

Australia's trade and investment relationship with the Gulf States - Briefing Paper

Terms of reference for Trade Sub-Committee inquiry.

That the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade is to examine and report on Australia's expanding trade and investment relationship with the economies of the Gulf States*, in particular:

- the nature of Australia's existing trade and investment relationships with the region;
- likely future trends in these relationships; and
- the role of government, particularly DFAT, Austrade and EFIC, in identifying and assisting Australian companies to maximise opportunities in the Middle East as they emerge.

[*United Arab Emirates (Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Ajman, Umm al Qawain and Fujairah), Bahrain, Qatar, Saudi Arabia, Kuwait, Oman, Iran]

Australia's trade and investment relations with the Gulf States

Key points

Australia's trade and investment relations with the Gulf States have been growing since 1990, with a minor dip in the last two years due largely to the world economic downturn.

Australia has a substantial trade surplus with the region, \$3.6 billion in 2002.

Australia's exports to the region are dominated by primary products. Passenger motor vehicles are the only Australian ETMs (elaborately transformed manufactures) to substantially defy this trend to date. See Tables 3 and 4.

Table 1 Export trends to the Middle East

Australia's Exports to the Middle East by broad category, per cent

	1991	1996	2000
Primary Products	86.0	86.0	66.4
Simply Transformed Manufactures	5.8	2.0	2.3
Elaborately Transformed Manufactures	7.9	11.3	29.3
Other	0.2	0.7	2.0
TOTAL EXPORTS	100%	100%	100%

Source JSCFADT, *Australia's relations with the Middle East*.

Australia's imports from the region are mainly crude and refined petroleum.

The JSCFADT inquiry report on the Middle East from 2000, found that the region was more important to Australia, than Australia was to the region:

- The Middle East consumed 4.7% of Australia's exports
- Australia consumed 0.7% of the Middle East's exports.

Table 2 Australia's 5 major exports markets in the Gulf States in 2002

Country	Exports (A\$ '000)	Balance of merchandise trade (A\$ 000s)
Saudi Arabia	2,367,193	1,150,452
UAE	1,274,682	878,483
Iraq	668,387	631,809 ¹
Iran	613,779	575,939
Kuwait	527,594	368,621

Source DFAT, *Composition of Trade Australia 2002*

Table 3 Australia's major exports to the Gulf States in 2002

Export item	A\$ '000
Confidential items	\$1,765,640
Passenger motor vehicles	\$1,750,917
Live animals	\$381,772
Barley	\$208,449
Cheese and curd	\$173,330
Meat (excl. bovine) f.c.f.	\$145,144
Non-montary gold	\$129,854
Aircraft and parts	\$75,769
Milk and cream	\$72,804
Zinc	\$70,698

Source DFAT, *Composition of Trade Australia 2002*

¹ Trade figures for Iraq are likely to have dropped dramatically due the war in early 2003.

Austrade Middle East overview²

After several years of very strong growth (75 per cent since 1999), Australian exports to the Middle East eased in 2002. They did so mainly as a result of slower economic growth in the region caused by lower oil export revenues.

Notwithstanding this recent moderation in export growth, Australia's export success in the Middle East is underpinned by its longstanding reputation as a reliable supplier of quality foods and other primary products.

Major food exports to the region include wheat, live animals, dairy products, meat products, barley, rice and fresh vegetables. Australia's export profile is diversifying however, with non-farm products and investment assuming more importance.

Passenger motor vehicle exports have been the outstanding Australian manufacturing success story in the Middle East. Exports of cars to the region had a value of \$1.8 billion in 2002.

There are also many promising developments in manufacturing exports, and in services trade and investment. Amongst Australia's growing manufacturing exports to the Middle East are:

- agricultural machinery
- scientific and medical equipment
- ICT equipment
- ships and aircraft parts

Companies working in the region

Australian construction company Multiplex is well known on construction sites in the United Arab Emirates (UAE). In Qatar the Australian consultancy firm GHD, working closely with Austrade, has been appointed prime consultant to plan and implement the 2006 Asian Games in Doha.

Other Australian business services providers represented in the region include legal advisors, recruitment consultants, banks, ICT providers and freight services.

Recent ministerial visits to the Middle East³

In July 2002 the Minister for Trade, the Hon. Mark Vaile MP, led a trade delegation to **Libya**, where new opportunities for trade have arisen since the 1999 suspension of United Nations sanctions (Australia's merchandise exports to Libya more than doubled in 2002). The delegation made good progress on the sale of

² Provided by Austrade

³ Information supplied by Austrade.

agricultural produce, oil and gas exploration equipment, services and veterinary pharmaceuticals.

In September the Minister led a 53-strong business delegation to **Iran**, representing 39 companies, including AWB Ltd, BHP Billiton and Woodside. He also co-hosted the 9th meeting of the Australia-Iran Joint Ministerial Commission. The visit opened new areas of bilateral cooperation and generated very positive media coverage in Iran, boosting Australia's profile as a modern, technologically advanced economy, as well as a valued supplier of wheat and other primary commodities. The two countries agreed to negotiate an Investment Protection and Promotion Agreement.

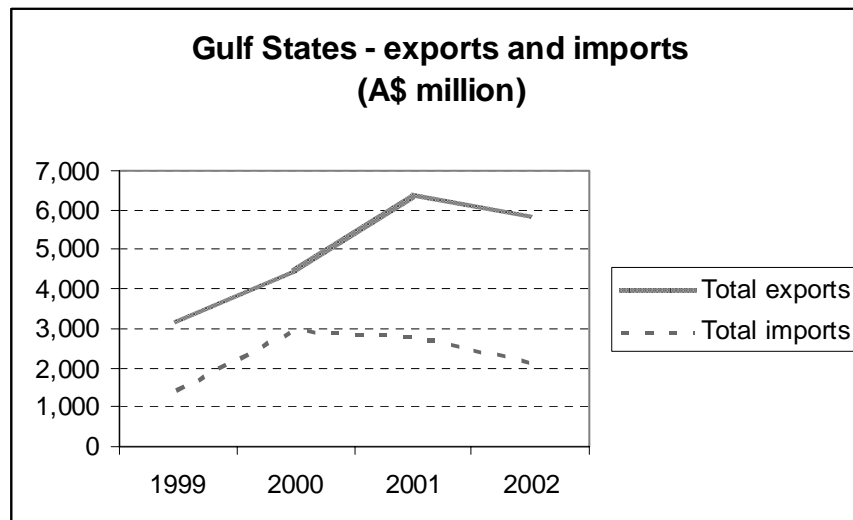
The Minister's visits to Iran and Libya included stopovers in the **United Arab Emirates**, one of Australia's key Middle Eastern markets. An Air Services Agreement was signed and Mr Vaile announced the Government's decision to increase the frequencies available to Emirates Airlines for services to Sydney, which will facilitate tourism, education exchanges and the transport of high value airfreight between the two countries.

In April 2003 the Minister reportedly flagged a possible free trade agreement with the United Arab Emirates, citing the \$2 billion in Australian-UAE trade and that 70 Australia companies have branches in the UAE to service the Middle East.⁴

Current Trade Statistics

1.1 The following three graphs provide a general picture of Australian-Middle East trade.

Graph 1 Exports and Imports to the Gulf States⁵



⁴ *The Australian*, 14 April 2003.

⁵ Gulf States refers to the 8 subject countries of this inquiry only.

Table 6 Principle exports and imports to the Middle East⁶

	1998	1999	2000	2001	2002
Exports					
Confidential items ⁷	1 697 991	1 571 217	2 289 209	2 756 575	2 351 917
Passenger motor vehicles	553 924	806 835	1 323 410	1 916 203	1 754 524
Live animals	267 800	331 021	367 630	564 329	578 152
Barley	200 750	148 771	136 341	288 774	268 351
Cheese and curd	132 387	134 936	178 686	205 632	208 077
Imports					
Crude petroleum	679 816	793 266	1 969 368	1 751 142	990 669
Refined petroleum	175 044	234 805	403 945	317 861	508 464
Miscellaneous manufactures	32 047	26 878	25 902	24 112	26 101
Fertilizers	82 803	90 782	143 830	151 805	168 230
Telecommunications equipment	73 527	69 513	59 620	73 762	130 676

Table 7 Exports and imports to individual Gulf States

	1999		2000		2001		2002	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Middle East	4,062,024	1,894,570	5,585,892	3,463,395	7,730,723	3,268,626	7,039,472	2,691,063
Bahrain	62,981	38,840	83,204	47,308	101,125	49,795	99,642	65,961
Iran	446,155	27,669	604,129	30,491	752,434	26,388	613,779	37,841
Iraq	256,765	134,397	590,070	126,688	827,334	0	668,387	36,578
Kuwait	293,592	77,306	321,694	160,294	483,237	121,962	527,594	158,972
Oman	145,156	36,910	193,653	79,276	208,255	1,436	175,173	2,375
Qatar	63,263	142,124	80,439	113,167	118,347	384,961	84,278	197,748
Saudi Arabia	1,063,826	659,813	1,586,145	1,449,613	2,629,319	1,274,687	2,367,193	1,216,741
UAE	809,117	288,372	1,010,568	940,293	1,271,495	930,162	1,274,682	396,199
Gulf States total	3,140,855	1,405,431	4,469,902	2,947,130	6,391,546	2,789,391	5,810,728	2,112,415

⁶ Middle East includes Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestinian Territories, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yeman. DFAT, Composition of Trade, Australia 2002, p 325.

⁷ The ABS classifies products under the heading 'Confidential Items' to protect exporters from rivals knowing the details of their activities. It is only done when there are few exporters of a given product to a particular country. DFAT, Composition of Trade, Australia 2002, p 327.