



Submission No 35

Inquiry into Australia's Overseas Representation

Name: The Hon. Michael Yabsley, Chief Executive
Ms Georgie Skipper, Director, Government and
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Organisation: Australia Gulf Council
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14 February 2012

Mr John Carter
Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Carter

**Parliamentary Inquiry into Australia's Overseas Representation
Submission to the
Joint Standing Committee on Foreign Affairs, Defence and Trade**

The Australia Gulf Council (AGC) welcomes the opportunity to contribute to the Inquiry into Australia's Overseas Representation being conducted by the Joint Standing Committee on Foreign Affairs, Defence and Trade.

This submission addresses two particular terms of reference in relation to Australia overseas representation:

- 1) geographic location and spread; and
- 2) activities of Australia's diplomatic posts.

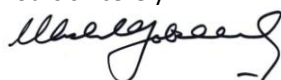
This Submission examines the strong and growing relationship between Australia and the Gulf States (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates) and identifies the need for increased diplomatic representation in the Gulf Region.

Firstly, the role and activities of the AGC are identified in order to inform the discussion about Australia's Diplomatic Representation specifically in the Gulf Region. Secondly, this submission contextualizes the relationship between Australia and the Gulf States using economic, cultural and diplomatic indicators. Thirdly, the shared challenges and opportunities between Australia and the Gulf States are observed and the link between our diplomatic representation and our capacity to leverage these opportunities is made. Finally, brief comments are made in relation to the differences between Embassies, Consulates General and a recommendation is made to increase Australia's diplomatic representation in Qatar in particular.

In general terms, the AGC supports the findings of the Lowy Institute that highlight the relative under resourcing of Australia's diplomatic and consular representation relative to other similar trading partners.

We look forward to appearing in front of the Committee on Friday 17 February 2012 to expand on the points raised in this Submission.

Yours sincerely



Hon Michael Yabsley
Chief Executive

Yours sincerely



Georgie Skipper
Director Government and Corporate Affairs

AUSTRALIA BAHRAIN KUWAIT OMAN QATAR SAUDI ARABIA UNITED ARAB EMIRATES

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Part 1 - The AGC: Our Role, Activities and Observations

The AGC is a not-for-profit peak level business council that aims to build, support and facilitate stronger multilateral linkages between Australia and the Gulf States by bringing together senior corporate, government, non-government and diplomatic representatives.

Our primary role is to represent Australia at the highest level of business in the Gulf States and encourage increased two-way trade and investment.

The AGC is also committed to:

- a) Develop stronger and sustained interest from the Australian Government, Gulf States' governments and wider corporate and political communities about the importance of Australia-Gulf relations;
- b) Identify common policy areas for development and collaboration (i.e. food security, banking and finance, Free Trade Agreement, foreign investment, live meat trade); and
- c) Encourage in-bound and out-bound business missions and delegations between Australia and the Gulf States.

The AGC's Corporate, Strategic and Honorary Partners are from a range of industries and sectors including aviation and tourism, education, agriculture, financial services and banking, legal and management services, satellite and telecommunications, construction and engineering, general retail, food production and retail, sport, design and architecture and property. Please see Appendix 1 'AGC Partner Wall'.

The AGC appreciates the support from the Australian Government and in particular the Department of Foreign Affairs and Trade (DFAT) and Austrade, which has been crucial to the establishment of the AGC. The AGC works closely with Australia's diplomatic and trade representatives who provide an immeasurable amount of assistance. To the extent possible we also work with various State Government representatives. The AGC recognises the long standing need to effectively coordinate, and if necessary rationalize the complimentary efforts by Federal and State Governments.

The AGC Programme is strategically organised to facilitate the Council's goals. The Programme is primarily made up of corporate events and in-bound and out-bound business missions and delegations. A core part of the Programme is the Annual Business Mission. The AGC Inaugural Business Mission to the Gulf States was held in December 2010, led by Hon Bob Hawke AC and Hon Peter Costello AC. The imminent 2012 Business Mission from 25 February to 1 March will visit Qatar, Oman and the UAE, led by Hon Bob Hawke, Hon Mark Vaile and Senator the Hon Nicholas Sherry.

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Ahmed Fahour; Chair of the Council for Australia Arab Relations, who is Australian Envoy to the Organization of Islamic Cooperation, and CEO and Managing Director of Australia Post is a Delegate on the Business Mission together with Ross Hitt, CEO of SMEC; John Messara AM, Chairman of Arrowfield Group; David Pearse, Managing Director of RM Williams Agricultural Holdings; Sameh Masry, CEO of Tamas Projects and Kirk Coningham OAM representing Leighton Holdings and Habtoor Leighton Group.

Part 2 - The Gulf States and Australia: Our Economic, Cultural and Diplomatic Relationship

Australia's relationship with the Gulf States is strong and evolving quickly, underpinned by commercial, strategic and cultural links.

Our trade and investment ties are a good measure of the strength of the relationship. Australia's total merchandise trade to the Gulf States, including exports and imports was AU\$8,739 million in 2010. In 1985, that figure was AU\$2,370 million. Across a range of industries and markets, the Gulf States are significant consumers of Australian goods and services, of which the automobile export market figures prominently.

The Gulf Region represents Australia's largest market for exports of passenger motor vehicles, taking 81 per cent of Australia's total, global exports in 2010, valued at AU\$1.45 billion. Moreover, exports to the Gulf Region represent approximately 40 per cent of Australia's production of passenger motor vehicles. Within the Gulf, Saudi Arabia is now Australia's single largest automotive export market valued in 2010 at AU\$886 million, which represented nearly 57% of total merchandise trade to Saudi Arabia. Other high-ranking export destinations for Australian motor vehicles include the UAE (AU\$179.6m), Kuwait (AU\$163.4m) and Oman (AU\$146m).

The increasing trade and investment relationship that underpins much of the activity between Australia and the Gulf States is the result of exponential growth and opportunities that characterise these markets.

By 2020 the combined population of the Gulf States will have surpassed 50 million, a 30% increase in two decades. The Gulf States control approximately 40% of the world's known oil reserves and 23% of proven natural gas reserves, as outlined in the Economist Intelligence Unit's Report *The GCC in 2020: Resources for the Future*.

A common goal of the Gulf States is the investment of state capital to diversify industry. This diversification away from oil and natural gas represents an enthusiasm for industry growth and investment in education, health, information and communication technology, banking and finance, agriculture and construction and engineering.

Such change encourages a shift in the economic and political outlook of the Gulf States and their positioning within the broader international community. This is reflected through the wide range of international activities the Gulf States are pursuing. For example, in



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responding to the political changes in Libya, Qatar showed a leadership role and worked with the Libyan National Transitional Council, setting up their facilities in Doha. Qatar also hosted the World Petroleum Summit and the Alliance of Civilisations Meeting in December and will host the World Cup in 2022.

This growth is creating substantial opportunities in trade and investment from Australia that warrants increased diplomatic consular and trade engagement. The current representation is reflected below in Table 1.1. Increasing Australia's representation in the Gulf States would support current and evolving government-to-government and business-to-government linkages, allowing Australia to grow its capacity to support the influx of interest at a government and corporate level, from both sides.

Table 1.1 Australia's Current Diplomatic and Austrade Representation in the Gulf States

City, Country	Embassy	Consulate-General	Austrade
Manama, Bahrain	Accredited to Australian Embassy in Saudi Arabia	No	Covered by Australian staff in Riyadh
Kuwait City, Kuwait	Yes	No	1 locally engaged representative
Muscat, Oman	Accredited to Australian Embassy in Saudi Arabia	No	1 locally engaged representative
Doha, Qatar	Accredited to Australian Embassy in UAE	No	1 locally engaged representative
Riyadh, Saudi Arabia	Yes	No	Yes
Jeddah, Saudi Arabia	Covered by Australian Embassy in Riyadh	No	Yes
Abu Dhabi, UAE	Yes	No	Yes
Dubai	Covered by Australian Embassy in Abu Dhabi	Yes	Yes

As Table 1.1 shows, Australia is represented by an Embassy in Kuwait, Saudi Arabia and the UAE, with a Consulate-General in Dubai. This diplomatic spread is not reflective of Australia's current relationship with the Gulf States. Current diplomatic levels cannot support the increase of corporate, private and government activity in the Gulf Region, which is occurring in reaction to the growth of the economic and political influence of the region.

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Part 3 – Shared Challenges and Opportunities: Our Capacity to Solve Bilateral and Multilateral Issues

Australia's relationship with the Gulf States is characterised by a range of multilateral and bilateral challenges and opportunities that would be assisted by stronger diplomatic representation in the Gulf States.

This is exemplified through the Free Trade Agreement (FTA) which has been under negotiation since 2006, with four negotiation rounds being held to date. The last full round of negotiations was held in June 2009. The Gulf Cooperation Council (GCC) Secretariat has undertaken a review across all its negotiating partners including Australia, the European Union (EU), China, Japan, Korea, India and Pakistan which was aimed at considering an overall approach and refined strategy. Australia has a number of reasons to remain positive about the proposed FTA with the Gulf States. However, similar to business-to-business links there is a remarkable network of agencies and people to navigate in order to maintain consistency in approach and target outcomes. The Australian Government faces a challenge to manage this process, which would be strengthened by on-the-ground diplomatic representatives.

A complicated aspect of the negotiations relates to Australia's automotive exports to Saudi Arabia. Saudi Arabia's National Industrial Cluster Development Program, aimed at providing support to a range of emerging industrial sectors, has identified the importance of developing the automotive industry. While Saudi Arabia has not indicated it would adopt a strategy that would restrict importation of automobiles, competing import and export strategies may weigh into the FTA negotiations. Hon Steve Bracks AC, Australian Automotive Industry Envoy (AAIE), conducted a visit to the Gulf region in December 2011 to discuss this issue, and is likely to return to the Gulf in 2012.

Food security is another area which presents both a challenges and opportunities. In 2007 the Gulf States imported US\$18.1 billion worth of food, which is predicted to reach US\$53.1 billion in 2020 (The Economist Intelligence Unit). This poses a challenge for the Gulf States that have already seen their neighbours gravely affected by rising food prices, sparking the Arab Spring. The Gulf States are looking towards countries such as Australia and Brazil to meet this demand. Hassad Food's establishment in Australia as Hassad Australia, and the investment in Australian agricultural land, sheep and cattle, foreshadows the growing and long term interest of the Gulf States and their willingness to invest as leading corporate citizens.

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Part 4 - Recommendations and Conclusions

The multilateral relationship between Australia and the Gulf States is strong and dynamic, both in terms of business and government linkages. As the emerging markets in the Gulf Region grow and their economic and political spheres of influences widen, business and government opportunities increase.

The frequency and number of high level government and business visits from Australia to the Gulf States and vice versa reflects the evolving relationship and interest in growing the trade and investment, together with cultural and sporting ties between the two regions.

Involvement of serving and former corporate, government and non-government leaders in such exchanges encourages strength in business-to-business and business-to-government networks. This dynamic is enhanced and ultimately made more effective by peak-level access in which diplomatic and consular representatives play a crucial role. High level government engagement is paramount particularly in the Gulf States where business and government are often inextricably linked operationally. Diplomatic and consular representatives assist in navigating this complex environment which in some respects is markedly different to our own.

The AGC recommends establishing an Embassy in Qatar and broadening our diplomatic representation across the Gulf States, engaging local and Australian staff. Currently the Embassy in the United Arab Emirates also covers Qatar. This often means that embassy staff are spread thinly between the UAE and Qatar, especially as more ministers and high level delegations visit Qatar. The Australian Government needs to use the skills of the diplomatic corps to further strengthen our bilateral relationship. In this context, there is merit in reviewing our representation so responsibility for Oman rests with a new Australian Embassy in Doha, Qatar.

The rapid development of the oil and gas markets in the Gulf States, (UAE was federated in 1971), together with population and economic growth, creates an insatiable demand for skills, knowledge and service delivery particularly in areas such as health and education. Australia, as an important trading partner with the Gulf States should continue a measured, enthusiastic and expanded approach to leverage opportunities across the board and to meet the associated multilateral challenges.

Negotiating the Australia-GCC FTA and dealing with impending issues that affect the Gulf Region, including food shortages, will be further strengthened by greater government and business collaboration. Cooperation between business and government to represent a unified and consistent message from Australia to the Gulf States is critical in this regard. Increased diplomatic representation in the Gulf States and in particular in Qatar, where there is a noticeable diplomatic deficit, is required in order to meet the demand and interest in the Australia-Gulf relationship.