

**Questions and Answers on Notice for the Victorian Government to be provided to the Trade Sub-Committee, Federal Parliamentary Inquiry into Australia's Trade and Investment Relationships with the Middle East following the:****Public Hearing on Friday 17 October 2014****Trade Sub-Committee member Wyatt Roy MP requested:**

- 1) Further information in regards to whether other countries such as the United Kingdom, United States of America, or elsewhere provide subsidies to businesses to attend similar Super Trade Missions in the Middle East.**

The usefulness of trade missions as one of a number of tools to support market entry is well recognised across a wide range of jurisdictions. The degree of assistance governments provide to businesses to participate varies amongst different jurisdictions. Generally assistance programs are not market specific but, as in Victoria, are available to firms participating in any trade missions.

Other examples of jurisdictions that also provide subsidies or incentives to individual businesses to attend trade missions include Singapore, Scotland, and the US states of Missouri and Iowa. As in Victoria, assistance is generally targeted to small and medium enterprises.

The Department of Foreign Affairs and Trade or Austrade may be able to provide further information on support, such as subsidies, that other countries provide to their businesses.

**Trade Sub-Committee member Senator McKenzie requested:**

- 2) Which countries in the Middle East are Victorian exporters faced with tariff and non-tariff barriers to their trade and could specific examples of some tariffs and non-tariff trade barriers be identified and in which counties. Ms van Rooden mentioned Jordan and Egypt impose tariffs on fruit and vegetables.**

**Trade Sub-Committee member Wyatt Roy MP requested:**

- 3) Further clarification of non-tariff barriers such as Arabic language on labelling, expiry dates.**

Some examples are listed below:

In the **Gulf Cooperation Council countries**, shelf life of 70 days for red meat rather than 90 is a significant barrier. Victorian exporters would prefer no limit is applied as is consistent with other markets such as Japan, EU and US. Similarly, in **Egypt** there is an even narrower window for chilled meat (29-49 days), making the export of chilled meat barely viable.

In **Saudi Arabia** there is zero tolerance of the presence of vetch seed, a common weed in lentils. As a result, many Australian exporters are not prepared to send lentils directly to Saudi Arabia and risk the presence of vetch being found on inspection, despite there being a good market for lentils in Saudi. India and Bangladesh banned Australian lentils for a while, but eventually lifted the ban. The UAE, Egypt and other MENA countries accept Australian lentils.

In **Kuwait**, rigorous testing procedures are required before a health certificate is approved, posing an import barrier for produce such as meat due to some product losses for sampling purposes, and the time taken for clearance. Kuwait is not unique in this regard, for example, India also takes product samples for testing, and clearance takes upwards of 6 days, while Iraq insists on 3rd party certification. However, other markets in the MENA region, such as the UAE, put greater trust in Australian certifying authorities and do not test every consignment.

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**Jordan** requires temperature probes in containers transporting meat adding cost and inefficiency. This is not a requirement in other key markets (eg. UAE and Saudi).

Labelling presents a challenge across **Egypt** and **Algeria**. Importer labelling is technically onerous when compared to GCC and Saudi labelling.

An Iranian Veterinary Officer (IVO) and Islamic teams must be on site in Australian abattoirs for all product destined for **Iran**. This is onerous when compared to other countries in the region and restricts trade. Others require an Islamic slaughterman (that most often is an Australian resident), but tier 1 (e.g. Primesafe certified abattoirs) do not need a vet present at the time and tier 2 abattoirs use a Commonwealth Department of Agriculture vet. It is a specific additional cost to fly in an Iranian vet.

**UAE** - strict food labelling laws in Dubai pose a 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. There are also banned food additives that are commonly used in processed foods. These generally relate to the 'E' series 104,105,107,123,124, 127, 131, 142, 925, 952, 1510 (ethanol). Qatar has a similar system and some other MENA countries have variations on this theme. All restrict alcohol imports.

**Request for further information if available from the Victorian Government on the following questions that were not able to be asked due to time constraints.**

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

#### **1. How successful have the last three Super Trade Missions been and how does the government measure the economic benefit from the missions?**

There have been three Super Trade Missions (STMs) to the Middle East (2012, 2013 and 2014), with the 2013 and 2014 mission also visiting Turkey. In total, these missions have visited nine cities across five countries in the region (UAE, Oman, Qatar, Saudi Arabia and Turkey).

The response from business and industry to the three STMs to the Middle East and Turkey was positive, with over 27 per cent of all participating organisations attending more than one mission, and over 85 per cent of all companies advising that they were satisfied with their participation in the program.

The benefits of the missions were measured in terms of their contribution to trade activities former more generally including the aims of:

- increasing Victorian exports; with companies reporting anticipated increased export sales of over \$750 million for the two year period following the mission for the three missions combined;
- strengthening business links between Victoria and the Middle East; for example in the most recent STM to the Middle East and Turkey companies reported that 600 new overseas business connections had been made as a result of participating in the mission; and
- increasing the number of and knowledge of Victorian businesses exporting, with approximately 21 per cent of the participants on the most recent Middle East STM not exporting at the time of the mission and 35 per cent of participants not doing business in the Middle East.

#### **2. If the 2012 and 2013 trade missions combined generated more than \$445 million in expected export sales figures, what were the major products or services sold?**

Companies participating in the 2012 and 2013 STMs have reported expected increased export sales of over \$445 million for the 24 month period following the mission. Approximately 55 per cent of these expected increased sales have been reported by companies in the food and beverage industry, particularly those in the meat and livestock and dairy sectors. Organisations in the agriculture, forestry and fisheries, ICT, shipping and logistics and

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education and training industries have also reported substantial expected increases to export sales as a result of participating in these missions.

### 3. In Victoria's submission, what is the relationship of that \$445 million figure (Page 2) to the estimates of \$2.66 billion (Page 5) in Victorian exports in goods to the GCC region?

Trade mission outcomes have been measured in terms of *expected* export sales of companies participating in the mission(s) over the following two year period. This includes estimates of goods and services exports. The \$2.66 billion is the actual recorded goods export value in the 2012-13 financial year, as determined by the Australian Bureau of Statistics.

### 4. How much were vehicle exports worth to Victoria over the last three years and what products and services are being targeted to fill that hole left by decline in the Victorian auto industries?

Passenger motor vehicles exports to the Middle East totalled \$3.35 billion over the past three years. Future trade policy will be determined by the incoming government.

### 5. What drove Victoria's food and beverage exports to the region to increase by 64 per cent from \$700 million in the 2009 financial year to \$1.2 billion in the 2013 financial year and what were the stand-out foods and beverages being exported to the Middle East?

A number of factors have contributed to the growth of food and beverage exports to the region. Strengthening air links, with six daily flights from Melbourne to the region has enabled the export of fresh produce. The growing reputation for the quality of Victorian produce has also been a factor. Promotion activities have been instrumental in raising awareness.

The main food exports to MENA countries have been:

- grain exports - an increase of over \$400 million since 2009-10; and
- meat exports - an increase over \$130 million since 2009-10.

#### Victorian Food and Fibre Exports to the Middle East 2009-14.

Industry	2009-10 (\$AUD mil)	2010-11 (\$AUD mil)	2011-12 (\$AUD mil)	2012-13 (\$AUD mil)	2013-14 (\$AUD mil)
Grain	99	112	271	454	511
Meat	298	375	363	425	431
Dairy	233	277	285	221	262
Prepared foods	44	47	67	69	100
Horticulture	29	20	31	39	96
Forest products	30	56	37	52	39
Animal fibre	15	12	25	26	32
Skins and hides	4	7	13	10	7
Wine	2	3	2	1	3
<b>Total:</b>	<b>754</b>	<b>908</b>	<b>1095</b>	<b>1297</b>	<b>1480</b>

### 6. Do other Australian states and territories have commissioners in the UAE or in other Gulf States and how competitive is the lobbying for business or investment opportunities?

The relationship with other states and territories operating in the Gulf States is complementary rather than competitive. Victoria, New South Wales, Queensland and the Western Australia State Government all have offices in the Gulf Countries. State Government offices in the market have a focus on promoting the particular strengths of the industries and opportunities located within their State. As the mix of industry capabilities varies significantly across the different States, the state presence is able to broaden and deepen the in-market knowledge of Australia as a whole.

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### **7. Would a Victorian trade commissioner be less restricted in how they may champion an SME exporter from Victoria than possibly Austrade or an Ambassador may be and does that help Victoria open doors for its businesses?**

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 arrangements and build relationships with national governments in the Middle East which benefit Australia as a whole.

The Commissioner for Victoria has been working very closely with Commonwealth colleagues in Austrade and the Ambassadors in the region, joining together on a number of projects and trade mission activities. Working together in this way confers an advantage for Victorian businesses in their activities in the region. Trade Mission activities are particularly important for opening doors. The VGBO works closely with Austrade to establish business-to-business meetings as part of the mission program. Austrade's extensive geographic footprint is very important in facilitating those activities.

### **8. How are Victorian universities and TAFEs perceived in the Middle East, and what is done by the VGBO to promote Victoria as a destination of choice for Middle Eastern students?**

As a region, the Middle East is a significant market for Victoria, accounting for over 5,000 (over 3.4 per cent) international enrolments. Almost half (49 per cent) of 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 (55 per cent) of the Middle Eastern students in Victoria doing undergraduate or postgraduate studies.

The region is an important source of post graduate students, with the 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.

Victorian education exporters are supported in market by the presence of a Victorian Government Education Services Manager based in Dubai.

Recent activities to promote international education exports have included:

- Hosting five higher education institutes and 15 VET and TAFE institutes on the recent Super Trade Mission.
- The establishments of connections with different ministries in Saudi Arabia and Oman.
- Supporting in bound missions for Saudi Government officials.
- 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.

### ***Emerging and possible future trends in these relationships***

### **9. Are Victorian design and construction companies in the running to be part of new freight and passenger rail infrastructure across the Gulf States and how much is at stake?**

There are significant opportunities for Victorian companies to be part of the new freight and passenger rail infrastructure projects across the Gulf States. Our understanding is that this project is valued at just under US\$200 billion in what is predicted to be a 10 year period of rail infrastructure development.

### **10. Have the increased flights into Victoria by Qatar, Emirates and Etihad Airlines provided opportunities for any Victorian companies involved in the aviation infrastructure sector?**

Middle Eastern airline passengers into Victoria have grown by 12.6 per cent in the past five years. Increased flights, passengers and freight export naturally means increased activity and growth in areas within the aviation infrastructure sector, such as transport and logistics, distribution services, catering, front line services and infrastructure upgrades.

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### **11. How will \$13 million in state funding over the next four years be used to attract new air passenger services from priority international markets?**

With the recent Victorian State election, this is a matter for consideration for the incoming government.

### **12. Is there much capacity for Victorian food producers to meet the demand of a fast-growing population in the Middle East?**

Victorian food producers have been able to supply rapidly growing demand for grain and meat and are poised to further develop other export categories. The quality of Victorian produce is generally very highly regarded.

There are many factors which impact the capacity of Victorian producers, such as:

- value of the Australian dollar;
- levels of investment in our food and agricultural industries;
- competition for Victorian/Australian food exports from other international markets;
- competition from other major food producing countries/regions;
- global demand and supply growth and fluctuations

### **13. Are many Victorian education institutions forming partnerships in the Middle East and what do they gain from doing so?**

A number of 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. The Middle East is not a student recruitment focused market but more geared towards collaboration, articulation and exchange.

A number of vocational education providers are also active in the Middle East including Chisholm Institute, William Angliss Institute, Holmesglen Institute and Box Hill Institute. Partnerships involve vocational teacher training delivery and industry specific training.

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

### **14. Are there any issues with Middle Eastern people obtaining visas to visit Victoria for study, tourism and business purposes, and should the visa process be simplified?**

In a competitive global market place, the process, cost and time it takes for prospective international students, business people and tourists to secure their visas can influence decisions about which destination they ultimately select. In recent years, Australia's student visa application processes, processing times and costs have been reported as significantly longer, more complicated and costly than key global competitors (e.g. Canada, US, NZ). While the Commonwealth Department of Immigration and Border Protection have taken some steps to improve the visa system's competitiveness, there is a need for this to be treated as an ongoing activity, particularly as other countries are continually amending their approaches.

### **15. Can you discuss the possible ramifications and economic loss of a Saudi Arabian food distribution company being unable to obtain visas for all of their delegation members and subsequently cancelling their intended visit to Victoria in May 2014?**

While the Victorian Government is not in a position to estimate hypothetical losses, the inability of major international businesses to visit due to visa delay is a barrier to potential trade deals and resulting economic benefits for the State. The Commonwealth should continue to review immigration processes to ensure that the right balance is struck in meeting visa integrity requirements while enabling international trade to flourish.

### **16. Does Victoria see any benefits from Australia establishing a more Islamic finance-friendly environment?**

Islamic Finance (IF) has been experiencing rapid growth, with the global IF market growing to 23 per cent Compound Annual Growth Rate to over USD 1.2 trillion and is expected to reach USD 2.6 trillion by 2017. The world's Islamic population is projected to grow by 35 per cent by 2030, thus significantly boosting the demand

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for IF. The demand for IF is expected to particularly grow in Africa and Asia, which currently hold over 95 per cent of the world's Islamic population. A market exists in the emerging 'middle classes' for Islamic deposits, lending, protection (insurance) and payment products.

Victoria has made strong efforts to facilitate an IF friendly environment, including some key regulatory changes. Victoria has already developed some strength in the area of IF including:

- supportive legal and regulatory environment. In 2004, Victoria was the first state in Australia to enact special arrangements needed to ensure specific Islamic finance transactions receive equitable state tax and legal treatment. Stamp Duty Reforms ensure mortgages can be Sharia compliant.
- Melbourne is already a regional centre of excellence in finance and business education which includes Islamic finance capability.
- 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.

The growth of this industry will by itself bring investment, create employment, drive innovation, and generate commercial activity. A corollary of supporting this industry would likely be deeper engagement with SE Asia and the Middle East and greater visibility of trade, finance and investment flows from and to these regions.

### **17. Would Victoria welcome Australia establishing a similar Islamic-based investment group similar to the United Kingdom's Global Islamic Finance and Investment Group to compete with other international financial centres?**

Victoria has worked to position itself as a centre for Islamic finance in the Asia Pacific for a number of years. Any policy response to this or similar proposals would be for consideration for the incoming Victorian Government.

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

### **18. Is Victoria exploring the possibility of presenting a coherent food security policy/package with some countries the Middle East?**

At this stage Victoria has not considered developing a specific food security package for countries of the Middle East. Any policy response to this or similar proposals would be for consideration for the incoming Victorian Government.

### **19. How much interest in the Middle East has there been in forming investment partnerships and joint venture agreements in Victoria?**

There is a growing interest from Middle Eastern sovereign wealth funds to explore opportunities available in Victoria's infrastructure pipeline and infrastructure invest opportunities of Australia more broadly.

Abu Dhabi Investment Authority has been particularly active in Australia (involved in consortia to buy the Port of Brisbane and NSW Ports). Australia's largest container port is Victoria's Port of Melbourne.

### **20. What opportunities loom for Victorian institutions from Saudi Arabia establishing its' Colleges of Excellence?**

These initiatives present growing opportunities for Victorian providers to deliver offshore services and partners with institutions in-country.

***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***

**21. Does the Victorian Government believe state trade offices are better placed to promote trade opportunities for individual Victorian companies than the federal government?**

There is a role for both State and Commonwealth Governments in promoting trade and investment, the roles are complementary and mutually reinforcing.

There is bipartisan support for a role for the Victorian Government in improving the trade performance of Victorian firms. The Victorian Government's direct and detailed knowledge of Victorian businesses, industries and institutions means that it is the most appropriate level of government to take action across a number of areas, including:

- *Addressing information asymmetries* – The Government can redress these asymmetries (a basic market failure) by raising awareness in global markets about Victoria's export capabilities and investment and skilled and business migration opportunities in the State. The Government can also improve knowledge among Victorian firms about opportunities in global markets and how to succeed in these markets.
- *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 Agreements and other market access arrangements.
- *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 to assist them in accessing difficult or complex markets.
- *Strengthening connections* – A key aspect of building international trade ties is fostering business links between local exporters and potential clients in emerging markets. The Victorian Government is well placed to perform this role as it is closer to Victorian exporting firms and has a better understanding of their capabilities and needs.
- *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 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.
- *Fostering collaboration and innovation* – The Government can foster greater collaboration and innovation by bringing together groups of companies across various industries to jointly target major projects and export opportunities overseas. State and regional governments can also provide strong local leadership to build a community of export-focused firms that can work together to access markets, as well as sharing experiences, knowledge and relationships

**22. Are any government guides available to advise Australian businesses on Middle East business practises and advice on the regulatory, tax and legal framework of each country?**

The Victorian Government does not have government guides available providing such advice. It has been the practice to refer parties to intermediaries that specialise in the related fields.

**23. Despite the increased aviation links, how effective is Australia at attracting tourists from the Middle East to Victoria and elsewhere?**

Australia has strong appeal in the GCC market which is seeking family attractions, shopping, unique wildlife and city experiences which are some of Melbourne's key product strengths. Melbourne is an ideal gateway to Australia on the back of our strong direct air access which has been further enhanced through the Qantas and Emirates partnership.

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Melbourne is the ideal destination for the Arab Family market segment (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 provide a unique experience for the GCC market and the Victorian snow season coincides with the peak GCC travel period.

Whilst the MENA region offers good potential tourism arrivals, the Victorian Government through Tourism Victoria focus primarily on the Gulf Countries or Gulf Cooperation Council (GCC markets).

Australia attracted 73,319 arrivals from GCC countries for the year ending September 2013, representing an increase of 12.8 per cent on the previous year. The UAE dominates arrivals, generating 58 per cent of all arrivals from GCC countries to Australia.

One thing to note is the high proportion of expatriates and non GCC national arrivals. It is estimated that two thirds of all visitors travelling to Australia from the GCC are expatriate residents from Australia, the United Kingdom, India and other countries.

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.

GCC visitors to Victoria represent 1.5 per cent of total international arrivals to Victoria. Of the GCC visitors to Victoria, an estimated 25,248 visitors were from the UAE which represents 86 per cent of all GCC arrivals to Victoria. There is considerable scope to attract more tourists.



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### Current International Victorian Government Business Offices (VGBOs)

**London, United Kingdom**, Mr Geoffrey Conaghan, Agent-General for Victoria in London (UK and Europe)

Also office in Frankfurt, Germany

**Dubai, United Arab Emirates**, Mr John Butler, Commissioner for Victoria - Middle East, Africa and Turkey

**Bangalore, India**, Mr Wayne Lewis, Commissioner for Victoria - India

Also office in Mumbai

**Kuala Lumpur, Malaysia**, Ms Celia Yeo, Acting Executive Director – South East Asia

**Jakarta, Indonesia**, Mr Brett Stevens, Commissioner for Victoria – Indonesia

**Shanghai, China**, Mr Tim Dillon, Commissioner for Victoria - China

Also offices in Chengdu, Beijing, Nanjing and Hong Kong

**Seoul, Republic of Korea**, Mr Patrick Stringer, Commissioner for Victoria - Korea

**Tokyo, Japan**, Mr Adam Cunneen, Commissioner for Victoria – Japan

**San Francisco, United States**, Mr Michael Kapel, Commissioner for Victoria – the Americas

Also offices in New York, Washington and Chicago

