

Arab Bank Australia

Head Office
PO Box N645 Grosvenor Place
Sydney NSW 1220 Australia
Level 7, 20 Bridge Street,
Sydney NSW 2000 Australia
Telephone +61 2 9377 8900
Fax +61 2 9251 4878
arabbank.com.au

DX 10163 Sydney Stock Exchange
Arab Bank Australia Limited
ABN 37 002 950 745
AFSL/ACL 234563

From the desk of the
Managing Director
Joseph Rizk

27 May 2014

Mr Andrew Dawson
Inquiry Secretary - Trade
Joint Standing Committee on Foreign Affairs, Defence & Trade
Suite R1-120
Parliament House
Canberra ACT 2600

Dear Andrew

Thank you for the opportunity to contribute to the Inquiry into Australia's trade and investment relationships with countries of the Middle East.

Arab Bank Australia has been operating in Australia since 1986 and is seen as the bank of choice for Australian individuals and companies doing business with the Middle East and North African (MENA) region. Arab Bank Australia is a 100% owned subsidiary of Arab Bank plc - the leading bank in Jordan and the Arab world. Through its fully owned and associated entities it operates in key worldwide financial centres including London, New York, Dubai, Zurich, Singapore, Geneva, Paris, Frankfurt, Shanghai, Seoul, Sydney and Hong Kong.

Arab Bank Australia has 9 branches in Australia, 7 in Sydney and 2 in Melbourne, with market leading products specifically designed to assist Australian corporates doing business in the MENA region. These products include assisting companies with their requirements for export/import documentary letters of credit, performance / tender bonds; various types of guarantees as well as banking facilities. In addition to this, Arab Bank Australia has a treasury team to assist with deposits, FX and other options.

In addition to holding a full banking licence in Australia, Arab Bank Australia has internal policies to exceed the regulatory capital and liquidity requirements set by APRA. Arab Bank Australia's parent, Arab Bank plc in Jordan, has never withdrawn any profits and since establishment has retained all earnings in Australia to grow the Bank.

The majority relationships and connections in Australia have been with the numerous Chambers and Government departments that include The Australian Lebanese Chamber of Commerce, Australia Arab Chamber of Commerce Industry, Austrade and other chamber and government bodies (refer the attached document).

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Arab Bank Australia strongly supports building an understanding via the art and culture activities and supports various Chamber and Arabic events. We hold Sponsorship Agreements with The Australian Lebanese Chamber of Commerce, the Australia Arab Chamber of Commerce Industry and the Australian Arab Business Council for different networking events that assists exporters dealing with the Region.

Our comments in respect of the terms of reference outlined in your email of 16 April 2014 are as follows:

The nature of Australia's existing trade and investment relationships with countries of the region;

- Existing trade with the MENA region is agribusiness (live animals, wheat, grain, meat and beef), mining, manufacturing, tourism and education with Exports totaling \$6.9Billion and Imports \$6.2billion to/from the Region.
- As far as investments into Australia, which includes property, we see a lot in agricultural such as food production, animal technology and education (with some 12,000 Saudi students in Australia), as well as textiles and a wide range of manufactured goods.

Emerging and possible future trends in these relationships;

- Trade Expos are a major way of developing relationships with different companies and matching business opportunities with other Australian companies that are already in the MENA region.
- The emerging markets in the MENA region are evident in the United Arab Emirates (UAE), Saudi Arabia and the wider Gulf Cooperation Council (GCC). The UAE is an important commercial partner and we need to highlight the current trade, investments, education and tourism opportunities that Australia can offer.
- In order to grow further we need a consistent approach from all Government Departments (State and Federal), in marketing and promoting two-way Trade between Australia and the MENA region.
- Agribusiness
 - The population of the MENA region is predicted to double by the end of this century (to almost 800 million people).
 - Just over 5% of the total land area of the MENA is arable.
 - The rainfall is inconsistent and ground water reserves are becoming further strained with demands of population growth.
- Australia thus
 - Can position itself to be a sustainable large food exporter to the region now and into the current century, as the region will have to import the majority of its food to feed its population.
 - Can furthermore export skills and technology for more efficient agricultural production and environment protection. Our experience

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with arid farming environments and management of salinity and soil rejuvenation offers much to agriculture in the MENA region.

- **Energy and Sustainability**
 - urban water management especially the recycling of grey water
 - desalination technology
 - green building technology

- **Education**

Increasingly Australian tertiary education institutions are witnessing higher numbers of students from the MENA (especially the GCC nations).

 - Australian institutions are well respected but can do more to attract students to our shores through wider scholarship programs similar to the King Abdullah Scholarship Program which currently exists between Australia and Saudi Arabia.
 - Further opportunities for Institution partnerships and collaboration such as on medical research program.
 - Our universities could develop more exchange relationships with MENA institutions and open up satellite branches in the region similar to the University of Wollongong in Dubai.
 - As the UAE is set to become a regional health hub there are opportunities for Australian institutions to have students undertake training in regions such as the Dubai Healthcare City.

- **Infrastructure**

Maximise opportunities that will arise for the reconstruction of infrastructure once conflicts are settled in some MENA locations.

Barriers and impediments to trade and investment with Middle Eastern countries for Australian businesses, including examination of supply chain costs;

- A major issue or barrier is the difficulty in obtaining Visa's in a timely manner for delegations of companies, governments and other representatives, to visit Australia. Perceived lengthy delays cause issues with, at times, meticulously pre-planned schedules and these representatives are often left with no other option than to cancel their visit to Australia.

- Government Agencies both State and Federal appear fragmented and as a result this is an impediment to the promotion of Australia in the MENA region to maximise opportunities. This results in industries and corporations in the MENA region finding it very difficult to understand the market in Australia in view of the State and Federal uncoordinated trade initiatives. This sends a confusing message such as; NSW rather than Australia, QLD rather than Australia, VIC rather than Australia etc.

- Access and distribution to and within markets in the region and navigating the bureaucracy even in the GCC can be difficult for businesses seeking to expand into the region.

- Security in markets outside of the GCC.

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- Lack of awareness of opportunities present in the MENA region for Australian enterprises.

Opportunities for deepening existing commercial and cultural links, and developing new ones, with the countries of the Middle East; and

- An understanding of the culture, strength and diversity of people living in Australia from the MENA region who have strong alliances and ties to original homelands and they understand which goods and services suit their respective countries in the MENA region.
- Also as a Bank we see the cultural ties strengthening with the trend in arts/entertainment/music breaking the barriers to the broader Australian community awareness and appreciation of Middle Eastern culture.
- In regards to infrastructure there has been growth and an increase in spending. Countries across the MENA region are spending unprecedented amounts on their economic and social infrastructure. Their investment objectives vary widely, from a desire to improve competitiveness and attract investment, to responding to growing social and political pressures in the region.
- After decades of dependency on hydrocarbon exports in the international market, the countries of the GCC have embarked on a massive infrastructure project set to expand exponentially the regional Intra-Gulf trade, further afield to Jordan, Syria and Iraq. Such as the new project of railways linking Oman on the South to Kuwait in the North via the UAE, Qatar, Saudi Arabia and Bahrain costing US\$15.5b.
- The GCC Healthcare market is predicted to grow 12% to a value of USD\$69.4b.
- 2015 Asian Cup in Australia
- annual Arab Film Festival in cities across Australia
- preparing for the 2020 Dubai World Expo
- 2022 World Cup in Qatar

Sharia Banking

ABAL has considered the feasibility of establishing Sharia banking, and in particular, Sharia Superannuation. Three years ago, there were approximately 400,000 Muslims in Australia so the number would have grown since then.

There is no true Sharia bank or Sharia superannuation entity in Australia, despite a number of entities claiming that they offer Sharia products. The main reason is that the legal framework does not allow for true Sharia lending, for the following reasons;

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- Under Sharia law, interest is not allowed. The income tax laws treat “fee income” as interest income, and impose withholding tax on this income.
- Property settlement laws do not readily recognise the sharing arrangement where Australian Deposit Institutions (ADI) takes an ownership interest in the property alongside the borrowers. Borrower defaults or marriage breakdowns become particularly complex under this arrangement.
- Investments require approval by reputable Muftis.
- A few years ago the Federal Government directed the Board of Taxation to investigate how to amend the tax laws to allow Sharia banking to happen. Our understanding is that after a year or so the Board of Tax put it in the too hard basket, and that is where it remains today.
- To truly succeed, Government has to be fully committed to changing the tax laws without favouring any one community. One of the issues with changing the tax laws to accommodate Sharia lending was that it was seen to be giving a preference to the Islamic community. This is the delicate balance that has to be achieved and maintained.

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 Government Agencies both Federal and State have been seen to be fragmented and inconsistent and this has resulted in Corporations and individuals in the MENA region finding it difficult in understanding the market in Australia.
- Another major way of strengthening ties between Australia and the MENA region is via Trade missions organised by both local and federal government in conjunction with the various Chambers to ensure that Australia is recognised not only as a nation but by the various State Chambers to ensure that NSW, Victoria, WA or any other state are all identified as being part of Australia as a whole and not fragmented. This has been missing in the past with the various Chamber and Government bodies and Austrade not organising the Trade missions as a united approach from Australia (refer to attached document for the listing of the Chambers and Government bodies).
- Export Finance and Insurance Corporation (EFIC) should be further encouraged to be proactive in supporting exporters.

The Australian government institutions perform a critical role for the simple reason that in the MENA region economic development and liberalisation is driven by government.

Hence:

- Bilateral government to government relations are especially important.
- Export grants such as those offered by Austrade are important investments that the Australian government can continue to make towards Australian exporters and those looking to export.

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- More frequent visits by Australian Foreign Ministers and a Prime Ministerial visit would demonstrate to the countries of the MENA region that Australia is a serious trading partner.

Please feel free to contact me should you require classification of any matters. We do hope that a focussed and collaborative approach is taken to strengthen trade and cultural opportunities that exist in the MENA region.

Yours sincerely

Joseph Rizk
Managing Director & CEO

ARAB BANK PLC



- Arab Bank Australia operates as a 100% owned subsidiary of Arab Bank plc
- First private sector financial institution in the Arab world, with 80 years of experience
- Present in almost all Arab countries, spanning 5 continents and located in over 30 countries
- One of the highest rated banks in the MENA region, greater than the sovereign of Jordan
- Highly diversified bank, more assets located outside the countries head office
- Largest listed company on Amman Stock Exchange
- True to our customers and shareholders since Day 1
- Diverse products & services to meet customers' needs in and outside of MENA region
- Conservative because we understand the region in which we operate, including:
 - 1) Maintaining high levels of liquidity
 - 2) Strong capital adequacy ratio's
 - 3) Prudent Credit and Risk Management Policies and Controls

ARAB BANK AUSTRALIA

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Global Network

500+ Branches spanning 5 continents

Middle East/ Asia

- Bahrain
- China
- Jordan
- Lebanon
- Oman
- Palestine
- Qatar
- Saudi Arabia
- Singapore
- South Korea
- Syria
- Turkey
- UAE
- Yemen

North America

- United States

Europe

- Austria
- France
- Germany
- Italy
- Spain
- Switzerland
- United Kingdom

Africa

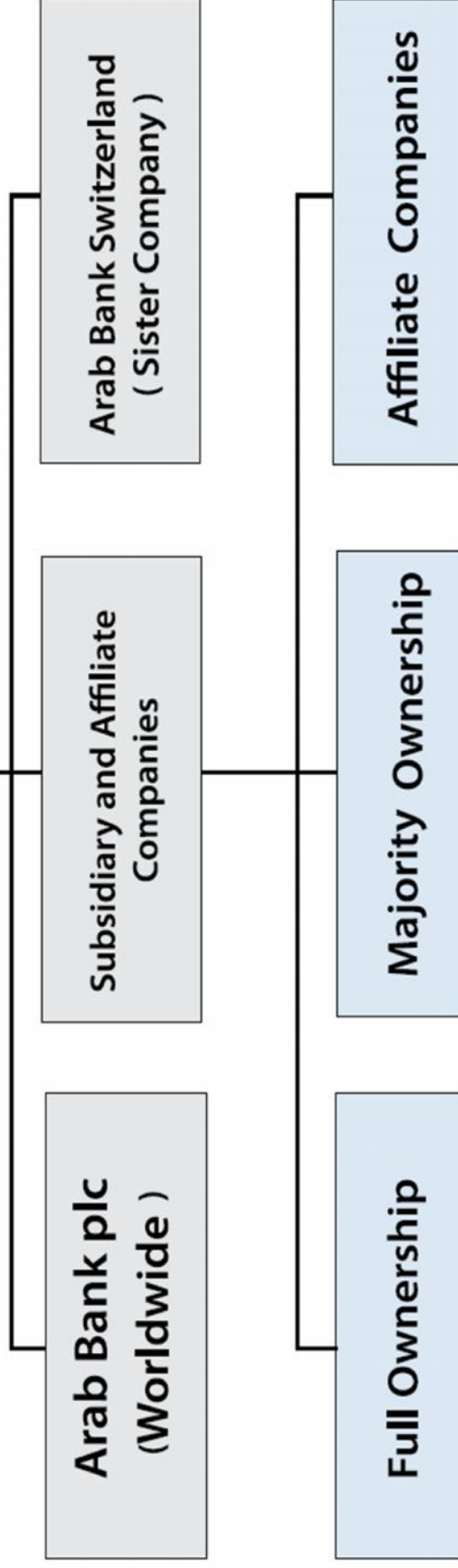
- Algeria
- Egypt
- Libya
- Morocco
- Sudan
- Tunisia

Australia

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GROUP STRUCTURE

Arab Bank Group



Arab Bank Australia Ltd - Sydney

Europe Arab Bank plc - London
 Islamic International Arab Bank plc - Jordan
 Al - Arabi Investment Group - Jordan
 Arab Leasing Company - Jordan
 Arab Sudanese Bank Ltd - Sudan

AB Capital - Dubai (80.2%)
 Arab Investment Bank - S.A.L. - Beirut (66.6%)
 Arab Tunisian Bank - Tunis (64.2%)
 Al-Nisr Al Arabi Insurance Co. - Amman (50%)
 Turkland Bank A.S. (50%)

Oman Arab Bank S.A.O - Rowi (49%)
 Arab Bank Syria - Damascus (49%)
 Arab National Bank - Riyadh (40%)
 Arab Insurance Co. - Beirut (36.8%)
 Commercial Building Co. - Beirut (34.5%)
 Wahda Bank - Benghazi (19%)

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The Key Growth Sectors

1. Professional services
2. Agribusiness
3. International education & research
4. Tourism
5. Manufacturing
6. Technology economy

Australian Support Networks

Chambers and Councils



Australian Support Networks

Government Bodies

