Australia, Mr Rizk, offered that Australian exporters wanting to do business in the Middle East needed access to banking systems they can trust:

The Arab Bank has an enormous amount of skill in the trade side of it, throughout the Middle East. They know who to deal with – in fact the Arab Bank PLC understands sovereign risk in the area extremely well and understands bank risk in that part of the world. If you think about what the major Australian banks have done; they have pulled back their operations out of that region. The reason for that is they do not have the resources and the capability of understanding the risk profile of those countries and the sovereigns. So we quite often are asked: can we endorse letters of credit coming out of the Middle East for Australian exporters. So that is an added value that we have through the parent.¹¹⁹

117 Australian Turntable Company, *Answers to Question on Notice*, No. 4, pp. 1-2.

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

119 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, pp. 2 - 3.

4.134 SunRice's submitted that obtaining competitively-priced trade finance for export orders to the Middle East, particularly to countries with a 'sub-investment' grade financial rating, had become increasingly difficult due to recent changes in financial market conditions, including the re-rating of some Middle Eastern banks:

Australian banks have traditionally not had the same level of appetite to guarantee these orders as the local branches of Middle Eastern banks, or can attract a higher cost as they are acting as intermediaries and selling the risk to third parties, such as the World Bank or the Australian Government's Export Finance Investment Corporation (EFIC).¹²⁰

4.135 SunRice had faced difficulties in obtaining financial guarantees for export orders, even from the Export Finance and Insurance Corporation (EFIC):

Given EFIC is an Australian Government export credit agency, obtaining greater support from it in the form of competitively priced guarantees to Australian banks would reduce costs and provide Australian exporters to the Middle East, such as SunRice, with greater security to increase business with 'sub-investment' grade countries in the region.¹²¹

4.136 The Head of International Trade at the Bank of Sydney, Mr Ashley Bakes, told the Committee about the advantage in the area of trade finance of having a local presence in the Middle East. The Bank of Sydney has that presence due to being owned by the Bank of Beirut:

...what the Bank of Beirut has is representation in the Middle East... We have branches of our own bank in Oman. We have representatives in UAE, in Qatar, in Iraq and in Cyprus. If you take the area around the region, we are well represented through word of mouth and connections in correspondent banking.¹²²

4.137 Mr Bakes argued these Middle Eastern connections can be invaluable when Australian exporters are trying to finalise payments.¹²³

4.138 The Export Finance and Insurance Corporation (EFIC) stated during the past five years it has been supporting Australian companies trading in the Middle East and at 30 June 2015, EFIC's exposure on its Commercial Account to the Middle East was around \$150 million.¹²⁴ EFIC had also

120 SunRice, *Submission 31*, p. 16.

121 SunRice, *Submission 31*, p. 16.

122 Mr Ashley Bakes, Bank of Sydney, *Committee Hansard*, Canberra, 9 September 2014, p. 25.

123 Mr Ashley Bakes, Bank of Sydney, *Committee Hansard*, Canberra, 9 September 2014, p. 25.

124 EFIC, *Submission 55*, p. 4.

provided an estimated \$25 million worth of credit facilities to smaller businesses who are exporting to the Middle East.

- 4.139 Australian small and medium-sized enterprises (SMEs) seeking export markets are often restrained by difficulty in accessing finance and professional advice and support, according to research commissioned in 2013 by EFIC and conducted by East & Partners. The research involved a random sample of 6,368 Australian businesses. Of the Australian SMEs that have already established overseas facilities, 58 per cent reported difficulties in accessing finance for these investments. When struggling to obtain funds from Australian banks, many SMEs turn to overseas banks to fund their investments with 46 per cent using overseas banks compared with only 39 per cent using Australian banks.¹²⁵
- 4.140 Of those Australian SME exporters interviewed, 36 per cent of them had experienced failed offshore attempts. Market knowledge, planning and finance, along with local management and execution issues, were cited as the key reasons for failure. The research showed that those SMEs with successful overseas investments were twice as likely to seek professional local advice in order to understand the market they were investing in and the associated tax, regulatory and compliance issues, compared with those who assessed their investment as unsuccessful.¹²⁶

Perceptions of Australia as a tourism destination

- 4.141 The Managing Director of Seventh Sense, Ibrahim Awad, told the Committee about the nationals from the Gulf states, who used to visit Lebanon and Syria for their vacation travel, were looking for alternatives due to the unrest in those parts of the Middle East:

A lot of them are now going to Thailand and Malaysia. Australia potentially has a lot more to offer but I do not think we really sell Australia much over there.¹²⁷

- 4.142 Mr Awad believes Australia should be better-placed to attract tourism from the Gulf states because there is a large well-established Arab

125 EFIC website, SMEs keen to invest overseas but held back by access to finance, viewed 16 March 2016, <<http://www.efic.gov.au/news-events/media-releases/2013/november/invest-and-grow-overseas-but-held-back-by-access-to-finance/>>.

126 EFIC website, SMEs keen to invest overseas but held back by access to finance, viewed 16 March 2016, <<http://www.efic.gov.au/news-events/media-releases/2013/november/invest-and-grow-overseas-but-held-back-by-access-to-finance/>>.

127 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 5.

community already living here that understands their recreational and cultural needs:

We are better positioned to be able to attract Arab tourists than most other countries because we have a very good well established Arab community and some culture here. One of the things that Dubai does very well is, regardless of who goes there, they make them feel very special. Whether they are dealing with a client, a hotel or whoever they are dealing with, they make them feel very special. I do not know that we make Arabs feel very special. I think there are some impediments...where often times politically or otherwise, Arabs are not really seen in the best light. So I think there are reservations from people from the Middle East, especially from the UAE, to come here on holiday because potentially they feel like they may not be wanted.¹²⁸

- 4.143 Mr Awad is aware of a perception in the Middle East of some Australians not being very welcoming to Muslims living, visiting or studying in Australia, mostly due to negative media coverage:

...an example would be the pulling off of the hijabs and the discrimination against Muslim women. They are very traditional. The Gulf people especially love their culture, they love their religion and are very traditional. They are very accepting, open and liberal so they would love to come here and go to the Gold Coast...But anywhere where they feel that maybe potentially their welfare or their safety may be jeopardised or they may be discriminated against, they would shy away from.¹²⁹

- 4.144 Monash University's, Professor Khan, hoped any negative views about people of Islamic faith would lessen in time.

There has been some resonance in the media around Islamophobia. That will be an interesting part of the equation over the coming, hopefully not long, period but the short term.¹³⁰

Visas for visitors, students and businesspeople

- 4.145 In 2014-15, the Department of Immigration and Border Protection (DIBP) granted 55, 547 visas for MENA nationals to enter Australia, with 13,759

128 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 6.

129 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 6.

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

student visas issued, 37,215 visitor visas, and 4,573 business stream visitor visas for business people also granted.¹³¹

- 4.146 The largest intakes of Middle Eastern students on student visas in 2014-15 were from Saudi Arabia (8,739), Iran (1,612) and Iraq (870). The largest visitor numbers of MENA nationals in 2014-15 came from Iran (7,509), Saudi Arabia, (6,954), Israel (5,318), Lebanon (4,810), and the United Arab Emirates (3,682).¹³²
- 4.147 DFAT advised that Middle East Embassies in Canberra have periodically raised concerns about Australian visa requirements, including for business and student visas. The Missions have cited the length, complexity, and onerous requirements of Australian visa applications.¹³³
- 4.148 The Ambassador of Jordan, HE Mrs Rima Alaadeen, asserted that the complexity of the student visa application process for Jordanians seeking to study at Australian universities and other educational institutions was a deterrent when compared to obtaining student visas in other nations:

The Australian student visa is the most complicated student visa in the world. Full stop. You have to fill in more than 33 pages, 32 or 33 pages. To do that, you have to provide documents, more than you would if you were applying for American or UK universities for a student studying tertiary, vocational or university levels. All levels are very complicated. It is even more complicated if there are dependants of the student. That is one of the predicaments to our mature students coming and doing their postgraduate degrees in Australia. We want to always encourage Jordanian students to come and study in Australia, given that Australian universities provide English education and English is the second language in half of the Arab world. We were trying to compete with the American and the European universities.¹³⁴

- 4.149 The DIBP responded that it was 'not aware of any problems with the processing of requests for Australian visas for tourists, students and business people from the Middle East'.¹³⁵

All citizens from MENA countries are eligible to lodge visitor visa applications online. Those that choose to lodge paper applications,

131 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

132 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

133 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

134 Her Excellency Mrs Rima Alaadeen, Ambassador of the Hashemite Kingdom of Jordan, *Committee Hansard*, Canberra, 11 February 2015, pp. 8 - 9.

135 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 25.

in many cases, are assisted by a service delivery partner in their home country.¹³⁶

- 4.150 On 16 June 2015, the Australian Government announced the introduction of a simplified student visa framework (SSVF), including the creation of one student visa subclass, from mid-2016. It is anticipated that electronic lodgment will be available for all student visa applicants under SSVF:

The SSVF will make the student visa application process simpler to navigate for students and online lodgment will be available to students from all countries, including Middle East and North African countries. In addition, and as part of this process, the student visa application form has been reviewed and simplified.¹³⁷

- 4.151 The DIBP does not produce a list of at-risk countries for visas. The Department does refer to assessment levels within the current Student Visa programme.¹³⁸ The Department told the Committee about the care taken to check an applicant's background:

We are also trying to collect information that would go to the care and welfare of the individual while they are in Australia. Some students are in Australia for a significantly long period of time, sometimes for up to three or four years. There are questions, for example, around medical insurance arrangements. We often have cases where students come with family members or dependents, so we seek some information about who they are and their connection to the applicants. Some caseloads need further background checking, including security checking...and there is more data required for that. There are some countries in this region where those sorts of measures apply.¹³⁹

- 4.152 Under current student visa programme arrangements, access to electronic lodgment is aligned with the immigration risk level rating of that country for a specific student visa subclass. There are currently three assessment levels to align student visa requirements to the immigration risk posed by applicants from particular nationalities, such as rates of overstaying their visas and numbers of past visa refusals. Student visa applicants from Assessment Level 1 countries, which represent the lowest immigration risk, can apply online – as shown in Table 4.2 include Oman, Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. Assessment

136 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 28.

137 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 24.

138 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, pp. 3 – 4.

139 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 1.

Level 2 and 3 applicants from specific countries can also apply online via authorised agents.¹⁴⁰ The higher the assessment level, the greater the evidence an applicant needs to support their claims for a student visa:

Assessment Levels correspond to the immigration risk posed by applicants from a particular country studying in a particular education sector, based on an objective analysis of immigration compliance performance for students from a particular nationality or education sector. The Department...considers each Student visa applicant on their individual merits...All applicants must meet security and character requirements to be granted a student visa.¹⁴¹

Table 4.2 Risk assessment levels applicable for passport holders of all MENA countries.¹⁴²

Passport held	Subclass 570 ELICOS	Subclass 571 Schools	Subclass 572 VET	Subclass 573 Higher Education	Subclass 574 Postgraduate Research	Subclass 575 Non Award	Subclass 576 Foreign Affairs or Defence
Algeria	3	3	3	3	2	*	All 576 travel documents are assessment level 2
Bahrain	1	1	1	1	1	1	
Egypt	3	3	3	3	1	3	
Iran	3	3	3	3	2	2	
Iraq	3	3	3	3	2	*	
Israel	2	3	2	2	1	1	
Jordan	3	2	2	3	1	3	
Kuwait	1	1	1	1	1	1	
Lebanon	3	2	3	3	1	3	
Libya	3	3	3	3	2	*	
Morocco	3	3	3	3	2	*	
Oman	1	1	1	1	1	1	
Palestinian Authority	3	3	3	3	2	*	
Qatar	1	1	1	1	1	1	
Saudi Arabia	1	1	2	1	1	1	
Syria	3	3	3	2	2	3	
Tunisia	3	3	3	3	2	*	
UAE	1	1	1	1	1	1	
Yemen	3	3	3	2	2	3	

NB: *The assessment level is determined by matching the passport held with the visa subclass for the education sector of the principal course.

Source: Department of Immigration and Border Protection, *Answers to Question on Notice*.

140 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 28.

141 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 29.

142 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 4.

- 4.153 The DIBP states that all student visa applicants must satisfy requirements relating to English language proficiency in order to be granted a student visa. The evidence that must be produced to meet this requirement differs according to the sector of study, the Assessment Level of the applicant and whether the application is to be processed under Streamlined Visa Processing (SVP) arrangements. If the applicant cannot satisfy the English proficiency requirement, their visa cannot be granted.¹⁴³
- 4.154 In the following circumstances, the English proficiency requirement is considered to be met by presenting an enrolment from a Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) registered provider:
- Assessment Level 1 and Assessment Level 2 applications
 - All SVP applications
 - Applicants studying in the School Sector (subclass 571)
 - Applicants studying in the English Language Intensive Courses for Overseas Students (ELICOS) Sector (subclass 570)
 - Applicants studying in the Postgraduate Research Sector (subclass 574)¹⁴⁴
- 4.155 The DIBP explained why its student visa application forms were only available in English, and not in Arabic, because the students need to understand English to study in Australia, and the visa assessors need answers in English to make their assessments:
- They need to speak English anyway. Importantly, our staff need to be able assess it, not only our staff at post but also our staff who do quality assurance and auditing, and they may form evidence around the application process. So it is important that we ask for the information in English... There are a range of issues that occur to students on a high enough scale for us to be concerned about and for us to ensure that, as much as possible, we are able to mitigate the risks at the front end – the visa application process. It includes students overstaying. It includes students, including children, becoming destitute. It includes students getting involved in crime and other areas of concern?¹⁴⁵
- 4.156 The DIBP uses service providers to operate visa application centres across the Middle East in countries such as Saudi Arabia, Kuwait, UAE, Egypt
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143 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 33.

144 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 33.

145 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, pp. 2 – 3.

and Jordan. These centres can provide applicants with visa information in Arabic:

We do have, though, in Jordan a visa application centre for people to come in and make an application through a service provider that we engage. That service provider also does a quality assurance check at the time that the application is lodged. If there is information missing at the time they are lodging it, they would be told and given the opportunity to provide it.¹⁴⁶

4.157 The DIBP told the Committee of the challenges of providing its online visa application forms and the pop-ups over certain data fields in foreign languages such as Arabic. Owing to the great demand for tourist and student visas coming from China, provision of English translations to Chinese would likely be a priority.¹⁴⁷ The department had no analysis of what the estimated costs of such an upgrade would be:

It is probably a question of prioritisation and investment as to which languages we would look to do that in... Providing this material and keeping it updated in multiple languages is quite a daunting prospect, because as soon as a policy change is made – even a minor one – we would need to then make the change in multiple languages.¹⁴⁸

4.158 The Australian Government's application charges for a student visa were outlined below, and apply to applications made inside or outside of Australia. According to the DIBP, the average amount paid in 2014-15 for a Student visa (including Student Guardian visa - subclass 580) was \$620. The prices listed below were current on 16 February 2016:¹⁴⁹

- Base application charge - \$550
- Non-Internet application charge - Nil
- Additional applicant charge for applicant who is at least 18 years of age - \$410
- Additional applicant charge for applicant who is younger than 18 years of age - \$135

146 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 3.

147 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 5.

148 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 5.

149 Department of Immigration and Border Protection, *Answers to Question on Notice*, 26 February 2016, pp. 13 – 14.

- Subsequent temporary application charge (if applicable, per person) - \$700.

4.159 The CEO of the AACCI, Mrs Moss-Wright, asserted that Australia's visa processing system was proving an impediment to attracting potential tourists, students and businesspeople from the Middle East:

In terms of tourism coming into Australia – so attracting more tourists from the Middle East region to Australia – one of the big impediments is our visa system. It is incredibly difficult for people of most Middle East origins to obtain a visa to Australia ... Many people find that offensive. Our visa system, because of the way it is structured and because of how rigorous we are in approaching visas, can be interpreted as Australia not wanting them to come. We do need to be conscious of that.¹⁵⁰

4.160 Mrs Moss-Wright understood why Australia's visa processing system needed to be thorough when examining any possible national security concerns about those seeking visas, but argued that it also required a degree of flexibility:

I realise that there are certainly national security interests in protecting our borders, but there is also a need to recognise the different circumstances of individuals. A really good example of that is high-net-wealth individuals. A lot of high-net-wealth individuals would love to come to Australia, but unfortunately they cannot get visas for their entourage, they cannot get visas for their nanny or they cannot get visas for their family. As a consequence, we are losing an enormous amount of exposure. When those high-net-wealth individuals come, they do not just come for a holiday; they also come to explore business opportunities. Perhaps we as a country could consider additional visa categories, such as a business class visa...¹⁵¹

4.161 The Department's website references the terms 'low risk' and 'high risk' in the Visitor Visa program to define the applicable service standard, in relation to visa application processing times. Each application is assessed on its individual merits and many visitor visa applications are processed within low risk service standards.¹⁵²

150 Mrs Suzannah Moss-Wright, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, p. 2.

151 Mrs Suzannah Moss-Wright, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, pp. 2 – 3.

152 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 4.

- 4.162 Mr Rizk, argued that Australia's visa processing system can be a point of contention among those people from the Middle East looking for business opportunities or seeking to invest in Australia, and also by those wishing to study in Australia:

It is not only costing us business opportunities but it is creating ill feeling on the other side. You have government ministers and senior diplomats from these Arab countries that are enticed by business here for them to visit. So they do a lot of their work, which sometimes can take several months. When they go to apply for a visa they are put through the wringer. We are talking about government officials and so forth. That practice leaves a bad taste. It does not happen in too many other parts of the world where ministers and senior people from those countries are put through the wringer. And then how they are treated at the airport when they arrive here is something quite foreign to them.¹⁵³

- 4.163 Mr Rizk asserted the current Australian student visa system was more onerous when compared to other nations' systems, and it may deter some students and potentially cost Australia future trade and tourism opportunities:

Visas have always been an issue. Everybody understands that, according to the latest estimates, there are about 30,000 students from the region. They are well dispersed all over Australia and that is a great revenue puller. But what people do not do not see with students is the revenue that they generate for their country for the next 30 or 40 years. We have seen it in other parts of Asia, where students have come here to learn but they still depend on Australian products and know-how. They entice their parents to invest in Australia. The reason the holidaying crowds came from the Emirates to Queensland was because they had students here. They used to come in the July and August period to go to Queensland for a holiday instead of having their children go home or going to other parts of the world...if you look at what students do for the country in the longer term, it is great. There is not anyone that visits this country that does not go back and say, 'What a fantastic place.' So they become ambassadors for you.¹⁵⁴

- 4.164 The then Director of Aviation Policy at the Tourism and Transport Forum, Justin Wastnage, advised a need for a VIP service for high-wealth individuals visiting from the Middle East to pay for quicker, more

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

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

personable access through passport and Customs control at Australian airports after their long flights:

Most other competitor countries including the UK have a VIP service when you arrive through passport control and Customs. Australia does not have this. The best we have is an express card...one of the barriers to this previously was a view that everyone should be made to queue up together because it is egalitarian. But especially the Middle East and also some other Asian countries have an expectation of a high level of personal touch. So whereas much of our traditional tourism market such as North America and Europe prizes efficiency and speed over anything else, some of these markets like the Middle Eastern and certain Asian countries prize human touch and they want to be escorted through and have their passport looked at in a special room. This would not be a cost to government. Everywhere else in the world, this would be a paid-for service so if there were people willing to pay extra to have additional service, they could.¹⁵⁵

4.165 The TTF believes there are many high wealth Middle Eastern visitors who may wish to fly to Australia by private aircraft or business jet and use business jet terminals. According to the TTF, the present off-terminal border processing was inconsistent, with Immigration officers usually available at the Sydney and Brisbane's jet bases, but not at those bases in Melbourne, Perth or Darwin.¹⁵⁶

4.166 The DIBP stated that it and border agency partners provide off-terminal clearances (OTCs) on a case-by-case basis. In assessing applications from industry, consideration is given to the size of the aircraft, numbers of travellers, the suitability of arrival/departure facilities and the required resources available to complete the clearance process:

Border agency officials attempt to support all OTC requests; however, the servicing of these requests results in the dilution of services at existing international airports and in other border control operations, through the deployment of officers to locations away from where they perform their normal duties.¹⁵⁷

4.167 At a number of Australia's major international airports, the DIBP has implemented arrangements where applications for OTCs are only

155 Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 8.

156 Tourism & Transport Forum, *Submission 46*, p. 5.

157 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 32.

considered away from peak periods, and where the request is received (a minimum) 48 hours prior to the aircraft's arrival/ departure.¹⁵⁸

- 4.168 The Lebanon Embassy's Charge d'Affaires at interim, Mr Milad Raad, told the Committee that a quarter of the Lebanese people who go through the complex process of applying for a visa to visit or study in Australia are refused:

They are Lebanese non-Australians who apply for a visa. The statistics that immigration officials here gave me last year were that about 24 per cent of those who apply for a visa are refused. It is a very high percentage. And of those who get the visa and come here, the non-compliance ratio is about six or seven per cent, which is also considered to be high. Plus, the security considerations in the region made it not impossible but more difficult or more time consuming to apply and get a visa to Australia. It used to be easier before, and we hope it will be easier in the future.¹⁵⁹

- 4.169 The Ambassador of Tunisia, HE Mr Nabil Lakhal, also told the Committee it was not easy for Tunisians to get a visa to visit Australia:

Tunisian citizens are obliged, for example, to send all their dossiers to your embassy in Egypt. But, at the same time, I want to give you good news because Tunisia decided to exempt the Australian passport holder from the visa – so you can now visit Tunisia without a visa – to encourage tourism from Australia to Tunisia.¹⁶⁰

Committee comment

- 4.170 The Department of Immigration and Border Protection have granted 55,547 visas for MENA nationals, including 13,759 students, to come to Australia in 2014-15.
- 4.171 The Ambassador of Jordan, HE Mrs Rima Alaadeen, observed that the 33 page Australian student visa application was the most complicated student visa form in the world.

158 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 32.

159 Mr Milad Raad, Charge d'Affaires at interim, Embassy of Lebanon, *Committee Hansard*, Canberra, 11 February 2015, p. 11.

160 His Excellency Nabil Lakhal, Ambassador of the Republic of Tunisia, *Committee Hansard*, Canberra, 11 February 2015, p. 9.

- 4.172 In view of these remarks, the Committee notes that a simplified student visa framework (SSVF) is being developed and will become available in the second half of 2016. In a welcome development, the SSVF will make electronic lodgement available for all student applications.
- 4.173 One of the big impediments attracting more tourists from the Middle East region to Australia is the visa system, which some find unwelcoming.
- 4.174 The Committee also notes there is a need for a VIP service for high-wealth individuals visiting from the Middle East to pay for quicker, more personable access through passport and Customs control at Australian airports after their long flights.

Recommendation 2

The Committee recommends the Department of Immigration and Border Protection:

- **benchmark its processes for the granting of international student visas with competitor countries;**
- **consider measures to simplify its international student visa process for applicants from Middle Eastern countries who present a low immigration risk; and**
- **undertake a review of the simplified student visa framework reforms one year after its commencement to determine their efficacy.**

Visas for Australian businesspeople in the Middle East

- 4.175 According to DFAT, visa processes and travel restrictions represent another hurdle for Australian business. Business visa applicants for Middle East destinations are often required to be vouchsafed by local partners. This makes it difficult for new entrants to the market to conduct scoping activities outside of official delegations. Australia is subject to more visa restrictions than some trade competitors. Business representatives from Australia seeking to visit Saudi Arabia, for example, apply are eligible for a single-entry 30 day visa, whereas multiple-entry one year visas are available for US and UK business. Single-entry restrictions, in particular for air travel hub locations, make it difficult to lower costs by combining visits to a number of countries across the region.¹⁶¹

161 Department of Foreign Affairs and Trade, *Submission 9*, pp. 25 – 26.

- 4.176 Monash University's Dr Farjou, noted that it was onerous for Australians seeking a visa to visit Saudi Arabia for study, business or as a tourist because Australian applicant needs a Saudi sponsor:

...from my experience, the process is totally different. You need to have a visa approval from a sponsor in Saudi. As soon as you get this, you can get your visa within five to eight working days, from Canberra.¹⁶²

Diplomatic presence

- 4.177 According to DFAT, Middle Eastern companies place importance on the support of their government and the support of governments of potential international partners. Given the personal and 'status-conscious' nature of business in the region, and close ties between government and commercial interests Australian business sometimes says limited official representation in the region is an obstacle:

Of note, the Qatar Government and business has frequently cited the lack of an Australian embassy in Qatar as a key impediment to an expansion of commercial links.¹⁶³

- 4.178 On 12 May 2015 it was announced that a new Australian Embassy will open in Doha, Qatar, in 2016, as part of a 2015-16 Budget commitment of \$98 million to open five new overseas missions¹⁶⁴. Austrade's Senior Trade Commissioner in the UAE expected an Austrade Trade Commissioner to be based in Qatar when the embassy opens in the second half of 2016.

- 4.179 The Charge d'Affaires of the Embassy of Qatar, Mr Mohammed Al-Jabir, told the Committee that a Australian diplomatic presence in Doha would be welcome:

An Australian presence in Qatar will be very important to closely serve Australia's interests there. Qatar, in its 2030 vision, is planning to spend about \$200 billion on infrastructure, and so that will be a good opportunity, I think, for Australia to participate in the development of our country.¹⁶⁵

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

163 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

164 J Bishop (Minister for Foreign Affairs), *2015 Foreign Affairs Budget*, media release, Parliament House, Canberra, 12 May 2015.

165 Mr Mohammed Al-Jabir, Charge d'Affaires, Embassy of the State of Kuwait, *Committee Hansard*, Canberra, 11 February 2015, p. 11.

4.180 The lack of a permanent Australian diplomatic presence in North Africa outside Egypt is also criticised by North African governments. As a result, DFAT submitted that business to business networks were at times disjointed:

Sector-specific functions like education and tourism promotion are largely handled remotely from outside the region. Whilst business councils offer opportunities to network and develop links between Australia and the Middle East, many are fragmented and represent narrow interests.¹⁶⁶

Trade sanctions

4.181 Australia's trade with a number of countries in the Middle East is inhibited by a range UN Security Council and Australian autonomous sanctions:

- **Iran** – The Australian Government has decided to suspend certain autonomous sanctions on Iran, while others will remain in place. The Government will apply the changes to United Nations sanctions on Iran as required by UN Security Council Resolution 2231.¹⁶⁷
- **Iraq** – UN Security Council sanctions restrict the sale of arms or related material, dealing with cultural property and dealing with Iraq assets in Australia or removed from Iraq.
- **Lebanon** – UN Security Council sanctions restrict the sale of arms or related material
- **Libya** – UN Security Council and Australian autonomous sanctions restrict sale of arms or related material and crude oil illicitly exported from Libya.
- **Syria** – Australian autonomous sanctions restrict sale of arms or related material.
- **Yemen** – UN Security Council financial sanctions dealing with a designated person or entity from Yemen.¹⁶⁸

166 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

167 Department of Foreign Affairs and Trade website, 7 April 2016, <<http://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/iran/Pages/iran.aspx>>.

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

- 4.182 The UN Security Council had previously imposed sanctions on Iran due to international concerns about it developing a nuclear weapons program. The sanctions covered financial transactions with Iran, and especially exports from its oil and gas industry, and also impacted on Iranian students seeking higher education in Australia. The Government is implementing changes to Australia's sanctions on Iran in line with its international obligations under UN Security Council resolutions.¹⁶⁹
- 4.183 ATC Chairman Mr Chapman described the sanctions process on Iran as adding many arduous and time consuming hurdles for exporters:
- ATC have to work with various parties including local construction companies, labour hire, architects, project managers, banks and freighting companies. All have to be vetted by DFAT and although we have not experienced a situation where we were not allowed to correspond with a supplier, the time taken is inordinately restrictive for business. My feeling is that when business does ramp up, time will be of the essence.¹⁷⁰
- 4.184 The trade sanctions on Iran also impacted negatively on the export business of Ego Pharmaceuticals:
- We do a lot of export to Iran, which was our biggest export market until the UN sanctions wrecked the exchange rate and wrecked their economy – but that has opened up again. It has continued to be open for us. Our products are nowhere near the sanction type products. It is about simply helping people, and we have a very entrepreneurial distributor there.¹⁷¹

Information available to university students from MENA

- 4.185 Monash University's Dr Farjou, told the Committee some of the reasons why he believes US universities were a preferred destination for more than 80,000 students from Saudi Arabia to study than Australian universities, which attract about 10,000 Saudis. Dr Farjou said the US has taken some very important steps in recent years to facilitate the process for Saudi students to study in the US. He saw their methods firsthand while attending the Minister of Higher Education's exhibition in Riyadh in 2014:

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

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

171 Mr Alan Oppenheim, Ego Pharmaceuticals, *Committee Hansard*, Melbourne, 17 October 2014, p. 3.

There were 450 universities from all parts of the world. The American universities were interviewing students at the exhibition and giving them offers on the same day. They get their visas in three days and they are off to the US...The holistic approach starts before the students leave Saudi Arabia. Unfortunately, we do not have a strong predeparture briefing or orientation program for the students. Many of them come and, after two weeks, get something like a cultural shock. Some of them want to go back.¹⁷²

- 4.186 Dr Farjou, observed some Australian universities also need a better understanding of the purpose of the King Abdullah's Scholarship Program (KAS), which supports the biggest cohort of Middle Eastern students and their families from Saudi Arabia to study in Australia:

There were a few mistakes in this from our institutions. Some universities clustered Saudi students in the same class. The idea behind the KAS program is not just education. We attended many meetings with the Minister of Higher Education. In one of the meetings he said: 'It is not about education only. We want these young people to be exposed to the cultures. We want to teach them how to live together with others and how to integrate with other cultures.'...We need to not only focus on education; we need to expose them to the Australian culture.¹⁷³

- 4.187 Dr Farjou believed the Australian federal and state governments, along with the universities, needed to coordinate to provide a more thorough predeparture briefing for any Middle Eastern students and their families:

We need to meet the expectations of this year's students and their families. We look sometimes at education as a commodity, but when they look into education it is a right. Many times in the UAE, I find someone walking into my office holding the hand of his daughter and telling me: 'This is your daughter now. Take care of her in Australia.' We need to take in consideration the cultural differences and meet the expectations.¹⁷⁴

- 4.188 According to Dr Farjou, life as a student in Australia living independently for the first time away from home can also be a shock for Middle East students used to a lot more supervision and domestic support to live their day-to-day lives:

Students from the Middle East are used to spoonfeeding. When they come to Australia, they have to do everything themselves. We

172 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 32.

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

174 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 32.

need to actually explain to them that it will not be the same lifestyle in Australia. They need to adapt to our ways of doing things. But they need to know about these things before they come to Australia. There were so many incidents where, after two weeks, people just want to go back. Then, after a while, they realised that Australia is the best place for them to have quality education, for their kids to go to schools and some of them do not like to go back.¹⁷⁵

- 4.189 The University of Wollongong Dubai has raised course requirement concerns about the duplication of higher education accreditation requirements which make Australian universities courses in the Middle East not as appealing as those offered by international competitors with campuses offshore. The delivery of higher education by Australian-owned offshore institutions is regulated and accredited by the Australian governments Tertiary Education Quality and Standards Agency (TEQSA). Within Dubai, UOWD is accredited by the UAE's Commission for Academic Accreditation as well as licensed by Dubai's Knowledge and Human Development Authority (KHDA). In practice these multiple accreditation/licensure regimes result in audits or reviews by multiple agencies against different accreditation frameworks. Standards imposed on Australian institutions such as the recent changes to the Volume of Learning requirements for Master's degree programs under the Australian Qualifications Framework, are said to render courses from Australian higher education institutions uncompetitive in offshore markets compared to those offered by British or Canadian universities.¹⁷⁶

Brand Australia awareness

- 4.190 According to DFAT, a lack of Australian brand awareness and historical loyalties to other markets may be hindering growth in the services sector. This is particularly evident in education, where Australian courses in the tertiary and vocational training sectors do not receive recognition given to higher profile US and UK providers. Recipients of scholarships from Middle Eastern governments may be required to enrol at universities in certain countries based on perceived course quality. In the case of the UAE, nine Australian universities are currently listed by the government as destinations for state-funded coursework, compared with 50 in the UK and 174 in the US. This reflects, in part, low awareness and regional

175 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 33.

176 University of Wollongong, *Submission 45*, p. 5.

visibility of Australia's education sector offerings. This is despite the longstanding local presence of providers such as the University of Wollongong and Murdoch University, which have campuses in Dubai.¹⁷⁷

Barriers to Middle East investment relations

- 4.191 According to DFAT, there is a range of regulatory and operating environment issues in Australia cited by Middle East trade and investment interests. Just as Australian business can struggle to understand the nuances inherent to the Middle East, investors from that region may be less familiar with the Australian commercial landscape than Asian or European competitors.¹⁷⁸
- 4.192 DFAT submitted that sovereign wealth funds – key investors in Australia – have raised concerns about features of Australia's taxation system and the regulatory environment. Some of these relate to different tax structures, especially given corporate incentives and a lack of income tax provisions in the Gulf. With much investment from the Middle East focused on commercial and agricultural property holdings, investors query the implications of different ownership categories, and capital gains losses on private, equity-type investments.¹⁷⁹
- 4.193 DFAT stated that withholding tax payable on Australian dividends is also claimed by sovereign wealth funds as imposing effective limits for foreign interests. Sovereign wealth funds have also queried Australia's approach to sovereign immunity:
- Whilst the principle is accepted in practice, the rules governing exception from tax for government monies are subject to some limits. Investors with significant, existing portfolios in Australia are always keen to know whether to expect increased scrutiny by the Foreign Investment Review Board, though mooted changes to the threshold level have been met with some enthusiasm.¹⁸⁰
- 4.194 Australia has negotiated tax treaties with more than 40 countries but in the Middle East only an investment promotion agreement with Egypt and a tax information exchange treaty with Bahrain:
- Tax treaties are also referred to as tax conventions or double tax agreements (DTA). They prevent double taxation and fiscal

177 Department of Foreign Affairs and Trade, *Submission 9*, p. 25.

178 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

179 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

180 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

evasion, and foster cooperation between Australia and other international tax authorities by enforcing their respective tax laws.¹⁸¹

- 4.195 DFAT submitted that nine countries in the region have expressed interest in negotiating a double taxation agreement with Australia:

Whilst such agreements may not produce a direct tax benefit to Australia, they may foster the broader commercial relationship. There have also been a number of requests to negotiate Investment Promotion and Protection Agreements with Australia, with only one in place with a regional country to date (Egypt).¹⁸²

- 4.196 Mr Zaib Al-Harb from the Kuwaiti Embassy to Australia told the Committee that further investment from Kuwait would be greatly encouraged by both governments negotiating treaties to end double taxation of investments and protect both nation's investors' rights:

We can work multilaterally with Australia and the GCC and bilaterally with Australia. You can think of our proposal to sign bilateral agreements – the avoidance of double taxation and the promoting and cultivating of investments. We believe that this will encourage more investors from our region, in particular from Kuwait, to consider Australia as a destination for foreign investments.¹⁸³

- 4.197 Austrade's General Manager of Growth and Emerging Markets, Mr Grame Barty, doubted taxation was much of an impediment to investment from Middle East:

At the end of the day, it is about the return on investment. If all the other factors are equal, the taxation is not a factor. If the return on investment is only affected by the taxation, then they would raise it as a factor.¹⁸⁴

- 4.198 DFAT's First Assistant Secretary of the Middle East and Africa Division, Mr Marc Innes-Brown, recalled that every member country of the GCC had at 'one time or another' asked Australia to negotiate double taxation agreements, but if applications from investors to Australia's Foreign Investment Review Board (FIRB) were used as a gauge then investment

181 Australian Taxation Office, *What are tax treaties?*, viewed 5 April 2016, <<https://www.ato.gov.au/General/International-tax-agreements/In-detail/Tax-treaties/What-are-tax-treaties-/>>.

182 Department of Foreign Affairs and Trade, *Submission 9*, p. 26.

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

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

from the Gulf states remained strong. In 2014-15, the FIRB approved 38 separate investments by the UAE worth \$1.8 billion.¹⁸⁵ In 2013-14, the FIRB approved 33 separate investments by the UAE worth \$2.5 billion and 11 investment approvals from Kuwait worth \$2.6 billion.¹⁸⁶

We are still getting lots of FIRB applications from the UAE every week, so it does not seem to be – a major impediment. Obviously there are various opportunities in the market that are attractive enough for them to go forward. But you are right – they have raised the DTA issue, as have a number of the other GCC countries at various times. So it is an issue out there. Their preference would be for us to go ahead and do that, but we need to weigh up the costs and benefits of that, including possible implications for Australian business in some sectors as well.¹⁸⁷

4.199 In 2013, the Abu Dhabi Investment Authority (ADIA), the world's second largest sovereign wealth fund, became Australia's largest hotel owner by acquiring 31 Accor-branded hotels.¹⁸⁸

4.200 The then Director of Aviation Policy at the Tourism and Transport Forum, Mr Justin Wastnage, argued that investing in Australian hotels can be challenging. Mr Wastnage recalled that the Emirates Group from Dubai faced a number of issues when investing \$125 million to open its One&Only Wolgan Valley luxury spa resort on 1600 hectares in the Blue Mountains, NSW:

This was a grand project, which probably would not have got off the ground had it not been for a large investment of money up front. There were dozens of hurdles and roadblocks put in the way by the New South Wales state government and also by the federal government, which almost prevented that project from going ahead. Probably another investor would have pulled the plug many years before. But it was the perseverance of Emirates Group that led that to going ahead.¹⁸⁹

4.201 While Mr Wastnage praised efforts by Austrade and Tourism Australia to promote the investment opportunities in Australian tourism, he highlighted Australian tax laws on depreciation of assets as an issue faced by potential overseas investors in hotels:

185 Foreign Investment Review Board, *Annual Report 2014-15*, p. 35.

186 Foreign Investment Review Board, *Annual Report 2013-14*, p. 31.

187 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 4.

188 Department of Foreign Affairs and Trade, *Submission 9*, p. 53.

189 Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 7.

There are some quirks of Australian tax law that make us less attractive than other destinations for that – notably, depreciation of assets. The fixtures and fittings inside a hotel depreciate much quicker than the actual shell, yet they have the same depreciation schedule. In other markets they have a different regime for fixtures and fittings versus the actual shell. That is the sort of thing that makes us less attractive.¹⁹⁰

Delegation discussions relating to taxation treaties

- 4.202 The absence of a double taxation treaty with Saudi Arabia was raised during the Committee delegation meeting with the Shura Council in Riyadh. The Vice Speaker of the Shura Council, HE Dr Mohammed Amin Jefri, declared that both countries should stop wasting time and sign a double taxation agreement that will eliminate the 20 per cent Saudi corporate tax and the 30 per cent Australian tax. The Ambassador of Saudi Arabia to Australia, HE Mr Nabil Mohammed A. Al Saleh, stated that Australia would stand to benefit. He referred to the \$2.5 billion in trade between Australia and Saudi Arabia being similar to Saudi Arabia's past trade with China, but after China signed a bilateral agreement with Saudi Arabia, trade with China grew to \$69 billion.
- 4.203 The Committee delegation also held a meeting with the Deputy Minister for Foreign Affairs, Dr Abdullah Al-Obaid, at the Ministry of Commerce and Industry in Riyadh. Dr Al-Obaid told the delegation that the Saudi government would like to attract more Australian investment in Saudi Arabia, and was allowing 100 per cent ownership of the investment. He noted the trade balance was mostly in Australia's favour but Saudi is a food importing country.
- 4.204 Issues associated with taxation treaties are further examined in Chapter 6.

¹⁹⁰ Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 7.



The delegation with the Speaker of National Assembly of Kuwait, HE Mr Marzouq Ali Al-Ghanim



Delegation inspects Sultan Center's Australian fruit with Ambassador Mr Warren Hauck



The delegation leader the Hon Teresa Gambaro MP at the Sultan Center supermarket



Sultan Center's Group International Director Mr Makram Malaeb holds an Australian meat pie at the Sultan Center, a leading supermarket in Kuwait



Kuwait Livestock Transport & Trading CEO, Mr Osmana Khaled Boodai, with delegation



The delegation visits aviation engineering hangar at the Australian College of Kuwait

Live animal exports to the Middle East

- 5.1 This chapter examines Australia's live animal exports and the impact of the Exporter Supply Chain Assurance System (ESCAS) on the trade. The chapter looks at ESCAS in detail and the impact its implementation has had on the main Middle Eastern markets, including Saudi Arabia, which refuses to participate in ESCAS and has opted not to import Australian livestock since 2012.

Overview

- 5.2 In 2015, Middle Eastern markets accounted for up to 97 per cent of Australia's live sheep exports and were estimated to be worth more than \$237 million with Kuwait (576,350 sheep), UAE (454,233 sheep) and Bahrain (315,000 sheep)¹.
- 5.3 In 2015, Israel was the largest live cattle market in the Middle East, importing 79,334 head of cattle estimated to be worth more than \$87 million and about 6 per cent of all Australia's cattle exports.² Egypt also imported 18,500 Australian cattle, with Jordan importing 2,223 cattle and Kuwait 1,264 cattle. The UAE imported 3,296 goats from Australia in 2015, which was about 3 per cent of all goat exports.³
- 5.4 According to the Department of Agriculture's 2015 report on the Exporter Supply Chain Assurance System (ESCAS):

1 LiveCorp, Sheep statistics, Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

2 LiveCorp, Cattle statistics, Australian live cattle exports by destination for 2015, <www.livecorp.com.au>.

3 LiveCorp, Goat statistics, Australian live goat exports by destination for 2015, <www.livecorp.com.au>.

Australia is a high-volume exporter of live animals and important to the food security of many importing countries.⁴

- 5.5 The Chairman of the Australian Livestock Exporters' Council (ALEC), Peter Kane, said that despite facing a number of in-market challenges in the Middle East, the region has been and will continue to be critical to Australia's livestock export industry.⁵ ALEC represents the livestock export sector including licensed exporters of feeder, slaughter and breeder sheep, cattle, goats, buffalo and camels.⁶
- 5.6 Mr Kane observed that although the Middle East remains the dominant market for Australian sheep, the trade has declined significantly since 2001, when seven million sheep were exported to the region at its peak:
- The sharp decline can be attributed to a number of factors, including the industry's trade suspension to Bahrain in 2012, the increasing price of Australian sheep driving competition from other exporting nations and, in some markets, the implementation of the Exporter Supply Chain Assurance System, ESCAS.⁷
- 5.7 The Australian Livestock Exporters' Council (ALEC) believes the Middle East and North Africa (MENA) region presents many challenges to the Australian livestock sector, including underlying religious, cultural and commercial factors that are barriers and impediments to the trade in live animals exports.⁸

Exporter Supply Chain Assurance System

- 5.8 The Australian-developed Exporter Supply Chain Assurance System (ESCAS) was introduced in July 2011 and requires exporters to have commercial arrangements with supply chain partners to provide humane treatment and handling of livestock from arrival in the importing country up to the point of slaughter.⁹

4 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 30.

5 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 54.

6 Australian Livestock Exporters' Council, *Submission 16*, p. 3.

7 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 54.

8 Australian Livestock Exporters' Council, *Submission 16*, p. 11.

9 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 6.

5.9 The Middle Eastern countries of Bahrain, Egypt, Israel, Jordan, Kuwait, Oman, Qatar and United Arab Emirates all import Australian live animals under ESCAS:

Two to three million slaughter sheep are exported each year, predominantly to the Middle East, which accounts for about 6 per cent of annual turn-off.¹⁰

5.10 Under ESCAS the exporter must demonstrate, through a system of reporting and independent auditing:

- animal handling and slaughter meets World Organisation for Animal Health (OIE) animal welfare standards (Animal welfare);
- the exporter has control of all supply chain arrangements for livestock transport, management and slaughter, and all livestock remain in the supply chain (Control); and
- the exporter can trace or account for all livestock through the supply chain (Traceability).¹¹

5.11 The Department of Agriculture requires livestock exporters to obtain ESCAS approval from the department before exporting live animals. It can only be approved if the department is satisfied that the exporter will ensure that relevant OIE standards will be met. The exporter must outline the details of the supply chain for the proposed export, including the following:

- the port of arrival;
- transport, handling and slaughter of the livestock feedlots;
- identification, tracking or accounting and reconciliation of livestock;
- independent auditing and reporting;
- access to premises; and
- any related operations and facilities.¹²

5.12 ESCAS was introduced by the Australian Government in July 2011, following the public response to footage of mistreatment of Australian animals in some Indonesian abattoirs and the Australian Government temporarily suspending trade to Indonesia of cattle for slaughter until new safeguards for animal welfare were established:

10 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 11.

11 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 2.

12 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 6.

The Exporter Supply Chain Assurance System (ESCAS) was designed in a matter of weeks and was implemented in Indonesia. It was then progressively rolled out to all Australian export markets during 2012.¹³

- 5.13 The aim of ESCAS is to ensure that Australian livestock exported for feeder and slaughter purposes are handled in accordance with international animal welfare standards and to provide a mechanism to deal with animal welfare issues when they occur, thereby preventing the need for trade suspensions.¹⁴
- 5.14 The 2015 ESCAS report states that problems with the evidence provided to support allegations of non-compliance with ESCAS can make investigating non-compliance difficult. Reports of possible non-compliance may or may not contain supporting evidence. Even when provided, videos and photographs may not contain identifying details such as location, time or date or may not be of sufficient quality to allow the Department of Agriculture to identify the source of the animals.¹⁵
- 5.15 From the over 5.5 million sheep exported under ESCAS until late 2014, there have been eight instances of non-compliance recorded for sheep:
- Multiple factors may contribute to this type of non-compliance. It is not uncommon for sheep to be managed in feedlots ranging in size from 20,000–60,000 animals, making it difficult to identify unauthorised removal of small numbers of animals. Their relatively small size and the common practice of selling sheep for home slaughter in many Middle East markets may also be relevant. Sheep are not individually identified...¹⁶

Impact of ESCAS on individual markets

- 5.16 Summaries of the impact of ESCAS on live animal exports to each of Australia's main Middle Eastern markets (Bahrain, Israel, Jordan, Kuwait, Oman, Qatar and the UAE) follow in the next sections.¹⁷
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13 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 2.

14 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 2.

15 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 26.

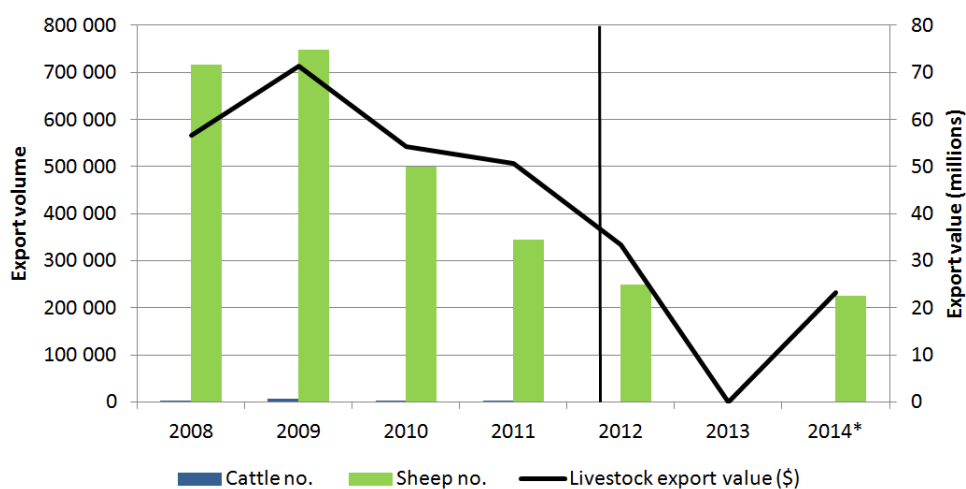
16 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 28.

17 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 53.

Bahrain

- 5.17 ESCAS was introduced to the Bahrain market in March 2012 as indicated by the vertical line in Figure 5.1. In August 2012 the industry imposed a suspension, which was lifted in February 2014. The supply chain in Bahrain is simple with a single importer, feedlot and abattoir with facilities partially owned by the Bahraini Government. Imported live sheep and carcasses are subsidised by the Bahraini Government and retailed at a fixed price, so there is little incentive to sell outside the approved supply chain.¹⁸ In 2015, 315,000 sheep were exported to Bahrain under ESCAS, up from 274,865 sheep in 2014.¹⁹
- 5.18 Australia is the largest exporter of sheep to Bahrain, followed by Saudi Arabia and Somalia. Following Australia's suspension of live exports, Bahrain also increased sheep meat imports from other suppliers such as Pakistan, Ethiopia, Sudan and Kenya. The sheep that are exported from Australia to Bahrain mostly depart from Fremantle and Port Adelaide.²⁰

Figure 5.1 Trade data – live cattle and sheep exports to Bahrain²¹



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

18 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 54.

19 Meat & Livestock Australia, Market information for 2014 and 2015, <www.mla.com.au>.

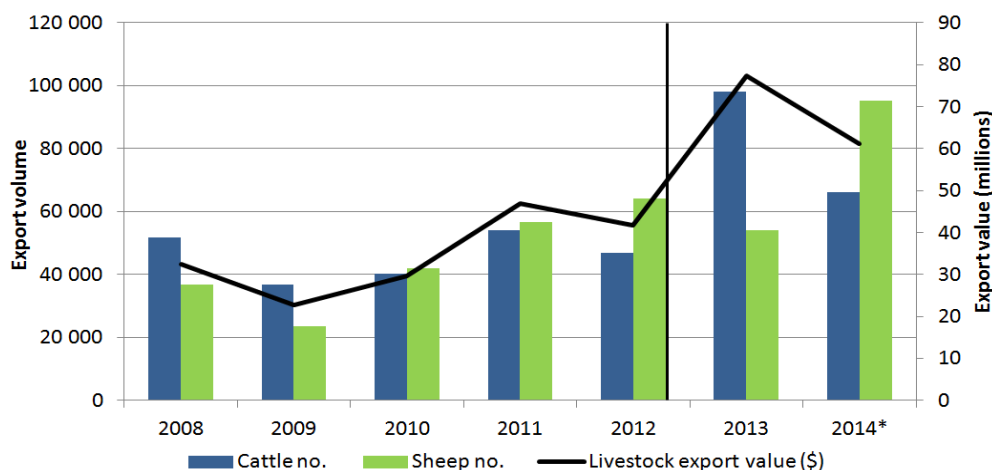
20 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 54.

21 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 54.

Israel

- 5.19 ESCAS was introduced to the Israel market in September 2012. The supply chains in Israel are complex, utilised by a number of different commercial parties and contain a large number of facilities. All feedlot and abattoir facilities are owned by two companies. Livestock exports from Australia have also been exported to Gaza as part of Israeli supply chains. Israel has in place its own animal welfare laws that are stringent and equivalent to World Organisation for Animal Health (OIE) standards. Seventy feedlots and nine abattoirs in Israel have been approved under ESCAS. As of November 2014, 29 consignments of sheep and cattle have been exported since ESCAS was introduced.²²
- 5.20 Israel was Australia's second largest market for cattle exports in 2013 and an important market for live sheep. Israel imported 98,096 cattle in 2013, which represented 13 per cent of cattle export volume (see Figure 5.2). Post introduction of ESCAS, Australia exported 164,289 sheep and 173,877 cattle to Israel as of November 2014. Israel imported 63,150 sheep in 2015. Sheep and cattle exported to Israel mostly depart from Fremantle, Geraldton and Port Adelaide.²³

Figure 5.2 Trade data – live cattle and sheep exports to Israel²⁴



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

22 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 60.

23 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 60.

24 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 60.

Jordan

- 5.21 ESCAS was introduced to the Jordan market in September 2012. Jordan has simple supply chains each with a small number of facilities. All livestock abattoirs are supervised by the Jordanian Government.²⁵
- 5.22 Jordan has been subject to a number of investigations and incidents related to loss of sheep from supply chains. Jordan is a high-volume importer and local factors may have contributed to these incidents.²⁶
- 5.23 Jordan was Australia's third largest market for live sheep exports in 2013 and a smaller market for cattle. A total of 287,792 sheep were exported in 2013, which represented nearly 15 per cent of sheep exported from Australia. Australia exported 294,095 sheep to Jordan in 2014 and 154,500 sheep to Jordan in 2015.²⁷ Following the introduction of ESCAS, Australia has exported 689,947 sheep and 11,900 cattle to Jordan as of November 2014 (see Figure 5.3). Sheep and cattle mostly depart from Fremantle.²⁸

Figure 5.3 Trade data – live cattle and sheep exports to Jordan²⁹



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

25 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 64.

26 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 64.

27 Meat & Livestock Australia, Market information for 2014 and 2015, <www.mla.com.au>.

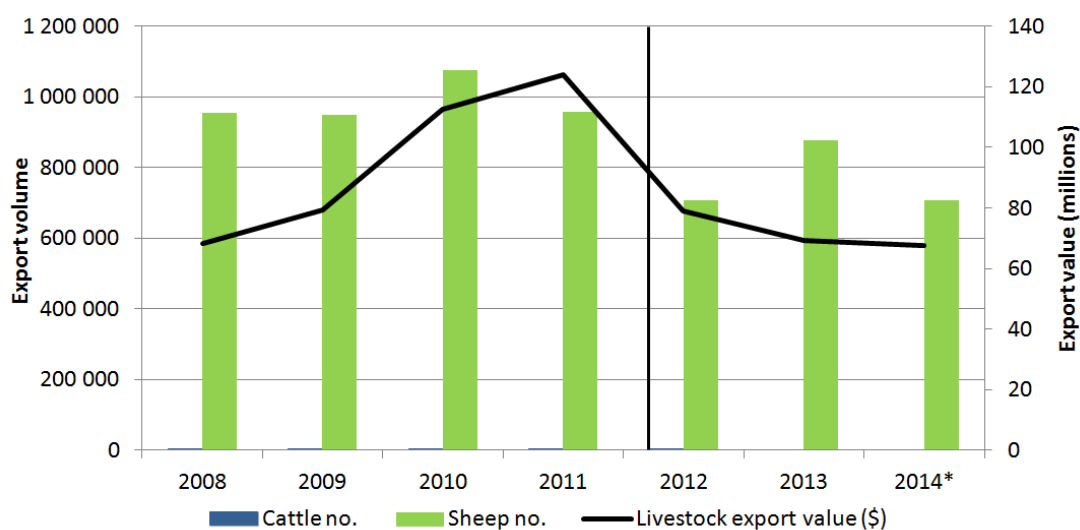
28 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 64.

29 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 64.

Kuwait

- 5.24 Kuwait has been Australia's largest sheep importing market for over a decade. From 2008–2013 the market imported 700,000 to 1 million live sheep per annum from Australia. In 2011, Kuwait accounted almost 40 per cent of Australia's live sheep exports. After ESCAS was introduced, Australia had exported a total of 2,153,872 sheep to Kuwait as of November 2014 (see Figure 5.4)³⁰. In 2015, Australia exported 576,350 sheep to Kuwait down from 744,671 in 2014.³¹
- 5.25 Sheep exported to Kuwait mostly depart from Fremantle Port, Port Adelaide and Portland. Kuwait was importing over one million Australian sheep a year at the height of demand.³²
- 5.26 The Australian industry provided 123 days of training to Kuwaitis in the 2013–14. Three hundred participants have received training in Kuwait since the implementation of ESCAS in Kuwait as of November 2014.³³

Figure 5.4 Trade data – live cattle and sheep exports to Kuwait³⁴



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

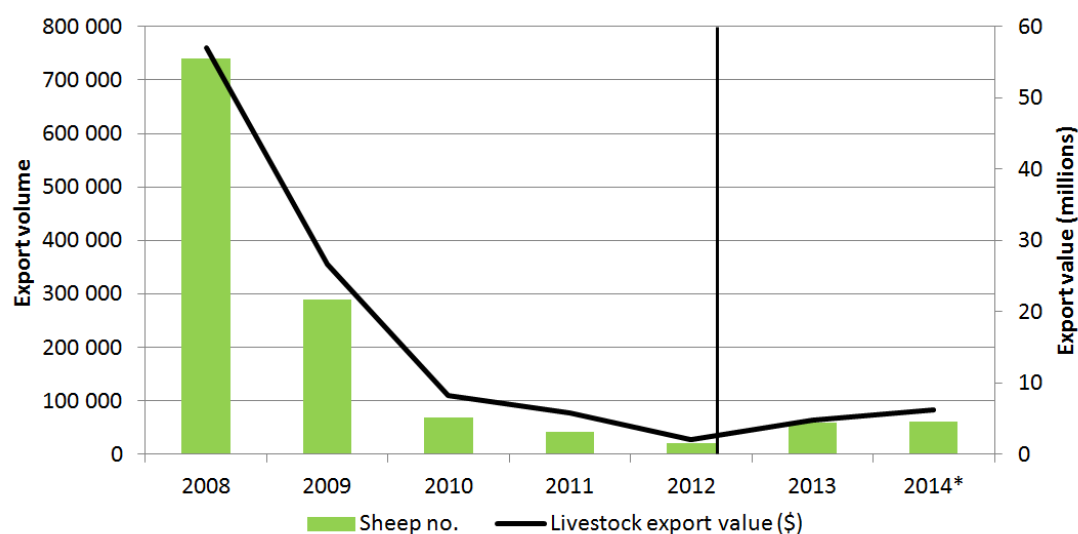
Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

- 30 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 66.
- 31 LiveCorp, Sheep statistics , Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.
- 32 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 66.
- 33 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 67.
- 34 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 66.

Oman

- 5.27 ESCAS was introduced to the Oman market in September 2012. Supply chains in Oman are simple with a small number of importers, exporters and facilities. All abattoirs are government-owned and, with the exception of the largest abattoir, all operations are tendered to the private sector.³⁵
- 5.28 Oman is a significant importer of live sheep and trade has occurred with minimal incidents. Five feedlots and seven abattoirs have been approved under ESCAS. As of November 2014, 21 consignments of sheep had been exported to Oman since ESCAS was introduced. Oman remains a stable live sheep export market for Australia. Australia was the third largest exporter of live sheep and goats to Oman in 2011. Post introduction of ESCAS, Australia has exported 128,242 sheep to Oman, as of November 2014 (see Figure 5.5). In 2015, Australia exported 79,804 sheep to Oman up from 61,646 sheep in 2014.³⁶ Sheep that are exported to Oman depart mostly from Fremantle, and some have also depart from Portland.³⁷

Figure 5.5 Trade data – live sheep exports to Oman³⁸



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

35 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 72.

36 LiveCorp, Sheep statistics, Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

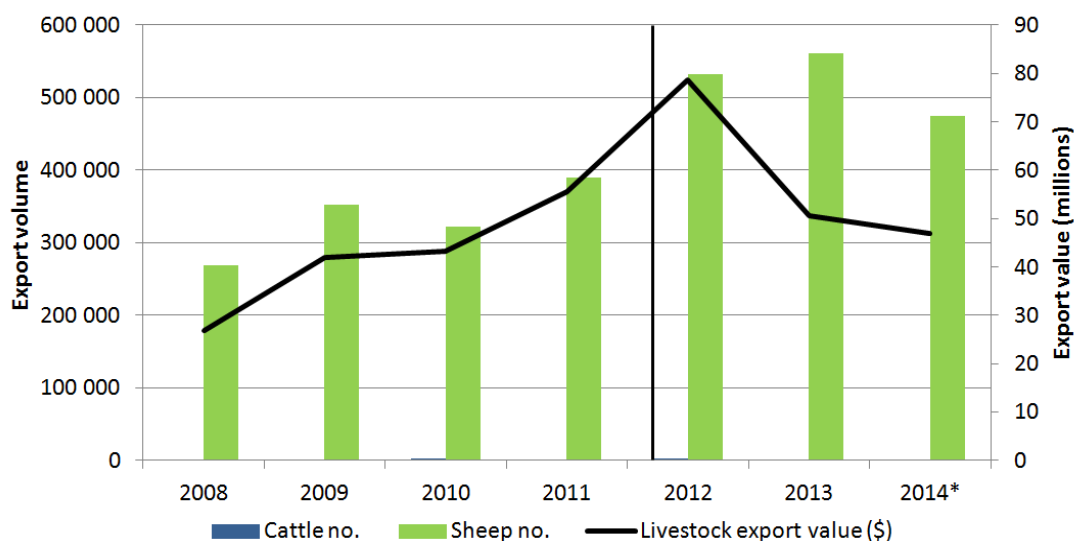
37 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 72.

38 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 72.

Qatar

- 5.29 ESCAS was introduced to the Qatar market in March 2012. Supply chains in Qatar are simple with a single importer and small numbers of exporters and facilities. Qatar is a high-income country with a well-developed regulatory system. One feedlot and four abattoirs have been approved under ESCAS. Forty-two consignments of sheep and cattle have been exported to Qatar as of November 2014 since ESCAS was introduced.³⁹
- 5.30 Qatar was Australia's second largest market for live sheep exports in 2013 and a smaller market for cattle. A total of 560,762 sheep were exported in 2013 to Qatar and this accounted for 28 per cent of the market. In 2015, Australia exported 239,414 sheep to Qatar down from 539,250 sheep in 2014.⁴⁰ Since the introduction of ESCAS, Australia exported 1,501,889 sheep and 3881 cattle to Qatar as of November 2014 (see Figure 5.6). Sheep and cattle exported to Qatar depart mostly from Fremantle with smaller numbers departing from Port Adelaide.⁴¹

Figure 5.6 Trade data – live cattle and sheep exports to Qatar⁴²



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

39 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 76.

40 LiveCorp, Sheep statistics, Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

41 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 76.

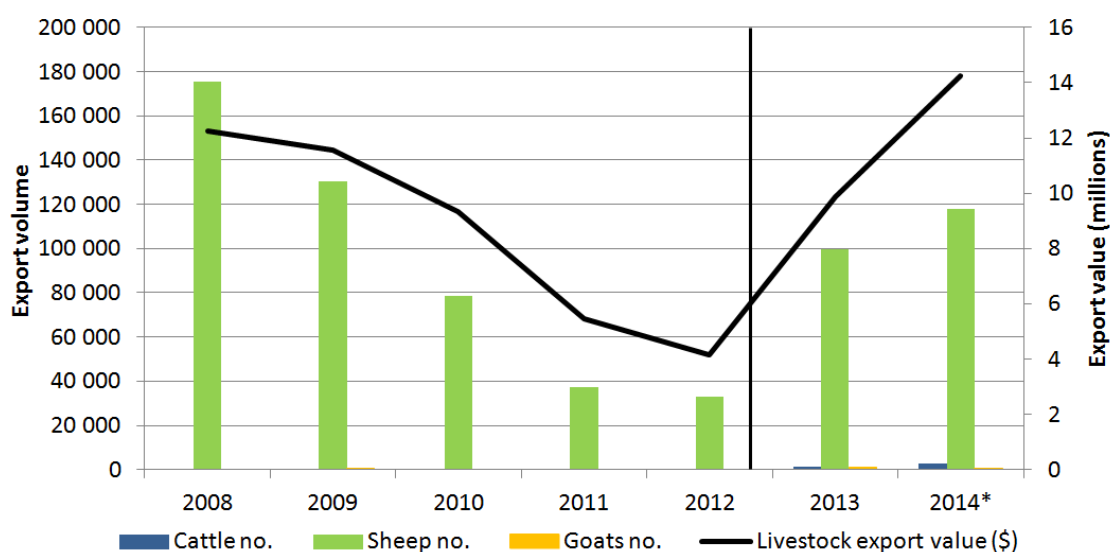
42 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 76.

United Arab Emirates

5.31 ESCAS was introduced to the UAE market in September 2012. The supply chains are not overly complex, with only a limited number of facilities. All abattoirs are government-owned and slaughter must be done in these facilities. The UAE is a consistently large market for sheep. As of November 2014, four feedlots and 11 abattoirs have been approved under ESCAS and 33 consignments of sheep and cattle have been exported (see Figure 5.7).⁴³

5.32 The UAE was Australia's fourth largest market for live sheep exports in 2013 and a smaller market for cattle and goats.⁴⁴ In 2015, Australia exported 454,233 sheep to the UAE up from 118,043 sheep in 2014.⁴⁵ Sheep, cattle and goats exported to the UAE depart from a number of ports including Fremantle, Port Adelaide, Portland, Melbourne and Sydney.⁴⁶

Figure 5.7 Trade data – live cattle, sheep and goats exports to UAE⁴⁷



Note: Vertical line indicates date of implementation of ESCAS in this market.

* 2014 data includes exports up to 30 November 2014

Source Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015.

43 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 80.

44 Meat & Livestock Australia, Market information for 2014 and 2015, <www.mla.com.au>.

45 LiveCorp, Sheep statistics, Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

46 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 80.

47 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 80.

Costs and regulatory burden of ESCAS

5.33 ALEC argued that the complexity and high costs associated with meeting the Australian Government's ESCAS requirements for live animal exports make it harder for Australian livestock exporters to compete against lower cost producers from other countries:

It is important to note that Australian livestock export regulations are the most onerous in the world and place Australia at a significant commercial disadvantage compared to all other countries supplying livestock to MENA markets.⁴⁸

5.34 The 2015 Report on ESCAS indicated that it is difficult to determine the system's full cost. Since its introduction it has become part of the costs of exporting and built into business structures. As a result it is difficult to isolate ESCAS operation and compliance costs.⁴⁹

5.35 In 2011 LiveCorp estimated that establishment of a new ESCAS-compliant supply chain could cost \$0.5 million per exporter. Ongoing costs were estimated to be in the order of \$2 per animal for cattle exported to Indonesia. The initial cost of establishing ESCAS in a country is significant for exporters. Exporters are required to develop supply chains that can meet OIE standards and supply evidence of compliance at each facility to the Department of Agriculture initially and on an ongoing basis.⁵⁰

5.36 Establishment of a compliant supply chain may require infrastructure improvements overseas as well as training for staff working in facilities. While exporters have primary responsibility for demonstrating compliance with ESCAS, costs may be passed on to commercial partners in importing countries, including importers and feedlot or abattoir owners.⁵¹

5.37 Since implementation, industry has conducted further work to investigate costs to exporters. In 2013, cost estimates ranged from \$0.77 to \$14.00 per animal for sheep, and from \$8 to \$45 per animal for cattle. The costs per animal of compliance with ESCAS are listed in Table 5.1 These estimates vary depending on species, destination market and transportation method. This is a significant increase on costs reported in 2011.

48 Australian Livestock Exporters' Council, *Submission 16*, p. 15.

49 Department of Agriculture, *Exporter Supply Chain Assurance System Report*, January 2015, p. 38.

50 Department of Agriculture, *Exporter Supply Chain Assurance System Report*, January 2015, p. 39.

51 Department of Agriculture, *Exporter Supply Chain Assurance System Report*, January 2015, p. 39.

Table 5.1 Cost per animal of compliance with ESCAS

Species	Transport method	High	Low	Mode*
Cattle	Sea	\$45.00	\$8.00	\$9.00
Sheep	Sea	\$0.77	\$0.77	\$0.77
Sheep	Air	\$14.00	\$10.00	\$13.00
Goats	Air	\$14.00	\$10.00	\$13.00

*Note: The mode represents the number that was represented most often in the sample.

Source Department of Agriculture, *Exporter Supply Chain Assurance System Report, January 2015 and Meat & Livestock Australia 2014*

5.38 The Department of Agriculture reports that it has been working with industry to improve ESCAS and reduce the costs of the system. This is an ongoing process. To date the following improvements have been implemented:

- allowing exporters to submit declarations attesting that contracts with importers and facilities are in place rather than submitting copies of each contract;
- removing the need to submit end-of-processing reports for each cattle and buffalo consignment;
- removing the need to submit the auditor's assessment checklist when submitting independent audits;
- replacing the requirement to publish individual audit reports with publication of audit summaries every four months;
- simplifying the approval arrangements for ESCAS variations, reducing paperwork and improving assessment times; and
- separating ESCAS approvals from individual consignment approvals, reducing the amount of paperwork involved.⁵²

Exporters' views of ESCAS

5.39 According to ALEC, ESCAS provides further oversight of the welfare of exported livestock by applying animal welfare regulation in Australia's international markets for slaughter and feeder animals, but its implementation has cost Australia access to the large live animal export market in Saudi Arabia:

ESCAS has placed our industry on a firmer footing, providing greater transparency and certainty around the delivery of animal welfare outcomes that meet both international standards and the

52 Department of Agriculture, *Exporter Supply Chain Assurance System Report, January 2015*, p. 42.

standards expected by the Australian community. However, its implementation has also come at a significant cost to market share. This includes a complete loss of access to the Kingdom of Saudi Arabia market, where the imposition of ESCAS or the prescription of animal welfare standards by Australia has aroused sensitivities around national sovereignty. No Australian stock has been imported by Saudi Arabia since ESCAS was commenced there. Australia's strongest competitors in the region, the nations of the Horn of Africa, are not subject to the same level of export regulation, which places Australia at a significant disadvantage.⁵³

5.40 The Department of Agriculture's 2015 report on ESCAS stated that the new assurance system had affected sheep export volumes due to the loss of the Saudi Arabian market:

For example, Australia has not exported live animals to Saudi Arabia since August 2012 due to Saudi Arabia's concern that the implementation of ESCAS would impinge upon its sovereignty.⁵⁴

5.41 According to ALEC, Australia has been able to work with and influence outcomes for Australian livestock exports to the MENA region with more success in some countries than others:

The issue of Australia prescribing animal welfare standards in the Kingdom is offensive to the Government and they have made this stance patently clear to the Australian industry and the Australian Government.⁵⁵

5.42 The 2015 ESCAS report stated it is 'difficult to distinguish the impact ESCAS specifically had on trade' due to international trade being affected by 'numerous factors such as price, exchange rate, competition, market-specific issues, domestic policies and commercial factors'⁵⁶. The Department of Agriculture's report stated:

Cattle exports declined prior to the introduction of ESCAS but rebounded to record levels in 2013-14. Total trade volume of sheep has been declining since 2005-06 and has continued to decline following the introduction of ESCAS.⁵⁷

53 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 55.

54 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p.35.

55 Australian Livestock Exporters' Council, *Submission 16*, p. 17.

56 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 3.

57 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 4.

5.43 However the high costs associated with meeting ESCAS requirements are reported to be a deterrent to trade, according to the 2015 ESCAS report:

ESCAS is a costly and complex system for importers and foreign governments and this has had some effects on Australia's image as a reliable supplier of high-quality livestock. Costs and complexity have also discouraged some commercial parties from participating in the trade.⁵⁸

5.44 The report states demand for exports of Australian live animals remains strong and the trade 'cannot be replaced by the boxed meat trade in many markets'.⁵⁹

5.45 A member of ALEC, Graham Daws, told the Committee why he believes some of the complexities of ESCAS offended some exporters' Middle Eastern customers:

All the customers had been invited and over many years encouraged by Australian governments to invest in the industry. They bought vessels that cost hundreds of millions of dollars – one vessel is worth two meatworks. They have bought properties, they have bought genetics, they have bought feedlots, they have bought feed factories, they have invested in infrastructure to support the trade. And the amount of money spent is so much that it is 15- to 20-year investment decisions. Then Australia changes the goalposts. All this is deeply offending all our customers. They will never bring it up, they will never raise it, but that is actually how they feel. They accepted ESCAS because they had a gun at their head and they had all this investment. So what were they to do?⁶⁰

5.46 Mr Daws argues loss of access to the Saudi Arabian market due to ESCAS remains a significant problem to overcome because he believes the Saudis would import another million head of sheep a year and 200,000 head of cattle a year if imposition of ESCAS was not an issue for them:

Believe me, there are some very good points of ESCAS, as far as animal welfare goes and the heightened awareness of animal welfare and the importance of it. That has been fantastic. But it is the mechanics of it, the cost, the interference, and the mistrust that all our clients feel. They feel that Australia just does not trust them. They say: 'We trust you. Animals come. They have a health

58 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 30.

59 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 30.

60 Mr Graham Daws, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 56.

certificate. You certify everything. We trust you, but you do not trust us.' Under ESCAS, we have to go and inspect all their facilities, and basically say, 'We're coming to check on you to make sure that you are good enough to receive our animals.' This has shaken and the deeply wounded them to the core, as far as future investment and continuity of trade are concerned.⁶¹

- 5.47 The 2015 ESCAS report stated the Saudi Arabian market was waning prior to 2012:

At its height in 2006, the Saudi Arabian market received nearly 1.2 million Australian sheep per year and smaller numbers of cattle (mostly breeder rather than slaughter animals). When Australia introduced ESCAS, its sheep exports to Saudi Arabia were already significantly declining – with the increasing value of the Australian dollar reducing the competitiveness of Australian livestock compared to those from northern Africa.⁶²

- 5.48 Mr Daws hoped Australia's long record of live animal exports to the Middle East can help regain the trust of those markets:

However, we are at the crossroads now, where there is a definite push-back on the new systems that Australia is imposing. However, those things can be overcome. It is a matter of how we do it. Critical is the approach that we take. It has to be a win-win for both sides, which it is, but you need to be able to explain how that is. You cannot just go in with a sledgehammer and say, 'Take it or leave it' because that damages relationships.⁶³

- 5.49 ALEC Chairman Mr Kane, argued the industry relied on a close partnership with the Australian Government for support in improving market access, which was fundamental to the sustainability and profitability of Australian livestock exporters, as well as to producers and other participants:

Equally important is building a public acceptance and earning trust through meeting community expectations about animal welfare. Australia's livestock industry has been expending considerable effort finding the balance that ensures access to markets and the correct standard of animal welfare outcomes in countries that have very significantly different cultures from our

61 Mr Graham Daws, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 56.

62 Department of Agriculture, Exporter Supply Chain Assurance System Report, January 2015, p. 35.

63 Mr Graham Daws, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 56.

own. Achieving continual improvements in animal welfare is central to our industry's activities in the Middle East; and, through a combination of industry investment and government regulation, Australia is successfully driving improvements in animal welfare outcomes in markets in the region.⁶⁴

Animal welfare

5.50 ALEC states that tens of millions of dollars have been invested in animal welfare over the 30 years of Australian presence in the Middle East. Improvements in animal welfare have been achieved over this time due to:

- Infrastructure improvements to many abattoirs with new races, ramps and slaughter tables in Kuwait, v-restrainers in Bahrain and Qatar, cattle restraining boxes in Qatar, Jordan, Libya and Kuwait and a cattle stunner in Jordan. Feedlots have also been improved by provision of shade, water and feed bunks. Port upgrades in Oman, Saudi Arabia and Kuwait, yard panels in Kuwait, port shed renovation in Kuwait, and a port trailer in Israel;⁶⁵ and
- Training and technical advice on animal welfare is provided across the region – in 2013-14 over 840 people participated in training activities including 40 participants in Kuwait such as managers, butchers and general staff receiving procedure training. ESCAS auditor training workshops were also delivered to improve auditor assessment skills and understanding of ESCAS, OIE guidelines and other compliance requirements.⁶⁶

5.51 In the main, according to ALEC, the governments of many Middle Eastern countries importing Australian livestock have given their consent to different animal welfare standards because they have benefited from the transfer of knowledge and understanding provided by Australia. In some cases Australian industry support has also included the supply or refurbishment of infrastructure and equipment:

Finding the balance that ensures the correct standard of animal welfare outcomes in countries that have a significantly different culture has been a challenge that Australia has willingly taken up over the last three decades.⁶⁷

64 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 54.

65 Australian Livestock Exporters' Council, *Submission 16*, pp. 16 – 17.

66 Australian Livestock Exporters' Council, *Submission 16*, p. 17.

67 Australian Livestock Exporters' Council, *Submission 16*, p. 17.

- 5.52 The Australian livestock export industry has been incredibly successful, according to ALEC, in influencing improvements in animal welfare outcomes in the MENA region. This has been a direct result of extensive industry programs in all of the markets that Australia supplies and is the culmination of three decades of market presence. ALEC states there is still a need for the continuation and monitoring of programs in the MENA region:

The major significant hurdle still to be overcome is the implementation of pre slaughter stunning in MENA markets. As the practice of stunning is open to many different interpretations under the requirements for 'halal' slaughter, it is a particularly challenging issue. Cultural and geographical differences together with the fundamental denominational divide between Sunni and Shia...need to be understood when dealing with any matter which is subject to Sharia Law. Pre slaughter stunning is not a requirement to meet OIE [World Organisation for Animal Health] standards making the argument for it to be implemented even more vexing.⁶⁸

Competition

- 5.53 The Horn of Africa, South America and Eastern Europe are Australia's main competitive suppliers of livestock to the MENA region. Sudan, Somalia and Ethiopia have significant livestock populations and export large numbers of cattle, sheep and goats to the GCC. According to ALEC research, the Sudan reportedly carries 41 million cattle, 43 million sheep and 51 million goats; Somalia carries 4 million cattle, 12 million sheep and 18 million goats and Ethiopia carries 49 million cattle, 25 million sheep and 22 million goats.⁶⁹
- 5.54 Almost all livestock production in the Horn of Africa is based on small holder grazing, has a low cost of production and the highest returns are obtained from livestock delivered into the live export supply chain. These three countries supply large numbers of mainly light weight animals into Saudi Arabia and other GCC states and in 2014 almost all Saudi Arabia imports were being sourced from the African Red Sea coast:

Livestock sales in the GCC are based on per head prices, the light weight, breed similarity and proximity to market make Horn of

68 Australian Livestock Exporters' Council, *Submission 16*, p. 16.

69 Australian Livestock Exporters' Council, *Submission 16*, p. 14.

Africa sourced stock affordable and desired in many of Australia's MENA live export markets.⁷⁰

- 5.55 A member of ALEC, Graham Daws, told the Committee that the Middle Eastern markets would soon find alternative suppliers if Australian livestock ever became unavailable:

If there was any interference with livestock, buyers would get livestock from some other country, as Saudi Arabia is doing now. They are now importing eight million head of all species per annum; 25,000 head a day are coming in from Sudan. So they do not need Australia, but Australia has the quality, the reputation, the hygiene and the long-term continuity that they would be seeking.⁷¹

- 5.56 Brazil, with a cattle herd in excess of 200 million head, is the major competitor for supply of slaughter cattle to MENA, particularly to Egypt and Lebanon.⁷²

Opportunities for live animal exports

- 5.57 According to DFAT, the Middle East is expected to regain its prominence as a major market for Australian livestock exports, particularly for sheep and cattle. Competition from suppliers in North Africa, political developments in the region, the introduction of Australia's Exporter Supply Chain Assurance System (ESCAS), and the stronger Australian dollar have all contributed to the short term decline in livestock exports over the last four years. Kuwait remains Australia's largest market for sheep, accounting for 43 per cent of all trade. Access to new markets, a lower Australian dollar and Australia's more competitive livestock are expected to increase exports in the medium term. In 2014, the government announced the recommencement of live animal exports to Bahrain under the ESCAS regime, and also the resumption of the trade with Egypt.⁷³

- 5.58 The Department of Agriculture also expects the demand for live animal exports from Australia in MENA countries to remain strong:

Many MENA consumers, particularly Muslims, prefer to purchase meat that comes from animals slaughtered under the guidance of

70 Australian Livestock Exporters' Council, *Submission 16*, p. 14.

71 Mr Graham Daws, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 57.

72 Australian Livestock Exporters' Council, *Submission 16*, p. 15.

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

local religious officials. Some slaughter facilities provide opportunity for buyers to view the slaughter of animals to ensure it occurs in line with their religious beliefs. Often, a premium is paid for freshly killed meat. Demand for live animals is particularly strong around some holidays and festivals such as Eid Al-Adha.⁷⁴

5.59 Australian livestock, particularly sheep, are preferred to imports from other countries in some Middle Eastern markets due to their consistent high quality and favourable disease status.⁷⁵

5.60 The Chairman of the Australian Livestock Exporters' Council (ALEC), Peter Kane, asserted that the growing numbers of Australian livestock sold into Middle Eastern markets showed that those communities wanted a choice in how they obtain their meat:

That represents a demand from several million people in the Middle East for Australian meat derived from live animals, because those people all have a choice to buy a processed in Australia product, produce processed in an abattoir somewhere else around the world or a live product from Australia. Millions of people are ultimately saying, 'We want live product.' So, as we have been saying through the course of our presentation, there are market segments: there is definitely a place in the Middle East for boxed product and very clearly there is also a place in the Middle East for live product.⁷⁶

5.61 Chairman of the Australian Processor Council of the Australian Meat Industry Council (AMIC), David Larkin, told the Committee what he perceived would be the impact on meat processing in Australia from any hypothetical banning of the live animal exports, a rival industry, in the future:

The red meat industry post farm-gate takes a very mature approach to what is a competitor industry. My comments, with that in mind, are that historically markets, as they are opened, are opened with live-animal exports and then as they grow in terms of value, technical capability and spending capacity move from live-animal exports to frozen product and then to chilled product and

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

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

76 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 57.

then to high-end chilled product. I cannot think of an exception to that.⁷⁷

- 5.62 AMIC does not support banning of any Australian export industry and argues the Middle East still has markets that culturally want to process live animals:

The live product itself has challenges and they are not easy to satisfy. The Middle East is the one market that probably still has some cultural hankering for the ability to freshly kill the animal. Where we might be assisted with that is getting logistically to the market, and expiry dates on our product so that processed product out of Australia is challenged to compete in that market.⁷⁸

- 5.63 Mr Kane stated there are a number of opportunities for Australian industry and government to work more closely with importers and governments in the Middle East to strengthen commercial and cultural links:

Such opportunities are being realised through the recent signing of health protocols with Bahrain and Iran as well as significant interest emerging from markets such as Iraq. We welcome the strong support of the Australian government and its increased determination to open more markets. We are ambitious enough to pursue a global export target of five million head by 2016 and see further increases beyond that. The Middle East will play an important part in achieving that goal.⁷⁹

Delegation discussions relating to live animal exports

- 5.64 During the Committee delegation's visit to Saudi Arabia, the issue of Australia seeking to impose ESCAS on how Saudi Arabians handle and slaughter Australian livestock exports was first raised at a meeting with members of the Shura Council. The Saudi Ambassador to Australia, HE Mr Al Saleh, who was present, declared ESCAS was a sovereignty issue, and that ESCAS was interfering beyond Australia's borders. Member of the Shura Council, Dr Sultan bin Hasan Al-Sultan, advised the Committee delegation that Saudi Arabia had good standards when slaughtering

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

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

79 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, Sydney, 9 September 2014, p. 55.

- animals. He called for both countries to work together on resolving the issue and respect each other's differences.
- 5.65 The Deputy Minister for Foreign Affairs, Dr Abdullah Al-Obaid, at Saudi Arabia's Ministry of Commerce and Industry, declared at the meeting with the Committee delegation that Saudis were 'merciful' with their animals. Dr Al-Obaid conceded while Saudi Arabia had other sources for live animals, many Saudis still prefer the meat from Australia.
- 5.66 At a meeting in Kuwait City at the Ministry of Foreign Affairs with the Assistant Foreign Minister for Americas, Ms Reem M. Al-Khaled, the Committee delegation asked how Kuwait viewed ESCAS. Kuwait is Australia's largest export market for live sheep. Ms Al-Khaled said the Government supported the current situation with ESCAS, and were happy to comply.
- 5.67 The following day the CEO of the Kuwait Livestock Transport & Trading Company (KLTT), Mr Osmana Khaled Boodai, told the Committee delegation that his company had accepted ESCAS, and made the necessary changes. KLTT also had their staff engage with ESCAS training, and the company intended to remain a major importer of Australian sheep. Mr Boodai expressed a concern about any concessions on ESCAS to Saudi Arabia, as it may give a regional competitor an advantage after all the work done by KLTT.
- 5.68 The Committee delegation was interested in KLTT's investment in a upgrading its facilities and its transport fleet. KLTT will open a new 84,000 sqm slaughterhouse in 2016 capable of processing 16,000 sheep a day using six lines of meat processing. It has also invested \$80 million on a new livestock transport ship, the *Al Kuwait*, able to transport 80,000 sheep. The *Al Kuwait* will mostly collect sheep from Fremantle, Port Adelaide and Portland.
- 5.69 Mr Boodai explained to the Committee delegation about 50 per cent of sales are boxed directly to consumers. KLTT provides a home delivery service of its meat for clients that included allowing them to select the animal they want from the stockyard, the animal being slaughtered, sent to the meat processing plant, cut into quarters, boxed, and then home delivered. The cost of 15kg of freshly slaughtered and processed sheep, chilled, boxed and home delivered was estimated at 39 Kuwaiti Dinar or \$180. Mr Boodai stated this service was very popular during religious festivals as the Kuwaiti consumer wants their meat slaughtered in country. About a 1,000 people a day bring their children along to choose their own sheep.
- 5.70 KLTT owns facilities in the UAE and supplies sheep and chilled boxed meat to markets in the UAE, Bahrain, Oman and Qatar. Mr Boodai stated

that live sheep from Iran was also major competitor to Australian livestock, with Iran exporting 700,000 a year.

- 5.71 KLTT also wanted to import Australian cattle for processing in an ESCAS approved slaughterhouse but had been waiting eight months on final approval from the Australian Department of Agriculture. Mr Boodai informed the Committee delegation that it normally took the department one month to approve a slaughterhouse for sheep, but the approval of this cattle facility was taking much longer than he expected. KLTT had been the subject of three audits but no approval came through after the modifications required to the slaughterhouse were made. The last audit was in about August 2015, and KLTT was subsequently losing interest in Australian cattle and beef.

Committee comment

- 5.72 The Committee acknowledges that live animal exports into the Middle East markets remain a fraught issue in both Australia and Saudi Arabia.
- 5.73 At the centre of the debate is the Australian-developed Exporter Supply Chain Assurance System (ESCAS), which was introduced in July 2011 in response to footage of the mistreatment of Australian animals in Indonesian abattoirs that led to a temporary suspension of the trade to Indonesia.
- 5.74 Despite concerns about the implementation of ESCAS, the Committee notes that the Middle Eastern countries of Bahrain, Egypt, Israel, Jordan, Kuwait, Oman, Qatar and the UAE, all import many hundreds of thousands of Australian livestock, mostly sheep, under ESCAS.
- 5.75 The Committee is aware, however, that ESCAS remains an issue for the Saudis. Saudi Arabia's concern about the implementation of ESCAS impinging upon its sovereignty has meant Australia has not exported any live animals to what was once one of its largest markets since August 2012. Saudi Arabia is now importing eight million head of all species per annum, mostly from the Sudan.
- 5.76 While the Saudis do not need Australia to supply livestock, the Committee is also aware of Saudi Arabia's interest in Australian sheep because those sheep have the quality and hygiene standards they require.
- 5.77 The Committee is also mindful of the pitfalls of changing an established ESCAS, or making concessions to Saudi Arabia, and the risk upsetting existing customers such as the Kuwait Livestock Transport & Trading Company that has invested many millions of dollars upgrading their abattoirs, feedlots and ships to accommodate ESCAS.

- 5.78 The Chairman of the Australian Livestock Exporters' Council (ALEC), Peter Kane also told the Committee that ESCAS places his industry on a firmer footing, providing greater transparency and certainty around the delivery of animal welfare outcomes that meet both international standards and the standards expected by the Australian community. But its implementation has also come at a significant cost with the loss of Saudi Arabia as a customer.
- 5.79 The Committee is aware that ESCAS remains a costly and complex system that discourages some commercial parties from participating in the live animal trade.
- 5.80 The Committee therefore recommends that efforts be made to address Saudi Arabia's sovereignty concerns while retaining ESCAS in an acceptable form.

Recommendation 3

The Committee recommends that the Australian Government explore with the Government of Saudi Arabia whether the appointment of an independent auditor to monitor implementation of the Exporter Supply Chain Assurance System would meet Saudi Arabia's sovereignty concerns.

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.¹

- 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.²
- 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.³
- 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'.⁴
- 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...⁵
- 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

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.⁶

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.

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.⁷

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.⁸

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.⁹

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

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.¹⁰

- 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.¹¹

- 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.¹²

- 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

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.¹³

- 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.¹⁴

- 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.¹⁵

- 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.¹⁶

- 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:

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.¹⁷

- 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.¹⁸

- 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.¹⁹

- 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.²⁰

- 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.²¹

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.²²
- 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.²³
- 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.²⁴
- 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'.²⁵

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.²⁶

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.²⁷

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

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.²⁸

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.²⁹

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 Maghreb³⁰ 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.³¹ 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.³²

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.³³

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

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.³⁴

- 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.³⁵
- 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.³⁶
- 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

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.³⁷

- 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.³⁸

- 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.³⁹

- 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.

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.⁴⁰

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.⁴¹

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.⁴²

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'.⁴³

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.⁴⁴

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.⁴⁵

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.⁴⁶

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

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.⁴⁷

- 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.⁴⁸

- 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.⁴⁹

- 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.⁵⁰

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'.⁵¹
- 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...⁵²
- 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...⁵³
- 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:

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.⁵⁴

- 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...⁵⁵

- 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.⁵⁶

- 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.⁵⁷ 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:

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.⁵⁸

- 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.⁵⁹
- 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.⁶⁰

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.

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.⁶¹
- 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.⁶²
- 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'⁶³ 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.⁶⁴
- 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.⁶⁵
- 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:

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...⁶⁶

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.

⁶⁶ 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.⁶⁷
- 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.⁶⁸
- 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

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.⁶⁹

- 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.⁷⁰
- 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'.⁷¹
- 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.⁷²

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

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'.⁷³
- 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'.⁷⁴

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.⁷⁵

- 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.⁷⁶

- 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.⁷⁷

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

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.⁷⁸
- 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).⁷⁹
- 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.⁸⁰

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.⁸¹

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.⁸²

- 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.⁸³

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.⁸⁴

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.⁸⁵

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.⁸⁶

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.⁸⁷

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.⁸⁸

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.

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.⁸⁹
- 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

⁸⁹ 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.⁹⁰

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.⁹¹

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.⁹²

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.⁹³

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.⁹⁴

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.⁹⁵

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.⁹⁶
- 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.⁹⁷
- 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.⁹⁸
- 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.⁹⁹
- 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.¹⁰⁰
- 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

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.¹⁰¹

- 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.¹⁰²

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.¹⁰³
- 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.¹⁰⁴
- 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

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.¹⁰⁵

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.¹⁰⁶

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.¹⁰⁷

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

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.¹⁰⁸

- 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.¹⁰⁹

- 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.¹¹⁰

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.¹¹¹
- 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.¹¹²
- 6.168 At an earlier Trade and Investment Ministers' Meeting held in Canberra in 2014, the ministers endorsed five new National Investment Priorities: food

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.¹¹³

- 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.¹¹⁴

- 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.¹¹⁵

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.¹¹⁶

- 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.¹¹⁷

- 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.¹¹⁸

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

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.¹¹⁹

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.¹²⁰

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

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.¹²¹

- 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.¹²²

- 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.¹²³

- 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

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.¹²⁴

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

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.¹²⁶

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

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...¹²⁷

- 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.¹²⁸

- 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'.¹²⁹

- 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.¹³⁰

- 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

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.¹³¹

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.¹³²

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

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.¹³³

- 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.¹³⁴

- 6.191 The Chairman of ATC Mr Chapman also supported the 'extraordinary' work done by the Victorian Government Business Office in Dubai¹³⁵ 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.¹³⁶

- 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).

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.¹³⁷
- 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.¹³⁸
- 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.¹³⁹
- 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

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...¹⁴⁰

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

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.¹⁴¹
- 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.

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’¹⁴², 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.¹⁴³

- 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.¹⁴⁴

- 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.¹⁴⁵

- 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:

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.¹⁴⁶

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.¹⁴⁷
- 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

¹⁴⁶ GrainCorp, *Submission 42*, p. 5.

¹⁴⁷ 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.¹⁴⁸

- 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.¹⁴⁹

- 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.¹⁵⁰

- 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

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-2016.¹⁵¹

6.217 The DIBP had 'not undertaken a formal comparison of Australia's electronic lodgement systems with those of other countries'.¹⁵² 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.¹⁵³

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.¹⁵⁴

6.219 Some other comparable countries also require universal interview of applicants.¹⁵⁵

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

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.¹⁵⁶

- 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.¹⁵⁷

- 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.¹⁵⁸
- 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.¹⁵⁹
- 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

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.¹⁶⁰

- 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.¹⁶¹

The Hon Bruce Scott MP
Chair
Trade Sub-Committee

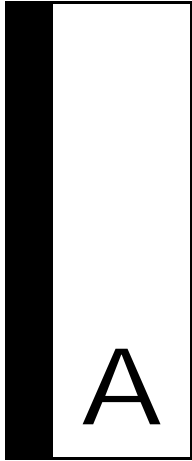
4 May 2016

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

4 May 2016

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.

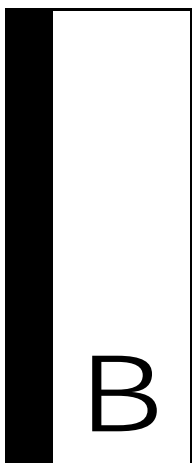


Appendix A—List of Submissions

- 1 Centre for Citizenship and Globalization, Deakin University
- 2 Professor Fethi Mansouri, PhD
- 3 International Air Services Commission
- 4 Bank of Sydney Limited
- 5 Arab Bank Australia
- 6 Commercial Office, Consulate General of Egypt
- 7 Centre for Arab and Islamic Studies (The Middle East & Central Asia), ANU
- 8 Confidential
- 9 Department of Foreign Affairs and Trade
- 10 Australian Food and Grocery Council
- 11 The University of Sydney
- 12 CSIRO
- 13 Export Council of Australia
- 14 Mr Jawad Chafil
- 15 Maranoa Regional Council
- 16 Australian Livestock Exporters' Council
- 17 Dearin & Associates
- 18 The Links Group
- 19 Sheepmeat Council of Australia
- 20 Qantas Airways Limited
- 21 Universities Australia
- 21.1 Universities Australia - Supplementary submission
- 22 Ministry of Economy and Trade, Beirut - Lebanon

23	AUSTAL
24	CBH Group
25	Australia Arab Chamber of Commerce and Industry
26	Department of Industry
27	Department of Agriculture
28	Embassy of the State of Kuwait
29	Fletcher International Exports
30	Victorian Government
31	SunRice
32	Confidential
33	Hassad Australia
34	Australian Meat Industry Council
35	Queensland Government
36	Monash University
37	Emirates Airline & Group
38	Confidential
39	Australian Dairy Industry Council Inc. and Dairy Australia
39.1	Australian Dairy Industry Council Inc. - Supplementary submission
39.2	Australian Dairy Industry Council Inc. - Supplementary submission
40	United Arab Emirates Ministry of Economy
41	Seventh Sense
42	GrainCorp Limited
43	Ego Pharmaceuticals
44	Australian Turntable Company Pty Ltd
45	University of Wollongong
46	Tourism & Transport Forum
47	Etihad Airways
48	Embassy of Lebanon
49	Jordan Embassy
50	Embassy of the Kingdom of Morocco
51	AustraBlend and AustraHort Pty Ltd
52	Australian-Arab Institute for Strategic Affairs
53	Tourism Australia
54	Meyar Investments Advisory Co.

- 55 Export Finance and Insurance Corporation
- 56 Aspen Medical
- 57 Confidential



Appendix B—List of Exhibits

1. Victorian Government
Gulf States Engagement Strategy - February
2. Seventh Sense
Sustainability managers and advisers
3. The Links Group
Dubai Investment Development Agency media release on tourism 8 September 2014
4. Commercial Office, Consulate General of Egypt
Trade fact sheet 2014
5. Commercial Office, Consulate General of Egypt
Egypt building new Suez Canal 9 September 2014
6. Commercial Office, Consulate General of Egypt
Powerpoint - Egypt on the brink of change June 2014
7. Australia Arab Chamber of Commerce and Industry
Sumich Company report on restrictions for exporting celery March 2014
8. Export Council of Australia
AIBS 2014 Full Report
9. Export Council of Australia
AIEx Capability Statement October 2014
10. Confidential
11. Australian Turntable Company
Presentation at Melbourne hearing 17 October 2014
12. Mainstream Aquaculture
Overview of Mainstream Aquaculture

13. Commercial Office, Consulate General of Egypt
Electricity Sector in Egypt
14. Commercial Office, Consulate General of Egypt
Egyptian Renewable Energy Strategy
15. Commercial Office, Consulate General of Egypt
Feed in Tariff Scheme in Egypt
16. Emirates Airline & Group
Emirates in Australia
17. Qatar - General Secretariat for Development Planning
Qatar National Vision 2030
18. Embassy of the Kingdom of Morocco
Moroccan industries promotion
19. Ms Cynthia Dearin
Camels, Sheikhs and Billionaires – Your guide to Business Culture in the Middle East and North Africa



Appendix C—Answers to questions on notice

1. University of Sydney answers to questions on notice from public hearing on 9 September 2014
2. CSIRO answers to questions on notice from public hearing on 27 August 2014
3. Bank of Sydney answers to questions on notice from public hearing on 9 September 2014
4. Australian Turntable Company answers to questions on notice from public hearing on 17 October 2014
5. Australian Dairy Industry answers to questions on notice from public hearing on 17 October 2014
6. Victorian Government answers to questions on notice from public hearing on 17 October 2014
7. Embassy of Jordan answers to questions on notice from public hearing on 11 February 2015
8. Embassy of Kuwait answers to questions on notice from public hearing on 11 February 2015
9. Department of Agriculture answers to questions on notice from public hearing on 18 March 2015
10. Embassy of Qatar answers to questions on notice from public hearing on 11 February 2015
11. Export Finance Insurance Corporation answers to questions on notice from public hearing on 25 November 2015
12. Department of Immigration and Border Protection answers to questions on notice from public hearing on 4 March 2015



Appendix D—Witnesses who appeared at public hearings

Canberra, Wednesday, 18 June 2014

Arab Bank Australia

Mr Joseph Rizk, Managing Director and Chief Executive Officer

Canberra, Wednesday, 25 June 2014

Australia Arab Chamber of Commerce and Industry

Mr Geoffrey Puttick, National Chairman

Mrs Suzannah Moss-Wright, Chief Executive Officer

Mr Robert Newton, National Board Member

Canberra, Wednesday, 16 July 2014

Dearin & Associates

Ms Cynthia Dearin, Managing Director

Canberra, Wednesday, 27 August 2014

CSIRO

Ms Elizabeth Yuncken, International Advisor, Europe, India and the Middle East

Dr Paul Hardisty, Director, Land and Water Flagship

Canberra, Wednesday, 3 September 2014

Universities Australia

Ms Ainslie Moore, Policy Director, International

Ms Keely Dreghorn, Policy Analyst, International

Ms Sarah Brown, Policy Director, Research

Sydney, Tuesday, 9 September 2014

Seventh Sense

Mr Ibrahim Awad, Managing Director and Owner

Mr Naim Safi, Business Development Manager

Hassad Australia

Mr Mark Barber, Manager Strategy, Planning and Executive Projects

Mrs Melissa Scardino, Legal Counsel and Company Secretary

Australian Meat Industry Council

Mr David Larkin, Chairman, Australian Processing Council

Mr Stephen Martyn, National Director Processing

Fletcher International Exports

Mr Graham Lyon, Manager Middle East

Bank of Sydney

Ms Julie Elliott, Chief Executive Officer

Mr Ashley Bakes, Head of International Trade

The Links Group

Mr David Mitford-Burgess, Consultant

Consulate General of Egypt

Mr Aiman Mostafa Elabd, Commercial Minister Plenipotentiary for Australia and New Zealand

Mr Ramzy Mansour, Member, Australian Parliamentary Study Group, New South Wales Parliament

Mr Lorenzo Montesin, Chairman, Bibliotheca Alexandria, Australian friends of the Alexandria Library

Meat and Livestock Australia

Dr Peter Barnard, General Manager, Trade and Economic Services

Mr Lachlan Bowtell, Regional Manager Australia

Mr Peter Dundon, Manager, Livestock Exports

Sheepmeat Council of Australia

Mr Jeffrey Murray, Vice President

Australia Arab Chamber of Commerce and Industry

Mr Paul Morris, National Director

Mrs Suzannah Moss-Wright, Chief Executive Officer

Mr Nick Tana, Member

Mr Barry Buss, Member

Australian Livestock Exporters' Council

Mr Peter Kane, Chairman

Ms Alison Penfold, Chief Executive Officer

Mr Graham Daws, Member

University of Sydney

Professor Philippa Pattison, Deputy Vice-Chancellor (Education)

Professor Leanne Piggott, Director, Business Education, University of Sydney
Business School and Chair of Middle East Advisory Group

Canberra, Wednesday, 24 September 2014

Centre for Arab and Islamic Studies, Australian National University

Professor Matthew Gray, Associate Professor

Dr Raihan Ismail, Associate Lecturer

Dr Zahra Taheri, Persian Program Convener

Canberra, Wednesday, 1 October 2014

Export Council of Australia

Mr Stephen Deady, Director

Melbourne, Friday 17 October 2014

Ego Pharmaceuticals

Mr Alan Oppenheim, Managing Director

Australian Turntable Company

Mr Paul Chapman, Executive Chairman

Meateng

Mr Stephen Harvey, Managing Director

Centre for Citizenship and Globalisation, Deakin University

Professor Shahram Akbarzadeh, Deputy Director International

Australian Dairy Industry

Mr Chris Griffin, Board Member, Australian Dairy Farmers

Mr David Losberg, Senior Policy Manager, Australian Dairy Farmers

Mr Charlie McElhone, General Manager, Trade and Industry Strategy, Dairy Australia

Monash University

Professor Abid Khan, Vice-Chancellor and Vice-President (Global Engagement)

Dr Nizar Farjou, Associate President, Middle East, North Africa and Central Asia

Victorian Government

Ms Marion Van Rooden, Deputy Secretary, Department of State Development, Business and Innovation

Mr John Butler, Commissioner for Victoria to the Middle East, Africa and Turkey

Mr Tim Ada, Executive Director of Trade and Investment, Department of Environment and Primary Industries

Mainstream Aquaculture

Dr Paul Harrison, Director and Head of Aquaculture

Canberra, Wednesday, 29 October 2014

Emirates Airline & Group

Mr Will Löffberg, Vice President, International, Government & Environment Affairs

Mr Trent Mumford, Manager, International & Government Affairs

Canberra, Wednesday, 26 November 2014

Department of Foreign Affairs and Trade

Mr Marc Innes-Brown, Acting First Assistant Secretary, Middle East and Africa Division

Austrade

Mr Grame Barty, General Manager, Growth and Emerging Markets

Canberra, Wednesday, 3 December 2014

Department of Agriculture

Mr Greg Read, First Assistant Secretary, Exports Division

Mr Tim Chapman, First Assistant Secretary, Biosecurity Animal Division

Mrs Ann McDonald, Assistant Secretary, Exports Standards Branch, Exports Division

Mr Simon Murnane, Assistant Secretary, Bilateral Engagement and Regional Trade Negotiations Branch, Trade and Market Access Division

Mr Jim Paradise, Acting Assistant Secretary, Live Animal Exports

Ms Patricia Stone, Director, Live Animal Export Reform Taskforce

Mr Paul Vitolovich, Director, Live Animal Export Reform Taskforce

Ms Patricia Gleeson, Senior Economist, Commodities, ABARES

Canberra, Wednesday, 11 February 2015

Diplomatic representatives of Middle Eastern countries

HE Dr Hassan El-Laithy, Ambassador, Embassy of the Arab Republic of Egypt

HE Mrs Rima Alaadeen, Ambassador, Embassy of the Hashemite Kingdom of Jordan

Mr Zaid Al-Harb, Third Secretary, Embassy of the State of Kuwait

Mr Milad Raad, Charge d'Affaires a.t., Embassy of Lebanon

Mr Ismaili Rachid, Charge d'Affaires at interim, Embassy of the Kingdom of Morocco

Mr Mohamed Al-Jabir, Charge d'Affaires, Embassy of State of Qatar

HE Mr Nabil Lakhal, Ambassador, Embassy of the Republic of Tunisia

Mr Amadeldin Mohamed, Political Analyst, Embassy of the United Arab Emirates

Canberra, Wednesday, 4 March 2015

Department of Immigration and Border Protection

Mr Jim Williams, First Assistant Secretary, Visa and Citizenship Management

Ms Sophie Montgomery, Assistant Secretary, Mobility Branch, Immigration and Citizenship Policy Division

Canberra, Wednesday, 18 March 2015

Tourism & Transport Forum

Mr Justin Wastnage, Aviation Policy

Canberra, Wednesday, 25 March 2015

Department of Industry and Science

Mr Peter Chesworth, Head, Sectoral Growth Policy Division

Mr Paul Trotman, General Manager, Trade and International Branch

Dr Gino Grassia, General Manager, Energy Security Branch

Mr Karl Brennan, Manager, Trade Policy Section

Canberra, Wednesday, 13 May 2015

AustraBlend & AustraHort Pty Ltd

Mr Michael Farrar, Managing Director

Dearin & Associates

Ms Cynthia Dearin, Managing Director

Canberra, Wednesday, 24 June 2015

Australia Saudi Business Council

Mr Tom Harley, Chairman

Canberra, Wednesday, 9 September 2015

Australian Food and Grocery Council

Mr Gary Dawson, Chief Executive Officer

Mr Michael Rogers, Manager, Agribusiness Forum

Canberra, Wednesday, 14 October 2015**AUSTAL**

Mr Dave Shiner, Vice President, International Sales and Marketing

Canberra, Wednesday, 25 November 2015**Export Finance and Insurance Corporation**

Mr Andrew Hunter, Managing Director and Chief Executive Officer

Mr John Hopkins, General Counsel and Board Secretary

Mr Dougal Crawford, Senior Adviser, External Relations

Canberra, Wednesday, 2 December 2015**Aspen Medical**

Mr Bruce Armstrong, Chief Executive Officer

Professor Andrew Walker, Cofounder and Executive Chairman

Mr Glenn Keys, Cofounder and Executive Director



Appendix E—Delegation program

United Arab Emirates

Sunday, 6 December 2015 – Dubai

Arrive Dubai

Emirates

Meeting with the Chairman and Chief Executive of Emirates, HH Sheikh Ahmed bin Saeed Al Maktoum at the Emirates headquarters, and tour of Emirates' Network Control Centre with the Vice President of Network Control, Mr Gareth Williams, at the Dubai International Airport.

Minister of State for Foreign Affairs

Meeting with the UAE's Minister of State for Foreign Affairs and Federal National Council, HE Dr Anwar Gargash, at the Ministry of Foreign Affairs, Dubai.

Food Sector Roundtable

Roundtable lunch hosted by Austrade's Gerard Seeber, who is Consul General and Senior Trade Commissioner in the UAE, and the representatives of food exporters and importers in the UAE, and trade commissioners from two states in Australia:

- Mr Gerard Seeber, Consul General & Senior Trade Commissioner, Austrade
- Ms Kim Debenham, Deputy Head of Mission, Australian Embassy
- Dr James Wallner, Department of Agriculture Consul (Middle East)
- Mr John Butler, Commissioner for Victoria to the Middle East, Africa and Turkey, Victorian Government Business Office

- Mr Pankaj Savara, Commissioner for Western Australia to the Middle East and Africa, Western Australia Trade Office
- Mr Kirti Meghnani, Group Import Manager, Choithrams
- Mr Khaldoun Hallak, General Manager – Middle East, SunRice
- Mr Moustafa Kamel, Managing Director, The Midfield Group
- Mr Kingston Date, Regional Manager, Murray Goulburn Cooperative
- Mr Marwan Bibi, CEO, Means Marketing
- Mr Baha Bibi, Managing Director, Means Marketing
- Mr Abdullah Abdullatif, Manager, Farm Fresh
- Mr Byron Radford, Group Director, Barakat
- Mr Nick Meara, Business Consultant, Meat & Livestock Australia

University of Wollongong Dubai

Meeting with the Director of Administration and Strategy at the University of Wollongong Dubai (UWD), Mr Brett Lovegrove, and other UWD staff followed by a tour of the campus in Dubai.

Australian Business Council Dubai

Attend Australian Business Council Dubai function at the Conrad Hotel and meet with members of the Australian business community in the UAE.

Monday, 7 December 2015 – Dubai and Abu Dhabi

DP World

A meeting with the Chairman of DP World, HE Sultan Ahmed Bin Sulayem, and Vice Chairman, Mr Jamal Majid Bin Thaniah, at the DP World headquarters, and inspection of the DP World's Jebel Ali Port facilities in Dubai.

Minister of Economy

Meeting with the UAE's Minister of Economy, HE Sultan bin Saeed Almansoori at the Ministry of Economy, in Dubai.

Federal National Council

Meeting with the First Deputy Speaker of the UAE's Federal National Council, HE Mr Marwan Ahmad bin Ghalita, and members of the parliamentary Committee of Defence.

Jones the Grocer

Lunch meeting with the Managing Director of the Jones the Grocer café stores in the UAE, Mr Yunib Siddiqui, in Dubai.

Australian Business Group and UAE Alumni Network

Attend Australian Business Group and UAE Alumni Network function at the residence of Australian Ambassador to UAE, Mr Pablo Kang, in Abu Dhabi and meet with members of the Australian business community in the UAE and also the alumni of Emirati graduates of Australian universities.

Tuesday, 8 December 2015 – Abu Dhabi

Aspen Medical and National Ambulance

Breakfast meeting with the Director of Business Development – Gulf and Africa Regions, Aspen Medical, Mr Roger Bryett, and Chief Executive Officer of National Ambulance, Mr Robert Ball, in Abu Dhabi, and inspection of a National Ambulance vehicle.

Etihad Airways

Meeting with the Senior Vice President of Etihad Airways' Corporate and International Affairs, Mr Hareb Mubarak Al Muhairy, and Vice President, International and Public Affairs, Mr Vijay Poonoosamy, and other senior management, followed by a tour of Etihad's Innovation Centre in Abu Dhabi.

AUSTAL

Lunch meeting with the Vice President Middle East of AUSTAL ship-builders, Mr Michael McCourt, in Abu Dhabi.

Austrade

Briefing from Austrade Senior Trade Commissioner, Mr Gerard Seeber, on latest developments in Australia's trade and investment relationships with the UAE, Iran and the MENA overall in Abu Dhabi.

Shiekh Zayed Grand Mosque

Tour of the Shiekh Zayed Grand Mosque in Abu Dhabi.

Depart Dubai for Riyadh, Saudi Arabia

Kingdom of Saudi Arabia

Wednesday, 9 December 2015 – Riyadh

Ministry of Education

Meeting with Saudi Arabia's Deputy Minister for Higher Education, HE Dr Mohammad A. Al-Ohali, and the Deputy Minister for Scholarship Affairs, HE Dr Nasser M. Al Farzan, at the Ministry of Education, Riyadh.

Shura Council

Meeting with the Vice Speaker of the Shura Council, HE Dr Mohammed Amin Jefri, followed by a roundtable with the Chairman of the Saudi-Australia Friendship Committee, HE Dr Abdul-Rahman bin Ahmad Hejian, and other members of the committee at the Shura Council. The committee hosted the delegation for lunch afterwards.

National Industrial Clusters Development Program

Meeting with the President of the National Industrial Clusters Development Program in Saudi Arabia, HE Dr Khalid Mohammed Al Salem and the program's Vice Presidents.

- Dr Khalid Mohammed Al Salem, President
- Eng. Abdulmajeed Abdullah Al-Maymoon, Vice President – Clusters Enabling
- Mr Abdallah S. Alhazani, Vice President – Automotive Cluster
- Mr Turki A. Al-Babtain, Vice President – Minerals & Metals Processing Cluster
- Mr Mohammed I. Al-Faris, Vice President – Business Analysis
- Dr Tariq Mohammed Al-Salloum, Senior Consultant

Reception at Australian Ambassador's official residence

Attend reception at the Australian Embassy official residence hosted by the Ambassador to Saudi Arabia, Dr Ralph King, along with Australian and Saudi business representatives in Riyadh.

Thursday, 10 December 2015 – Riyadh

Ministry of Commerce and Industry

Meeting with the Deputy Minister for Foreign Affairs, Dr Abdullah Al-Obaid, and the General Manager for Foreign Trade, Eng. Taha A. Alshareef, at the Ministry of Commerce and Industry in Riyadh.

Saudi Australia Business Council

Roundtable meeting with the Assistant Secretary General for Foreign Affairs, Council of Saudi Chambers Mr Waleed H. Alorainan, and the Director-General for Business Councils, Mr Abdul-Karim Yaquob, along with other members at the Council of Saudi Chambers (CSC) in Riyadh:

- Mr Waleed H. Alorainan, Assistant Secretary General for Foreign Affairs, CSC
- Mr Abdul-Karim Yaquob, Director-General for Business Councils, CSC
- Mr Samir Kabbani, Irrigation and Energy Solutions Co. (Agri-Business)
- Eng. Usama Al-Kurdi, Alagat (Public Relations)
- Dr Saud A. Al-Mishari, Director of Legal Affairs, CSC
- Mr Suliman Al-Othaim, Suliman Al-Othaim Gold & Jewellery Co. (Mining)
- Dr Abdullah Al-Mojel, Global Dimension for Education and Training (Education)
- Ms Khloud Al-Tamimi, Head of Women’s Investments Unit, CSC
- Dr Abdel-Hameed Nawar, Director for Research and Information Centre, CSC
- Mr Abdullah Al Saadoun, Executive Director of Authorities, Unions, Regional & International Organizations, CSC

Princess Nora University and Saudi Arabian Railways station

Tour of the Princess Nora University campus for more than 50,000 women, and inspection of one of the Saudi Arabian Railways’ new Northern Sector stations nearing completion with Senior Technical Manager, Mr Kent Donaldson, and SAR Business Development Manager, Eng. Hani A. Daghistani, near Riyadh.

Aviation Australia Riyadh College

Presentation by the Dean and Chief Executive Officer of the Aviation Australia Riyadh College, Mr Colin Jameson, and a tour of the College campus at the King Khalid International Airport.

- Mr Turki Bin Abdulaziz Bin M. Al-Saud, Chairman of the Board of Directors, Aviation Australia Riyadh College
- Mr Mojeeb Haobani, Member of the Board of Directors, Aviation Australia Riyadh College
- Mr Colin Jameson, Dean and CEO of Aviation Australia Riyadh College

Dinner with HE Dr Sultan bin Hasan Al-Sultan

Informal dinner at the home of a Member of the Saudi Arabian Shura Council's Saudi Australia Friendship Committee, HE Dr Sultan bin Hasan Al-Sultan.

Friday, 11 December 2015 – Riyadh, Al-Kharj and Jeddah

Almarai dairy farm

Tours of the Almarai Company dairy farm for 48,000 cows near Al-Kharj (120km from Riyadh) and nearby dairy processing plant. A presentation on Almarai and Saudi Arabia's dairy industry by the Divisional Manufacturing Manager of Almarai's processing plant, Mr Alan Bennett, and General Manager Sales at Almarai, Mr Mark Bacon, and lunch afterwards.

Depart Riyadh for Jeddah, Saudi Arabia

Saturday, 12 December 2015 – Jeddah

Al Sayeda Khadijah Bint Khowailid Center for Businesswomen

Meeting with the Chief Executive Officer of the Al Sayeda Khadijah Bint Khowailid Center for Businesswomen, Dr Bashmah M. Omair, and a woman candidate in Jeddah's municipal election on 12 December 2015, Dr Lama A. Al Sulaiman:

- Dr Bashmah M. Omair, CEO of the Al Sayeda Khadijah Bint Khowailid Center for Businesswomen
- Dr Elham Mahjoob Ahmed Hassanain, Member of the Saudi Arabian Shura Council
- Dr Thoraya Ahmed Obaid, Member of the Saudi Arabian Shura Council
- Dr Lama A. Al Sulaiman, candidate in Jeddah's municipal election

Jeddah Islamic Port

Meeting with Director of Operations for the Jeddah Islamic Port, Captain Nabeel M. Fateni, and tour of the port facilities, and lunch afterwards.

Nassif House Museum

Tour of Old Jeddah's historic centre and visit to the Nassif House Museum.

State of Kuwait

Sunday, 13 December 2015 – Jeddah and Kuwait City

Depart Jeddah, Saudi Arabia for Kuwait City, Kuwait

Briefing on Kuwait and dinner at Australian Ambassador's official residence

Briefing on Kuwait by the Ambassador, Mr Warren Hauck, and Austrade's Counsellor Commercial, Mr Jack Hajjar, followed by a dinner at the Australian Ambassador's official residence with Australian and Kuwaiti businesspeople.

- Mr Warren Hauck, Australian Ambassador to Kuwait
- Mr Jack Hajjar, Counsellor Commercial, Austrade
- Mr Ubed Arain, CEO and Managing Director, Gulf Consult
- Eng. Naser Adel Khraibut, Planning Director, Public Authority for Housing Welfare
- Ms Dena Alnashie, Planning and Control Director, Al Nasser & Al Nashie Utd Co.
- Mr Colum Cantillon, Principal Projects Director, WorleyParsons
- Mr Ibrahim Al-Hamad, Regional Manager Middle East (North) SMEC, and President of the Australian Business Group Kuwait
- Mr Yasir Nasif, General Manager, Aconex

Monday, 14 December 2015 – Kuwait City

Ministry of Foreign Affairs

Meeting at the Ministry of Foreign Affairs with Assistant Foreign Minister for Americas, Reem M. Al-Khaled.

- Ms Reem M. Al-Khaled, Assistant Foreign Minister for Americas
- Counsellor Fadel Al Hasan, Deputy Assistant Minister for Americas
- Mr Khalid F. Al-Azmi, Second Secretary, Americas Department

Speaker of the National Assembly of Kuwait

Meeting with the Speaker of the Kuwait National Assembly, HE Mr Marzouq Ali Al-Ghanim, at the Kuwait National Assembly.

The Sultan Center

A tour of the Sultan Center supermarket with the Group International Director, Mr Makram Malaeb, and Senior Category Manager, Supermarket Division, Mr Ibrahim Issa.

Tarek Rajab Museum

Tour of the Tarek Rajab Museum with the daughter-in-law of the founder, Leila F. Rajab.

Reception at Australian Ambassador's official residence

Attend reception at the Australian Embassy's official residence hosted by the Ambassador to Kuwait, Mr Warren Hauck, with the alumni of Kuwaiti graduates of Australian universities along with Australian and Kuwaiti business people in Kuwait.

Tuesday, 15 December 2015 – Kuwait City

Kuwait Livestock Transport & Trading Company

Meeting at the Kuwait Livestock Transport & Trading Company (KLTT) headquarters with KLTT's Chief Executive Officer, Mr Osama Khaled Boodai.

- Mr Osama Khaled Boodai, Chief Executive Officer
- Mr Ahmad Ayoub Al-Majed, Manager International Trading
- Mr Jaya Kumar Iyer, Assistant Managing Director, Marine Fleet & International Trading Sector

Kuwait Chamber of Commerce & Industry

Meeting at the Kuwait Chamber of Commerce & Industry with board members including Mr Diraar Y. Al-Ghanim, the Chamber's Assistant Director of Foreign Relations Department, Mr Mohammed Bin Yousef, and Mr Waddah Al-Mousa.

Australian College of Kuwait

Meeting at the Australian College of Kuwait (ACK) and tour of the campus with the Chairman of the Board of Trustees of the ACK, Mr Abdullah A. O. Al-Sharhan.

- Mr Abdullah A. O. Al-Sharhan, Chairman of the ACK Board of Trustees
- Professor Mohamad J. Terro, President of the ACK
- Dr Usameh F. Jamali, Advisor to the ACK Chairman

Two Members of the Delegation, Hon Ms Teresa Gambaro MP, and Hon Dr Sharman Stone MP, depart Kuwait City for Doha, Qatar.

State of Qatar

Wednesday, 16 December 2015 – Doha

Briefing on Qatar

Breakfast briefing on Qatar by the Australian Ambassador, Mr Pablo Kang, and Austrade's Counsellor Commercial, Ms Said Metwalli, during breakfast at hotel in Doha.

Education Above All

Meeting with representatives of Education Above All, a global education initiative founded in Qatar in 2012 by Her Highness Sheikha Moza bint Nasser to foster development by the provision of a quality education.

Hassad Food Company

Meeting with the Chairman of the Hassad Food Company, HE Mr Nasser Mohamed Al Hajri.

Central Municipal Council

Meeting with women members of the Central Municipal Council.

Advisory Council

Meeting with the Deputy Speaker of the Advisory Council, HE Issa bin Rabia Al-Kuwari.

Qatar Investment Authority

Meeting with the Chief Executive Officer of the Qatar Investment Authority, HE Sheikj Abdullah bin Mohammed Al Thani.

Supreme Education Council

Meeting with representatives of the Supreme Education Council.

Australian Business Roundtable

Roundtable meeting with representatives of Australian business in Qatar.

- Ms Rachel Morris, Chair of the Qatar, Australia, New Zealand Business Association
- Mr Andrew Taylor, Head of Service Delivery, Qatar Rail
- Ms Ruth Muschinski, Special Projects, Supreme Committee for Delivery & Legacy
- Ms Fabienne Hajjar, Senior Manager, ServCorp

Thursday, 17 December 2015 – Doha

Public holiday in Qatar

No meetings due to unofficial public holiday before National Day.

Friday, 18 December 2015 – Doha

National Day celebrations in Qatar

Delegation members to attend National Day celebrations with seats in the Main Stand on the Corniche at 6:45am.

Saturday, 19 December 2015 – Doha

Two Members of the Delegation, Hon Ms Teresa Gambaro and Hon Dr Sharman Stone, depart Doha for Australia.

Sunday, 20 December 2015 – Brisbane

Arrive Australia.



Appendix F—Trade profiles of Middle Eastern countries¹

People’s Democratic Republic of Algeria

Annual two-way merchandise trade between Australia and Algeria in 2014-15 was \$8.6 million, with Australia exporting \$3.4 million in meat excluding beef and importing \$27,000 in vegetables. In 2013, two-way trade had been over \$85 million, a major increase from \$4 million in 2012. Australia exported \$2 million in services to Algeria in 2014-15 and imported \$4 million in services.² As of 15 March 2016, DFAT’s travel advice website cautioned Australians to reconsider their need to travel to Algeria, especially near the borders of neighbouring countries, because of a threat of terrorist attack or kidnapping by both criminals and terrorists.³

State of Bahrain

Annual two-way merchandise trade between Australia and Bahrain in 2014-15 was \$975 million up from \$775 million in 2013-14, with Australia exporting \$60 million in in sheep and goats meat, \$58 million in aluminium and \$41 million in live animals. Australia imported \$62 million in aluminium from Bahrain. Australia invested \$263 million in Bahrain in 2014 and Bahrain invested \$22 million in

1 Department of Foreign Affairs and Trade, *Submission 9*, pp. 36 – 55 and DFAT country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

2 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

3 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/algeria>>.

Australia.⁴ As of 22 April 2016, DFAT's travel advice website cautioned Australians to reconsider their need to travel to Bahrain due to the threat of terrorist attack and potential for civil disturbance.⁵

Arab Republic of Egypt

Annual two-way merchandise trade between Australia and Egypt in 2014-15 was \$545 million up from \$478 million in 2013-14, with Australia exporting \$151 million in wheat, \$121 million in vegetables and \$41 million in meat excluding beef. Australia imported \$33 million in floor coverings, road vehicles and cement from Egypt. In 2014-15, Australia exported \$34 million in services to Egypt and imported \$78 million from Egypt. In 2014 Australia invested \$148 million in Egypt down from \$171 million the previous year. Egypt invested \$42 million in Australia in 2014 up from \$28 million the previous year.⁶ Egypt completed its US\$8 billion expansion of the Suez canal in August 2015 which is expected to bolster the canal's US\$5 billion in toll revenue by almost doubling its shipping capacity because ships can now sail in both directions. As of 23 April 2016, DFAT's travel advice website cautioned Australians to reconsider their need to travel to Egypt due to threat of a terrorist attack and kidnapping, and maintain heightened vigilance at tourist locations. DFAT advised against travel to North Sinai.⁷

Islamic Republic of Iran

Australia is implementing changes to its sanctions on Iran in line with its international obligations under United Nations Security Council resolutions. Australia has decided to suspend certain autonomous sanctions on Iran, while others will remain in place. In 2014, two-way merchandise trade amounted to \$393 million, dominated by \$360 million of Australian exports that included \$338 million of Australian wheat. Australia exported \$138 million in services to Iran and imported \$62 million.⁸ As of 21 December 2015, DFAT's travel advice website

4 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

5 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/bahrain>>.

6 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

7 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/egypt>>.

8 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

cautioned Australians to exercise a high degree of caution and not to travel near the borders of Iraq, Afghanistan and Pakistan.⁹

Republic of Iraq

In 2014-15, two-way merchandise trade with Iraq was \$74.8 million, down 77 per cent from the previous year's \$329 million. Australia's \$74.4 million in exports to Iraq was dominated by \$55 million in wheat exports, which fell significantly from \$313 million the previous year. Australia exported \$48 million in services to Iraq and imported \$32 million from Iraq.¹⁰ As of 10 December 2015, DFAT's travel advice website strongly advised Australians not to travel to Iraq because armed opposition groups are active in many parts of Iraq.¹¹

Israel

Total merchandise trade with Israel was worth \$961 million in 2014, with Australia exporting \$72 million in live animals and \$27 million in aluminium and importing \$80 million in pearls and gems and \$48 million in telecom equipment from Israel. Australia exported \$42 million in services to Israel and imported \$98 million in services from Israel. Australian investment in Israel was worth \$804 million and Israel investment in Australia was worth \$234 million. As of 23 April 2016, DFAT's travel advice website cautioned Australians to exercise a high degree of caution when travelling to Israel and not to travel to the Gaza Strip.¹²

Hashemite Kingdom of Jordan

In 2014-15, total two-way merchandise trade was worth \$246 million, up from \$216 million in 2013-14. This included Australia exporting \$108 million in sheep and goat meat and \$25 million in beef, plus \$18 million in live animals. Australia imported \$23 million in fertilisers from Jordan. Australia also exported \$31 million in services to Jordan and imported \$26 million. As of 4 March 2016, DFAT's travel

9 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/iran>>.

10 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

11 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/iraq>>.

12 Department of Foreign Affairs and Trade, travel information, <http://smartraveller.gov.au/countries/israel_gaza_strip_and_west_bank>.

advice website cautioned Australians to exercise a high degree of caution when travelling to Jordan.¹³

State of Kuwait

Two-way merchandise trade between Australia and Kuwait was \$712 million in 2014-15 down 21 per cent on the previous year but dominated by \$711 million of exports from Australia. Australia exported \$243 million in passenger motor vehicles, \$134 million in wheat, \$67 million in live animals, and also \$63 million of meat excluding beef into Kuwait. In 2015, Australia also exported 576,350 sheep into the Kuwait.¹⁴ Australia exported \$53 million in services to Kuwait in 2014-15 and imported \$8 million in services from Kuwait. Kuwait invested nearly \$3.6 billion in Australia in 2014. As of 4 April 2016, DFAT's travel advice website cautioned Australians to exercise a high degree of caution when travelling to Kuwait.¹⁵

Lebanon

Two-way merchandise trade between Australia and Lebanon in 2014-15 was worth nearly \$61 million with \$45 million of exports from Australia, including \$9 million of beef exports, \$8 million of wheat and \$5.5 million of vegetables. Lebanon's \$16 million of imports into Australia included \$2 million of preserved fruit and \$2 million of preserved vegetables from Lebanon. Australia exported \$47 million of services to Lebanon in 2014-15 and imported \$136 million of services. As of 26 February 2016, DFAT's travel advice website cautioned Australians to reconsider their need to travel to Lebanon and not to travel to the southern suburbs of Beirut and the border areas with Syria and Israel.¹⁶

13 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/jordan>>.

14 LiveCorp, Sheep statistics , Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

15 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/kuwait>>.

16 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/lebanon>>.

Libya

Australia's two-way merchandise trade with Libya was valued at \$23 million in 2014, a decline of nearly 100 per cent from 2013. Australia's exports included nearly \$6 million of live animals and nearly \$6 million of sheep and goats meat, and \$4.5 million of dairy produce. As of 9 July 2015, DFAT's travel advice website cautioned Australians not to travel to Libya because of ongoing fighting across Libya.¹⁷

Kingdom of Morocco

Two-way merchandise trade between Australia and Morocco was worth \$67 million in 2014-15 dropping 41 per cent from the previous year. Australia's \$33 million of exports included \$13 million of sheep and goats meat, \$8 million in beef and nearly \$6 million in butter. Morocco's \$34 million of imports into Australia included \$11 million in fertilisers and \$6 million in women's clothing. Australia exported \$4 million of services to Morocco and imported \$20 million of services from Morocco. As of 5 February 2016, DFAT's travel advice website cautioned Australians to exercise a high degree of caution when travelling to Morocco and not travelling to the Western Sahara.¹⁸

Sultanate of Oman

Australia's two-way merchandise trade with Oman in 2014-15 was worth \$543 million up 21 per cent from \$447 million the previous year. Australia's \$456 million in exports included \$64 million in passenger motor vehicles, \$50 million in wheat and \$34 million in sheep meat. Oman's \$87 million in imports was mostly \$76 million in fertilisers. Australia exported \$30 million in services to Oman and imported \$10 million in services from Oman. There was also \$57 million of Australian investment in Oman.

17 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/libya>>.

18 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/morocco>>.

State of Qatar

Australia's two-way merchandise trade with Qatar grew 10 per cent in 2014-15 to reach \$1.2 billion including \$591 million worth of exports such as \$89 million of sheep meat, \$59 million of passenger motor vehicles and \$38 million of live animals. Australia imported \$611 million of goods from Qatar including \$210 million in fertilisers and \$196 million in liquefied propane and butane. Australia exported \$126 million of services to Qatar in 2014-15 and imported \$423 million of services from Qatar. Australian investment in Qatar in 2014 reached \$209 million and Qatar invested \$16 million in Australia.¹⁹

Kingdom of Saudi Arabia

Saudi Arabia is Australia's second-largest trading partner in the Middle East, with \$2.49 billion of two-way merchandise trade in 2014-15, down 3.7 per cent from the previous year. Australia exported \$2.1 billion to Saudi Arabia including \$778 million in passenger motor vehicles, \$201 million in beef, \$154 million in mostly sheep meat and \$43 million in dairy. Australia imported \$386 million from Saudi Arabia including \$190 million in fertilisers and \$40 million in plastics. In 2014-15 Australia exported \$355 million in services to Saudi Arabia of which \$262 million was in education-related travel and \$41 million in professional, technical and other services. Australia imported \$44 million in services, which included \$22 million in travel. In 2014, Saudi Arabia invested \$4.7 billion in Australia and Australia invested \$974 million in Saudi Arabia.²⁰ As of 19 February 2016, DFAT's travel advice website cautioned Australians to reconsider their need to travel to Saudi Arabia due to threat of terrorist attack and not to travel within 30 kilometres of Yemen.²¹

Syria

Since the Syrian civil war began in 2011, Syria's economy has largely collapsed. Australia's two-way merchandise trade with Syria was worth nearly \$3.4 million in 2014-15 including exports of \$185,000 in animal feed and \$164,000 in paper and

19 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

20 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

21 Department of Foreign Affairs and Trade, travel information, <http://smartraveller.gov.au/countries/saudi_arabia>.

cardboard from Australia and imports of \$757,000 in spices.²² As of 25 February 2016, DFAT's travel advice website cautioned Australians not to travel to Syria because of the extremely dangerous security situation.²³

Republic of Tunisia

Australia's two-way merchandise trade with Tunisia was worth \$32.6 million in 2014-15 with Australia exporting \$7.4 million in goods including \$3.9 million in fruit and nuts and \$1.4 million in sheep meat. Tunisia exported \$25 million of goods to Australia including \$10 million in men's and women's clothing and other textile clothing.²⁴ As of 2 April 2016, DFAT's travel advice website cautioned Australians to reconsider their need to travel to Tunisia and not to travel to southern Tunisia and the western border.²⁵

United Arab Emirates

Australia's two-way merchandise trade with the UAE in 2014-15 was \$6.4 billion, making the UAE Australia's 18th largest merchandise trading partner, and largest Middle East partner. Australia exported \$3.3 billion in goods including \$242 million in passenger motor vehicles, \$199 million in meat excluding beef and \$166 million in oil-seeds and oleaginous fruits. In 2015, Australia also exported 454,233 sheep into the UAE.²⁶ The UAE exported \$3.1 billion of goods to Australia including nearly \$2.6 billion in crude petroleum. Australia also exported \$633 million in services in 2014-15 and imported \$2.2 billion in services from the UAE, of which \$1.9 billion is for transportation, mostly with UAE airlines Emirates and Etihad. In 2014 Australia invested \$2.4 billion in the UAE and the UAE invested \$26 billion in Australia.²⁷ There are over 16,000 Australians residing in the UAE, and more than 350 registered Australian companies.

22 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

23 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/syria>>.

24 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

25 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/tunisia>>.

26 LiveCorp, Sheep statistics , Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

27 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

Republic of Yemen

In 2014-15, Australia's two-way merchandise trade with Yemen decreased 15 per cent to nearly \$340 million, including \$300 million in wheat and \$27 million in dairy. Yemen exported \$206,000 to Australia including \$71,000 of coffee.²⁸ As of 22 April 2016, DFAT's travel advice website cautioned Australians not to travel to Yemen because of civil and international conflict.²⁹

28 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

29 Department of Foreign Affairs and Trade, travel information, <<http://smartraveller.gov.au/countries/yemen>>.