



Australian Government

Department of Industry

**Submission to the Joint Standing Committee on
Foreign Affairs, Defence and Trade**

**Inquiry into Australia's Trade and Investment
Relationship with Countries of the Middle East**

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1. Terms of Reference

The Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade will inquire and report on Australia's trade and investment relationship with countries of the Middle East. The inquiry will examine:

- 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 development 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.

The purpose of this submission is to provide factual material to the Committee in relation to the Terms of Reference.

The Department of Industry undertakes several activities in relation to the current inquiry. These are outlined in the following pages.

2. Introduction

The Department of Industry's (the department) vision is to enable growth and productivity for globally competitive industries. The department works with key stakeholders to achieve this through building skills and capability, supporting science and innovation, promoting investment, improving regulation and building a high performance organisation.

Globally competitive industries are important to contribute to Australian economic growth and productivity. In recent years the rising cost of doing business, including the high Australian dollar, has placed pressure on our trade-exposed manufacturing and services industries. Growth and development around the world, including in the Middle East and Asia presents a range of opportunities for Australian firms. The department is working with stakeholders to capture these opportunities and address these challenges by:

- developing the skills of the Australian workforce and enhancing workplace productivity;
- supporting science and innovation and promoting the growth of industries of the future;
- encouraging private sector investment and creating new jobs; and
- improving regulation and reducing the burden and costs on businesses, including energy costs.

Through these core pillars the department makes a strong contribution to the development of Australia's international trade and investment relations. The department's main interactions with the Middle East are through participation in Australia's ongoing free trade agreement (FTA) negotiations, furthering opportunities for the oil sector and businesses in exporting markets, particularly, automotive, food, and services sectors.

For the purposes of this submission, the Middle East refers to the following countries: Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates (UAE), and Yemen.

2.1 Australia's Trade Profile with the Middle East

In 2013, Australia's exports to the Middle East totalled \$10.0 billion, up from \$7.9 billion in 2012. The UAE remains Australia's biggest export market in the Middle East with \$2.6 billion of goods exported in 2013, followed by Saudi Arabia with \$2.2 billion, and Turkey with \$921 million. Australia's exports to the Middle East represent a 3.8 per cent share of Australia's total world exports (\$262 billion).

Australia's major exports to the Middle East have grown significantly over the past five years. In 2013, the highest value exports were other/confidential goods¹ with a value of \$2.5 billion (up 61.6 per cent since 2009); followed by cereals, crops and pulses with \$2.4 billion (up 88.5 per cent from 2009); vehicles and parts with \$1.5 billion (up 10.8 per cent from 2009); and meat, livestock and animal products with \$1.2 billion (up 28.7 per cent from 2009). See table 1 below for further information.

¹ The value of exports for some commodities is suppressed in ABS international merchandise trade statistics to preserve exporter confidentiality. This can be for a number of reasons, including defence and security purposes, or to protect commercial interests in sectors with a small number of companies. For a further explanation see: <http://www.dfat.gov.au/publications/stats-pubs/confidentiality-in-australian-merchandise-export-statistics.pdf>

Table 1. Australia's Top 10 exports to the Middle East by Goods Category

Goods Category	2012	2013
Other / Confidential	\$1,394,805,387	\$2,453,167,483
Cereals, Crops & Pulses	\$1,780,887,300	\$2,351,924,817
Vehicles & Parts	\$1,427,078,921	\$1,476,430,095
Meat, Livestock & Animal Products	\$1,147,571,973	\$1,190,819,805
Other Metals & Metal Products	\$396,130,789	\$857,407,095
Electrical & Machinery Goods	\$321,804,108	\$470,196,110
Horticulture	\$324,220,083	\$368,279,291
Dairy	\$350,814,626	\$304,120,456
Pharmaceutical Products, Animal-Based Extracts & Medical Equipment	\$146,693,195	\$120,114,903
Minerals & Oils For Fuel	\$288,562,779	\$99,104,334

Source: ABS (2014) International Trade in Goods and Services, Catalogue 5368.0

In 2013, Australia's imports from the Middle East totalled \$6.9 billion, up from \$5.8 billion in 2012. The UAE remains Australia's biggest import source with \$3.8 billion of goods imported in 2013, followed by Qatar with \$956 million, and Israel with \$691 million. Australia's total imports from the Middle East represent a 2.9 per cent share of Australia's total world imports (\$240 billion).

In 2013, Australia's major imports from the Middle East were minerals and oils for fuel with a value of \$4.0 billion, followed by other/confidential goods with \$549 million, and fertilisers with \$546 million. See table 2 below for further information.

Table 2. Australia's Top 10 imports from the Middle East by Goods Category

Goods Category	2012	2013
Minerals & Oils For Fuel	\$2,867,164,757	\$3,996,873,682
Other / Confidential	\$658,718,550	\$549,425,416
Fertilisers	\$553,044,123	\$546,865,484
Electrical & Machinery Goods	\$337,342,618	\$357,401,851
Plastics & Rubber	\$259,737,126	\$263,846,750
Other Metals & Metal Products	\$203,240,329	\$262,998,592
Salt, Earths, Stone & Building Materials	\$167,170,267	\$172,666,787
Textiles, Clothing & Footwear	\$134,218,526	\$158,848,037
Horticulture	\$117,248,568	\$128,104,232
Iron & Steel	\$58,753,856	\$115,340,287

Source: ABS (2014) International Trade in Goods and Services, Catalogue 5368.0

The UAE was Australia's largest two-way merchandise trading partner in the Middle East in 2013, accounting for 37.7 per cent (\$6.4 billion) of total merchandise trade with the region.

The UAE was both Australia's largest merchandise export market and import source within the Middle East, accounting for 23.6 per cent (\$2.6 billion) of total merchandise exports to the Middle East, and 54.0 per cent (\$6.9 billion) of total merchandise imports.

The rapid growth of many countries in the Middle East and complementarities in our economies provides the opportunity for greater two-way trade with the region. Goods that have experienced significant trade growth and strong growth potential include minerals and oils, automotive parts, electrical and machinery goods, food, metals and plastics.

Services are also becoming increasingly important in trade and investment worldwide. The services sector accounts for more than 70 per cent of Australia's gross domestic product (GDP) and the share of services in economies of the Middle East are growing rapidly. It is therefore likely that the role of services in the overall economic relationship will become much more important. Areas of high growth include education, construction, engineering and mining, health care, hospitality, and financial services.

3. International Engagement and Improving International Competitiveness

The department is active in facilitating international engagement through all of its portfolio areas. The department administers various programmes and policies that promote international engagement of Australian businesses by improving productivity, competitiveness, and promoting the development of new industries.

The new *Entrepreneurs' Infrastructure Programme* offers market and industry information, business management advice and skills from experienced private sector providers, access to researchers and innovators to re-engineer business operations, products and services, connections with supply chains and potential markets, and commercialisation advice through specialist sector expertise. This will provide the structural and strategic support to encourage investment and growth in industries of the future.

Australia's future productivity and competitiveness depend on a highly skilled and trained workforce and under the new *Industry Skills Fund* businesses will receive the timely support and training they need so they can seize opportunities as they emerge, like the opening of new markets from trade agreements. The fund will assist small and medium sized businesses to successfully diversify and improve competitiveness in a global market.

Science and research is a key requirement for international competitiveness and better targeting of science and research endeavours in partnership with industry to deliver commercial outcomes is an important focus area for the department. The *Science for Australia's Future Programme* is just one initiative that will promote national and international interest and investment in Australian science.

The Government is also committed to transitioning traditional manufacturing businesses to areas of global growth through the *Manufacturing Transition Grants Programme*. This initiative will assist manufacturers to shift to higher value and growth markets.

Together the department's initiatives help businesses to help prosper in a rapidly changing global economy.

3.1 Science and Research Cooperation

The Middle East is a developing region and shows potential for future engagement in science, technology and innovation. Iran and Israel, our strongest collaborators in the region, rank between 28 and 31 of all global collaborators. Currently, the combined potential of the entire Middle East (including Turkey and Israel) performs at the same level in major indicators of science and technology (relative impact and % contribution to world publications) as Australia (Attachment A).

Recent collaboration over the past four years has been in basic sciences such as physics and astronomy, medical and life sciences and engineering, which is unsurprising as the region develops. The most recent engagement in the region was a highly successful neuroscience workshop bringing leading experts together from Australia and Israel to develop collaborations and organised by the Academy of Technological Sciences and Engineering with one-off funding from the department.

The most fruitful area of potential collaboration is widening Australia's engagement with Europe to include the Middle East. Discussions are currently underway to possibly include Israel in the next iteration of Connecting Australian and European Science and Innovation Excellence (CAESIE), although these discussions are at preliminary stages with both Israel and Europe.

The department has had no programmes in the Middle East since International Science Linkages terminated in 2011 (although several countries, notably Israel, regularly seek bilateral funding with Australia).

Discussions with government officials from the UAE in April 2012 regarding public sector innovation and opportunities for collaboration were productive, with the UAE expressing interest in drawing from the Australian Public Service Public Sector Innovation Toolkit (the Toolkit). The Toolkit is managed by the department and is targeted at public servants who are looking to apply innovative methods to their work. It covers the innovation process, some of the different tools and methods to assist innovation, and a look at some of the barriers to innovation.

The UAE has since developed a public sector innovation toolkit; and all public institutions have been required adopt a 'Government Innovation Laboratory' model. This model facilitates government employees and relevant experts to develop strategies to upgrade the delivery of government services and tackle field challenges.

The department is also responsible for administering a number of agreements that promote engagement with countries of the Middle East. This includes:

- a Memorandum of Understanding (MoU) underpinning cooperation on science and research between Australia and Israel;
- a MoU focusing on cooperation for dry-land farming, salinity control, and post-harvest treatment of food between Australia and Israel; and
- a MoU promoting collaboration and investment in resources and energy with Iraq. This expires in June 2014, the department understands this and a series of other bilateral MoUs will be replaced with a whole of government MoU managed by the Department of Foreign Affairs and Trade.

The department's portfolio agency the Commonwealth Scientific Industrial Research Organisation (CSIRO) also has links to the Middle East through their research, commercial and peer to peer relationships. CSIRO has made a separate submission outlining their interests and opportunities from Australia's trade and investment with the Middle East.

4. Trade Policy: Trade Liberalisation and Free Trade Agreements

The Government is committed to trade liberalisation, through multilateral, regional and bilateral trade agreements where they are high quality and provide business with commercially meaningful outcomes. Multilateral agreements offer the largest economic benefits and the Government has affirmed its commitment to the World Trade Organization (WTO) following the successful conclusion of the Trade Facilitation Agreement in December 2013.²

As part of a whole-of-government approach, the department plays a key role in the negotiation and the ongoing administration of Australia's trade agreements. The department advises on issues as varied as tariffs, rules of origin (ROOs), technical barriers to trade, trade remedies, and intellectual property.

The department seeks to achieve a positive outcome for Australian industry in multilateral, regional and bilateral trade agreements, including negotiating reciprocal industrial tariff elimination with appropriate transitional arrangements, consistent product specific ROOs based on a Change of Tariff Classification (CTC), mechanisms to deal with non-tariff and other technical barriers to trade, and commitments on trade remedies which maintain the integrity of Australia's domestic anti-dumping, countervailing and global safeguard regimes. The department consults broadly with affected industries to provide considered and appropriate advice.

Recognising that certain sectors of Australian industry are sensitive to trade liberalisation, the department works to manage these challenges to ensure that Australian industry is able to transform and capitalise on the benefits of trade liberalisation.

4.1 Australia-Gulf Cooperation Council Free Trade Agreement

Australia is currently negotiating a FTA with the Gulf Cooperation Council (GCC) which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. As a single export market, the GCC is valued at around \$6.3 billion annually.

The FTA has a number of objectives of interest to the department, including:

- expanding market access for industrial products such as minerals and metals, and manufacturing interests, such as automotive parts, and machinery and equipment;
- reducing regulations and barriers for the provision of services, including in the areas of education, construction, engineering, architecture, health care, hospitality, and financial services; and
- addressing a range of tariff and non-tariff barriers related to food exports and building long standing partnerships to improve food security in the Middle East.

Negotiations with the GCC commenced in 2007 and there have been four negotiating rounds to date with the most recent in 2009. The GCC suspended all negotiations while it undertook an internal review of all its FTAs, and negotiations will not resume until the GCC makes a decision on the recommendations of the review. Australia has signalled a clear interest to resume negotiations with the GCC.

² Minister for Trade and Investment, *Australia welcomes historic trade reform package*, Media Release, 7 December 2013, http://trademinister.gov.au/releases/Pages/2013/ar_mr_131207.aspx?ministerid=3

5. Sector-specific Trade Interests

5.1 Oil Supply

Oil supply is a critical component of Australia's energy system, fuelling our transport system, as well as feeding industrial processes and generating electricity, particularly in remote areas of Australia without access to natural gas. Crude oil and other refinery feed-stocks are used to produce a wide range of refined petroleum products used as fuels such as petrol, diesel and jet fuel.

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 and amounted to \$2.9 billion in 2012-13.

By 2015, the number of Australian refineries is scheduled to decline from six to four, in response to intense competition from larger, more modern, refineries in the Asian region. This will result in a decline in the importation of crude oil. The reduction in domestic refining, combined with growth in demand for petroleum products, will increase the importation of refined petroleum products. Imports already comprise over 40 per cent of Australia's supply of refined petroleum products.

In 2012-13, imports of petroleum products from the Middle East were confined primarily to liquefied petroleum gas (LPG) and comprised less than 4 per cent of total petroleum product imports. These LPG imports were sourced from Qatar, UAE and Saudi Arabia and amounted to \$365 million in 2012-13.

Most of the petroleum product imports are currently sourced from countries in the Asian region, particularly Singapore, Korea and Japan, which obtain much of their crude oil from the Middle East. Petroleum product could potentially be sourced directly from the Middle East. Substantial investment in refineries is also occurring in the Middle East, including two mega projects in Saudi Arabia and one in the UAE.

Decisions relating to the structure of the Australian petroleum industry, including domestic refining and the importation of crude oil and refined products are primarily the responsibility of participants in the Australian petroleum market. Major oil exporting countries in the Middle East (Saudi Arabia, UAE, Qatar, Kuwait, Iraq, Iran) are members of the Organisation of Petroleum Exporting Countries (OPEC). In OPEC countries, oil supply is primarily the responsibility of national oil companies.

5.2 Automotive Industries

The Middle East is a major export destination for vehicles and parts manufactured in Australia. Nearly \$1.5 billion of automotive vehicles and parts were exported to the region in 2013. Toyota Australia exports some 70,000 vehicles to the region – the Toyota Camry and Aurion. Over half of these vehicles are sold in Saudi Arabia. Exports account for approximately 70 per cent of Toyota Australia's local production.

Following the closure of Toyota's vehicle manufacturing in Australia in 2017, the region will continue to be an important destination for automotive parts manufactured in Australia. The FTA with the GCC remains an objective for the sector.

The Middle East region is also an important destination for aftermarket parts, accessories and equipment and has been a central focus for Australian Automotive Aftermarket Association (AAAA) exporters for over a decade. Demand was originally driven by the need for replacement parts and accessories for Australian built vehicles; however the opportunities have expanded into 4WD and Performance/Motorsport parts and accessories.

The AAAA has been running in-market activities over the last 10 years, predominantly focused on an Australian pavilion at Automechanika Dubai. The 2014 pavilion (3-5 June 2014) will be one of the largest ever with 18 companies participating across over 200sqms of space. Dubai is increasingly significant in serving the needs of a high-growth market that spreads throughout the Middle East, into Central Asia, North and East Africa. Iran, Saudi Arabia and Iraq have featured as the main re-export destinations, underlying Dubai's prominence as a logistics hub and gateway to more difficult to reach markets.

5.3 Food

5.3.1 Snapshot of Australia's current food exports to the Middle East and Gulf Cooperation Council

Total Australian food (processed and unprocessed) exports to the Middle East in 2012-13 were valued at \$3.4 billion, while total food exports to the GCC in 2012-13 were valued at \$1.810 billion.³

Key food exports to these markets are shown below:

Key Australian food exports in 2012-13	
Middle East	Gulf Cooperation Council
Wheat (\$1599.5 million)	Wheat (\$359.9 million)
Meat, excluding beef (\$517.5 million)	Meat, excluding beef (\$390.6 million)
Barley (\$293 million)	Barley (\$259.2 million)
Live animals, excluding seafood (\$252.6 million)	Live animals, excluding seafood (\$161.3 million)
Beef (\$233.5 million).	Beef (\$183.5 million).
Vegetables (\$142.7 million)	Vegetables (\$123.5 million)
Milk, cream, whey and yoghurt (\$134.5 million)	Milk, cream, whey and yoghurt (\$100.2 million)
Edible products and preparations (\$70.7 million)	Edible products and preparations (\$69.7 million)
Other food and live animals (\$74.4 million)	Other food and live animals (\$58.4 million)
Fruit and nuts (\$66.2 million)	Fruit and nuts (\$63.6 million)
Cheese and curd (\$52.7 million)	Cheese and curd (\$39.5 million)

5.3.2 Business growth opportunities for Australian food processors and agribusinesses

Access to new export markets is a particularly important driver of growth in Australia's food industry. Australian food processors and agribusinesses are looking abroad for growth due to:

³ Department of Foreign Affairs and Trade, *Composition of Trade Australia 2012-13*, 111.

- Australia itself being a 'mature market' with modest growth in domestic food consumption, compared to rapidly expanding middle classes in Asia and the Middle East increasingly consuming premium foods, animal proteins, dairy products and processed foods;
- the potential for increased export volumes to drive economies-of-scale⁴ in Australian operations that are under pressure from higher manufacturing costs; and
- opportunities to diversify their customer base with reduced reliance on Australia's concentrated supermarket sector where major retailers have strong negotiating power.

As Australian food businesses look abroad, it is important they can access a wide array of potential export markets so they can select the best growth strategy for their circumstances. While Japan, Korea and China are some of Australia's largest food export markets, it should be remembered that the Middle East, will also be a valuable long term growth prospect for Australian food businesses.

The Middle East is experiencing strong growth in population and GDP. For example, by 2020, the GCC population is forecast to reach 53.5 million, a 30 per cent increase from 2000. Over the same period, the region's nominal GDP is forecast to grow from US\$341.6 billion in 2000 to US\$2 trillion in 2020. The GCC also remains heavily reliant on imported food. In 2010, imported food accounted for more than 70 per cent of the GCC's total food requirements and total food imports to the GCC are projected to grow from US\$33.7 billion in 2014 to US\$53 billion in 2020.⁵

Strong demand for imported food in the Middle East is due largely to the region having scarce arable land and water for domestic food production alongside rising per capita incomes/affluence and consumer spending, proliferation of supermarkets and hypermarkets⁶ and growing populations, urban migration and tourism and foodservice sectors. GCC populations are also gradually switching from a carbohydrate-rich diet of staple cereals to a protein-rich diet of meat and dairy.⁷

Some indicative growth opportunities for Australia's food industry in the Middle East include:

- continued demand for Australian red meat (beef, veal and lamb) particularly in Saudi Arabia, Bahrain, Kuwait and the UAE;⁸
- premium cuts of beef and lamb, with Meat and Livestock Australia (MLA) identifying a trend away from live exports towards premium cuts for supermarkets and restaurants;⁹
- high-value convenience foods including ready-to-eat, chilled, canned, preserved, frozen and baked foodstuffs, on the back of time-poor consumer lifestyles;¹⁰

⁴ In microeconomics, *economies-of-scale* are the cost advantages that enterprises obtain — generally via larger scale operations — where the input cost per unit of food decreases as total production output increases. This is because the fixed costs of production are able to be spread over a larger number of foodstuffs. *Economies-of-scale* may also reduce variable costs due to operational efficiencies within an individual business and/or across an industry supply chain.

⁵ Economic Intelligence Unit 2010, *The GCC in 2020: Resources for the Future*,

http://www.economistinsights.com/sites/default/files/legacy/mgthink/GCC%20in%202020%20-%20Resources_WEB.pdf

⁶ Hypermarkets are larger retail stores that combine a department store with a grocery supermarket in order to offer customers a wide variety of products — such as appliances, clothing, food and groceries — under the one establishment.

⁷ Alpen Capital Investment Banking 2013, Gulf Cooperation Council Food Industry,

<http://www.alpencapital.com/downloads/GCC%20Food%20Sector%201%20May%202013.pdf>, accessed 28 April 2014.

⁸ Meat and Livestock Australia, *Red Meat Market Report: Middle East and North Africa*, June 2013

⁹ Sarina Locke, Middle East replacing live cattle with expensive cuts, <http://www.abc.net.au/news/2013-12-12/beef-tastes-in-middle-east/5151932>, accessed 5 May 2014.

- the move to convenience foods is demonstrated by Australian bakery café chain Pie Face opening 100 new stores in the Middle East after signing a major agreement with the hospitality division of Dubai-based retail and hospitality conglomerate Landmark Group¹¹; and
- by The Coffee Club, signing a franchise licensing agreement with Liwa Minor Food and Beverages LLC across six territories in the GCC region of the Middle East¹².
- dairy products, with the GCC dairy market growing by more than 50 per cent from 2007 to 2012 reaching US\$5.8 billion in 2012;¹³
- baby foods, with compound annual growth of 11.2 per cent from 2007 to 2012;¹⁴
- health foods (functional foods), Halal and organic foods, with increasing consumer awareness about healthy lifestyle and cultural food choices;¹⁵
- premium foodservice in hotels, restaurants and catering companies, with the UAE and Qatar investing in high-end tourism, food services and retail;¹⁶ and
- general opportunities for Australian food businesses to participate in regional value chains, with Dubai being a major food re-export hub servicing other GCC nations as well as India, Pakistan, Russia and East Africa.

There are also growing business opportunities for Australian food and agribusiness knowledge, innovation and professional expertise. A number of nations are seeking to address their food security challenges with incentives to stimulate new domestic food production capacity and attract multinational food manufacturers to the region. Some GCC nations are also acquiring agricultural land — mostly in North Africa, Asia and Europe — to safeguard food security.¹⁷ These policy settings may see increasing opportunities to export Australian expertise in areas such as, but not limited to, water management capability, irrigation infrastructure, desalination and hydroponic farming.

5.3.3 General challenges to growing Australia's food industry in exports

Across the Middle East tariffs range from averages of 2 to 5 per cent in animal and dairy products, fruit, vegetables and plants, coffee and tea, cereals and preparations.

In addition to these tariff barriers, Australian food and beverage exporters have identified several non-tariff barriers in exporting to the GCC. These include import licensing

¹⁰ Alpen Capital Investment Banking 2013, Gulf Cooperation Council Food Industry, <http://www.alpencapital.com/downloads/GCC%20Food%20Sector%201%20May%202013.pdf>, accessed 28 April 2014.

¹¹ Sophie Langley, *Different Australian retail food franchises each expand to the Middle East*, October 28, 2013, http://ausfoodnews.com.au/2013/10/28/different-australian-retail-food-franchises-each-expand-to-the-middle-east.html?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+AustralianFoodNews+%28Australian+Food+News%29; accessed 22 May 2014

¹² *ibid.*

¹³ http://www.zenithinternational.com/reports_data/165/GCC+Dairy+Market+2013+Report#contact-social;

<http://www.foodnavigator.com/Regions/Middle-East/Dairy-consumption-in-the-Middle-East-up-by-50-in-five-years>

¹⁴ <http://www.kenresearch.com/agriculture-food-beverages/baby-food/mena-baby-food-market-research-report/453-104.html>

¹⁵ Alpen Capital Investment Banking 2013, Gulf Cooperation Council Food Industry, <http://www.alpencapital.com/downloads/GCC%20Food%20Sector%201%20May%202013.pdf>, accessed 28 April 2014

¹⁶ Agriculture and Agri-Food Canada, *Foodservice Profile: The United Arab Emirates (UAE) Market Analysis Report 2009*, http://www.gov.mb.ca/agriculture/market-prices-and-statistics/trade-statistics/pubs/uae_foodservice_en.pdf, accessed 5 May 2014.

¹⁷ Economic Intelligence Unit 2010, *The GCC in 2020: Resources for the Future*, http://www.economistinsights.com/sites/default/files/legacy/mgthink/GCC%20in%202020%20-%20Resources_WEB.pdf

arrangements, onerous or arbitrary food regulations and labelling requirements, legalisation of documents and discriminatory or non-transparent industrial standards.

The department has investigated export growth barriers in Australia's food industry. Some general findings across Australia's food industry — and not specific to the Middle East — include:

- Australian food processing is most competitive in particular consumer segments willing to pay a premium price for Australian quality, while Australia's comparatively higher manufacturing cost base and the high Australian dollar reduces competitiveness in larger scale segments with strong international competition;
- Australia's food manufacturing industry is dominated by small-and-medium-sized enterprises (SMEs), which tend to:
 - lack the manufacturing scale to meet the demand of larger overseas markets;
 - have weaker management skill and international knowledge for developing sustainable export business relationships than larger scale multinational companies; and
 - view export markets indiscriminately as secondary markets for otherwise Western or domestically orientated products.
- Access to practical and actionable consumer insights can be cost prohibitive for aspiring SME food exporters seeking to tailor their taste profiles, packaging, portion sizes and pricing to the preferences of export markets; and
- Competitor food exporting nations — such as Canada, the United States, France and New Zealand — demonstrate a highly visible and nationally coordinated approach to marketing in growing food export markets while Australia's efforts are perceived as fragmented and lacking impact.

Key roles for the Australian Government, either directly or via appropriate industry-led mechanisms funded in part by government, could include:

- addressing market information asymmetries in order to lower the search-and-transaction costs for SMEs to a level that successfully entices them to consider export growth opportunities;
- facilitating teaming amongst food SMEs and industry associations in order to reduce market access costs. There is scope for SMEs to join forces to cost-effectively obtain information on international markets/competition and participate in joint promotional and business training opportunities — all whilst retaining competition in export markets;¹⁸ and
- investment in an Australian food brand campaign for growth export markets, with contributions from industry and State Governments, in order to achieve a nationally consistent message from Australian food in growing food export markets.

While Australia currently has a competitive advantage in some Middle East markets (one of the few countries able to export beef to the region),¹⁹ the department supports the exploration of new initiatives to ensure that advantage is maintained.

¹⁸ Enright, M and Petty, R. 2013, *Australia's Competitiveness: From Lucky Country to Competitive Country*, CPA Australia

¹⁹ Carina Perkins, GCC lifts ban on Irish beef and sheepmeat, 11-Jul-2013; http://www.globalmeatnews.com/Regions/Middle-East/United-Arab-Emirates/GCC-lifts-ban-on-Irish-beef-and-sheepmeat?utm_source=copyright&utm_medium=OnSite&utm_campaign=copyright, accessed 6 May 2014; and Ankush Chibber, Could Saudi Arabia lift US beef ban next month?, 11-Mar-2014;

6. Conclusion

Greater international engagement with key trading partners is vitally important to growing the Australian economy. The department acknowledges that, in terms of trade liberalisation, greater international engagement with countries of the Middle East may represent a significant challenge for Australian manufacturers. The department aims to support Australian industry to build skills and improve productivity and competitiveness in order to seize opportunities and better meet the challenges of the global market.

The department's trade and investment relationship with the Middle East has focused on engagement around oil, automotive products and food. These sectors will continue to play an important role in our engagement with the Middle East and other global markets. The department would support further initiatives to improve cooperation with countries of the Middle East in these areas.

The Government's new industry policy is designed to strengthen the economy's knowledge-intensive competitive industries in areas of global growth which include agribusiness; mining equipment, technology and services; medical technologies and pharmaceuticals; oil and gas; advanced manufacturing; and food. The department has a number of new programmes designed to promote growth and productivity in order to develop globally competitive industries. These complement the growing demand in the Middle East, and support greater engagement into emerging global markets.

The conclusion of FTA negotiations with the GCC would be a significant step towards the expansion markets and relationships with the Middle East. The department supports the conclusion of a comprehensive agreement that improves market access for goods, reduces barriers for services firms, and expands investment opportunities. The FTA could act as a building block to further strengthen trade and investment relationships across the region.

The Middle East provides ample opportunities to strengthen the economy, and promote the competitiveness and productivity of Australian firms. The department would support new initiatives that enhance our trade and investment relationship with countries of the Middle East.

Attachment A

Scientific Publications of the Middle East and comparator countries in 2013

Country/Region	Publications	Relative Impact	% Publications in World
<i>Asia Pacific</i>	496,491	0.91	35.42
<i>EU-27</i>	493,934	1.20	35.24
USA	378,625	1.42	27.01
China	219,281	0.91	15.64
United Kingdom	109,026	1.52	7.78
Germany	102,271	1.57	7.30
Middle East	83,854	0.76	5.98
Japan	78,447	1.03	5.60
France	70,732	1.46	5.05
<i>Latin America</i>	69,578	0.73	4.96
<i>Nordic</i>	58,597	1.45	4.18
Australia	53,296	1.37	3.80
India	51,660	0.79	3.69
Turkey	25,510	0.60	1.82
Iran	25,415	0.66	1.81
Israel	12,967	1.37	0.93
Saudi Arabia	9,181	1.02	0.66
Egypt	7,824	0.70	0.56
Tunisia	2,970	0.53	0.21
United Arab Emirates	1,469	0.74	0.10
Jordan	1,201	0.59	0.09
Lebanon	1,055	0.88	0.08
Qatar	903	0.96	0.06
Iraq	773	0.59	0.06
Kuwait	681	0.62	0.05
Oman	549	0.89	0.04
Syria	314	0.54	0.02
Sudan	297	0.71	0.02
Yemen	181	0.66	0.01
Bahrain	179	0.65	0.01
Libya	178	0.84	0.01

Source: InCites™, Thomson Reuters (2014)

Countries included in the Middle East aggregate category in InCites: Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, UAE, Yemen.

The Middle East aggregate figure is de-duplicated, so that publications involving more than one Middle Eastern country count only once in the regional aggregate.

A Relative Impact of 1.00 would indicate citations per publication exactly equal to the world average for 2013. This figure is not field normalised.

Australian Collaboration with the Middle East and comparators in 2013

Partner Rank	Country	Joint Publications	Relative Impact
1	USA	8,438	2.27
2	UK	6,039	2.28
3	China	4,857	1.72
4	Germany	3,050	2.73
5	Canada	2,627	2.91
6	France	2,086	2.93
7	Netherlands	1,756	2.89
8	Italy	1,558	2.96
9	New Zealand	1,536	1.77
10	Japan	1,333	2.67
16	India	785	1.97
28	Iran	447	1.39
31	Israel	371	3.82
38	Saudi Arabia	263	1.88
40	Turkey	258	2.60
53	Egypt	98	3.06
60	Qatar	77	1.59
68	United Arab Emirates	57	2.51
73	Jordan	32	0.87
80	Iraq	27	1.32
81	Lebanon	26	2.41
82	Kuwait	25	2.67
83	Oman	24	3.68
90	Syria	20	1.40
90	Tunisia	20	1.63
111	Sudan	8	3.43
123	Libya	7	2.20
133	Bahrain	5	1.09
162	Yemen	1	0.00

Source: InCites™, Thomson Reuters (2014)

A Relative Impact of 1.00 would indicate citations per publication exactly equal to the world average for 2013. This figure is field normalised and only applies to joint publications (those involving both Australia and the partner country), not the country's total output.