



Submission No 8

Inquiry into Australia's trade and investment relationship with the economies of the Gulf States

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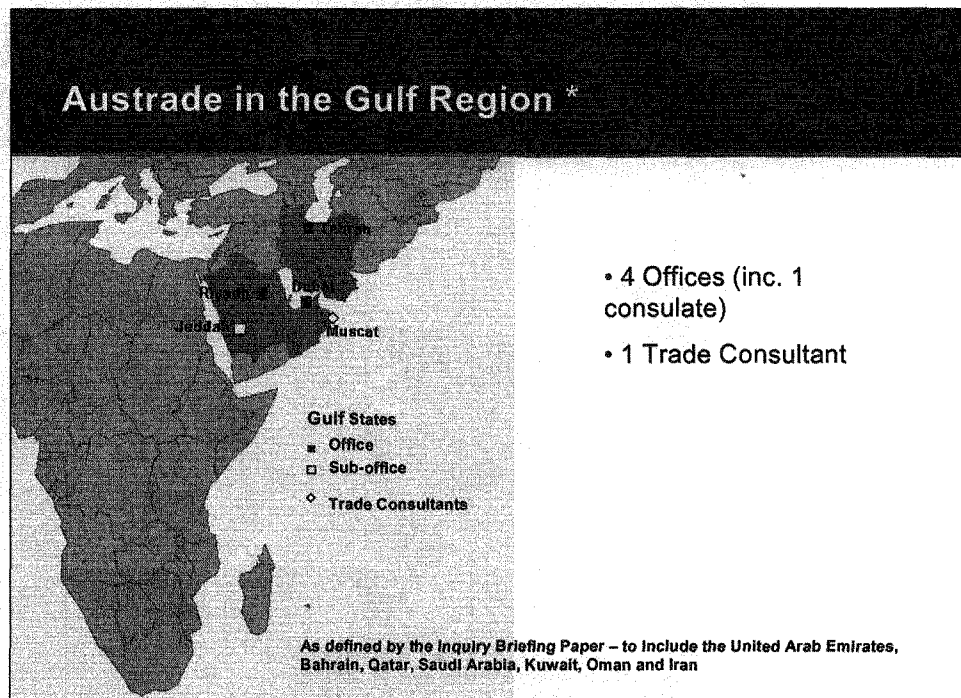
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Austrade

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



Inquiry into Australia's relationship with the Gulf States

Prepared by
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TERMS OF REFERENCE

To examine and report on Australia's trade and investment relationship with the economies of the Gulf States (Bahrain, Kuwait, Oman, Saudi Arabia, United Arab Emirates, Qatar and Iran), with particular reference to:

- (a) the nature of Australia's existing trade and investment relationships with the region;
- (b) Likely future trends in these relationships; and
- (c) The role of Government, particularly DFAT, Austrade and EFIC, in identifying and assisting Australian companies to maximise opportunities in the Gulf States as they emerge.

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AUSTRALIA'S TRADE AND INVESTMENT RELATIONS WITH THE GULF STATES

1. INTRODUCTION TO AUSTRADE

The Australian Trade Commission (Austrade) is the federal government's principal trade and international business facilitation agency. Our mission is to contribute to community wealth by helping more Australians succeed in export and international business.

Operating as a statutory authority within the Foreign Affairs and Trade portfolio and working closely with other Federal, State and Territory government agencies, Austrade helps Australian business reduce the time, cost and risk involved in entering and expanding overseas markets.

Austrade provides a wide range of international market development and investment services to Australian companies, as well as to international buyers and investors, throughout our network. Austrade is represented in 108 locations in 57 countries and has an extensive domestic network throughout Australia.

In the region addressed by this submission Austrade has four representative offices in three countries and a trade consultant in another.

Austrade's services to Australian companies include:

- practical export information and advice;
- identification of overseas opportunities;
- on-the-ground exporting and investment support overseas;
- a comprehensive trade exhibition program;
- services to identify potential overseas business partners and to research and access high-potential markets for Australian companies;
- strategic export planning and network formation services; and
- general information is provided at no charge to our clients and is available either through our website (www.austrade.gov.au) or Austrade Direct Tel 13 28 78. Specific, tailored advice is provided to Australian companies based on an hourly rate, quoted, and agreed on in advance.

Austrade also has an important role in providing advice, guidance and coordination to the Government and its agencies on export matters.

AUSTRADE AND TRADE WITH THE GULF STATES

This submission considers the Terms of Reference and focuses on Australia's trade relationship with the Gulf States from an Austrade perspective. Although this submission may touch on certain aspects of political relationships and development co-operation, Austrade's charter is to help Australian companies win export business and

generate outwards investment. Austrade also works to support whole-of-Government activity to generate inbound investment.

This submission focuses on commercial and business aspects of Australian Government activity through Austrade.

A second feature of this submission is its focus on sectoral trade activities rather than on jurisdictions.

2. REGIONAL OVERVIEW – THE MIDDLE EAST AND GULF STATES

2.1 The Middle East

For Australia, there have been strong export benefits through trade promotion in the Middle East. The region is, however, diverse and the capacity of economies to buy Australian goods and services varies widely.

In the medium to long term (10-20 years), the Middle East region from Morocco to Iran will need, according to the World Bank to, “boost trade and diversify its economies away from excessive dependence on oil, aid and workers’ remittances...also to shift from public sector to private sector economies and to shift from small protected national economies to global markets”¹. Countries in the region are confronted by huge tasks especially the prospect in the next 10 years of generating 42 million new jobs just to cope with new entrants in the job market. The World Bank sees closed and protected economies as failing in this task; trade is the catalyst for jobs creation.

Economic growth for the region fell from 3.2 percent in 2001 to 2.5 percent in 2002, with continuing declines in investor confidence, export market growth, and tourism.

Adjustments such as those called for by the World Bank would be of benefit not only to Australian exporters but also to our competitors.

Creating visibility of Australian capability, quality and reliability is a central role of Austrade operations in the region.

2.2 The Gulf Region

Improved security conditions in the region significantly improved business and investment confidence in the region. Governments and the private sector in the Gulf region continue to announce new projects. The United Arab Emirates (UAE) continues to establish its position as the regional centre for trade and tourism. Qatar and Bahrain are closely following with the development of infrastructure in sports, international exhibition facilities and project financing. Saudi Arabia is placing more emphasis on the education and health sectors while it continues to focus on

¹ Source World Bank News

development of primary sector infrastructure including modernisation and expansion of upstream and mid stream oil and gas production, minerals and transportation.

The introduction of a customs union between Gulf Co-operation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE), increased inter-Arab country investment (post September 11). The reform agendas of many GCC countries, driven by their application for WTO accession have formed a basis for the continuing expansion of trade both within the region and outside. Investment into the region, is growing significantly.

Despite World Bank urgings, Dubai which is assessing privatisation as a tool to assist economic development, is not likely to rapidly progress asset sales and resultant commercial diversification according to some economic analysts. Its neighbouring Emirate, Abu Dhabi, has had a more far-reaching program of private power and water development. The pace of further asset sales and commercialisation is uncertain.

Dubai has, however, made stronger gains in attracting financial services away from the traditional centre in Bahrain through the Dubai International Finance Centre. Related to this strategy there may be trade and investment benefits in Dubai relaxing its foreign investment regulations. Iran has taken steps to strengthen and internationalise its financial services sector with new private bank permits being issued since early 2002 with speculation that foreign banks may even consider opening in Iran's free trade zones.

The UAE more broadly has shielded itself from perceptions of risk in the Gulf and is relatively robust and keen to reinvigorate trade and tourism.

2.3 Australia-Middle East Trade and Investment

Australian exports to the Middle East region in 2003 were \$5.13 billion, of which \$4.19 billion was to the Gulf States. This represented a 27% decline in exports to the Middle East from 2002. Exporters faced difficult conditions due to the global downturn and the impact of currency fluctuations. On-going drought conditions in Australia also affected the export of agricultural produce. Principal exports include passenger motor vehicles (\$1.8 billion), live animals and meat, dairy products (milk, cream and cheese), coal, zinc, and non-monetary gold. Principal imports included crude and refined petroleum, fertilisers, pearls and gems, and telecommunications equipment:

TABLE 1: AUSTRALIA'S PRINCIPAL EXPORTS & IMPORTS FOR 2003

Country	Balance of trade 2003	Australia's main exports	Australia's main imports
Saudi Arabia: Population 21.7 million	\$904 million	Total value - \$1.8 billion • Motor vehicles • Live animals • Food and beverage • Zinc	Total value - \$916 billion • Crude petroleum • Refined petroleum • Fertilizers • Liquefied propane & butane
United Arab Emirates: Population 3.8 million	\$133 million	Total value - \$1.12 billion • Motor vehicles • Food & beverage • Zinc • Machinery & equipment	Total value - \$986 million • Crude petroleum • Liquefied propane & butane • Structures iron & steel • Glassware
Kuwait: Population 2.4 million	\$417 million	Total value - \$554 million • Motor vehicles • Live animals • Food and beverage	Total value - \$137 million • Crude petroleum • Fertilizers
Iran Population 65.6 million	\$210 million	Total value - \$263 million • Coal • Wool • Food processing machinery • Measuring & controlling instruments	Total value - \$52 million • Crude petroleum • Fruit & nuts • Floor coverings • Nitrogen-function compounds
Oman Population 2.6 million	\$190 million	Total value - \$200 million • Motor vehicles • Live animals • Food & beverage	Total value - \$10 million • Copper • Construction material • Cereal preparations
Bahrain Population 0.7 million	\$0.558 million	Total value - \$106 million • Motor vehicles • Live animals • Food & beverage	Total value - \$106 million • Fertilizers • Aluminium • Wire products
Qatar Population 0.6 million	-\$41 million	Total value - \$126 million • Motor vehicles • Live animals • Food & beverage	Total value - \$167 million • Oil • Crude petroleum • Fertilizers

Source: DFAT Composition of Trade Statistics (CY 2003 – preliminary)

Some privatisation and diversification programs are being proposed to meet the future demands of a rapidly growing young population that has high consumer and social demands. These programs also aim to overcome the current high level of unemployment.

A significant segment of development over the next 5 years will be infrastructure. Growth will primarily be in the power, water, environment management, roads and industrial infrastructure sectors. In addition to this, education services, both students to Australia and curriculum delivery in the region, along with development of the leisure

and tourism sector, residential, commercial and retail sectors are forecast to continue to experience attractive growth.

Media focus on the region has had a positive effect on business interest in the Middle East. Trade exhibitions in the region continue to attract record numbers of Australian participants. Some of those recent exhibitions include:

- 9th Gulfood in Dubai in February 2003, had a record attendance by 61 Australian companies and more than 120 Australians attending the four day trade show. 60% of attendees reported sales including 3 new exporters.
- Big 5 Building and Construction Exhibition in Dubai 29 Nov - 3 Dec 2003. 60 Australian companies registered to participate in the exhibition.
- IDEX (Defence Industry Exhibition, Abu Dhabi, March 2003) attracted 20 Australian organisations and ARAB Health (held Dubai, January 2004) has also had strong interest in participation.

2.4 Issues and challenges

- The strengthening Australian dollar in price sensitive Middle Eastern markets may become an issue affecting cost competitiveness. Accordingly it is critical that Australian exporters are able to compete on factors other than price. These include supply, quality of product or service and timeliness of supply.
- Australian suppliers face a cost disadvantage compared with European suppliers owing to transport costs and lead-times faced in transporting goods from Australia.
- A sound comprehension of the Middle East in general, and the commercial opportunities of the market, how to do business successfully, and the maintenance of effective business relationships is essential for new exporters.
- The closer markets of Europe have both a geographical and a historical trade advantage. Perceptions in the Middle East of Australia being only a primary producer are quite quickly changing as Australia's industry capability is promoted by Austrade and Australian business in the region.

2.5 Austrade's Activity in the Region

Austrade's work in the Gulf region has been delivering strong client flow and increased numbers in the year-to-date. (See note to Table 2).

One of Austrade's principle activities is to inform both Australian exporters and Middle East buyers of opportunities and Australian industry capability and capacity, respectively.

Austrade conducts awareness raising activities in Australia promoting trade with the region through a variety of means:

- the Austrade website (www.austrade.gov.au);
- media stories about successful exporters to the region;
- business updates from Austrade's chief economist;
- places Middle East news in the monthly 'Export Update' magazine, which reaches thousands of companies, Chambers of Commerce, industry organisations and Embassies, High Commissions and Consulates.

The Austrade website provides information for new and experienced exporters on how to do business in the Middle East, the main business opportunities available, contacts for advice in Australia and overseas, and details of forthcoming seminars and industry exhibitions in Australia and the Middle East. It is also a major information tool for businesses keen to trade abroad.

Visits to Australia by Trade Commissioners and Business Development Managers (BDMs) based in the Middle East provide direct to Australian companies detailed information on opportunities and methods of doing business in the region. In 2004, staff from each Austrade post in the region will conduct information sessions, exporter meetings and business matching to inform and assist exporters to transact business in Middle East markets. In February, BDMs from Amman and Beirut will visit Australia to present market information, strategies and opportunities.

Recent Major & Upcoming Initiatives

- Trade Fairs have proved to be a very successful method of introducing Australian capability to the market and identifying potential business partners. Austrade organises, or provides support to a wide range of strategically selected trade fairs.
- Inwards Missions will continue to be used as a means of introducing buyers to Australian capability. Recent missions have included:
 - Delegation to Fine Food 2003 (Sydney exhibition)
 - Health & Medical Mission brought to Australia 8-29 September 2003
 - Automotive buyer visit May 2004
 - Delegation to Fine Food September 2004 (Melbourne exhibition)
- Specialised education websites to promote Australian education providers are currently being developed in Farsi and Arabic. These website are modelled on the very successful website developed in Turkey (www.egitimplus.com). A further site is proposed for Africa. Education providers pay Austrade to advertise through these websites.
- Video-conferences from the region on industry sector and country opportunities will be presented to the Australian network and exporters and potential exporters this financial year. Topics covered will include Iraq, airports, food and beverage, building and construction and Quick Market Assessments - QMA's²

² QMA – an assessment of a company's prospects in an overseas market by a Trade Commissioner or Business Development Manager based in market.

- Partnering with DFAT, state governments and other allies, Austrade organises cultural exhibitions in the Middle East to introduce Australian capability to the region (art, jewellery, sculpture).
- Trade Ministerial Visits help profile Australian business among political and business elites. High level Ministerial visits enable members of the visiting Australian business delegation access to senior government officials. Access at this level in the Middle East is most advantageous, as government officials play a crucial role in commercial affairs.
- Minister Vaile led a delegation to Iran from 9-12 September 2002 on an official visit at the invitation of H.E. Engineer Mahmoud Hojjati, Minister of Agricultural Jihad, to participate in the 9th Joint Ministerial Session of the two countries. A 52 member business delegation accompanied the Minister on this visit.
- In December 2003 Minister Vaile visited Iraq, Kuwait, UAE and Saudi Arabia to enhance commercial relations.

2.6 Export Marketing Development Grants in the Gulf

For the latest completed grant year (2001-02, paid in 2002-03), 329 applicants (8% of total EMDG applicants) reported either expenditure on promotional and marketing activities in the region and/or having earned export income in the seven Gulf countries that are the subject of this inquiry.

It is important to note that while these 329 applicants received a total of \$11.9m in grants, the grant may not be limited to the Gulf market. EMDG grants are paid for all eligible marketing expenses and these applicants may have been active in other countries outside the Gulf.

3. FOCUS INDUSTRY SECTORS FOR AUSTRALIAN BUSINESS

TABLE 2

Industry	Industry sectors	Regional Team Leader and location
Agribusiness	Food and beverages Live animals Bulk commodities	Ramzi Maaytah, Amman, Jordan
Automotive	Passenger motor vehicles Spare parts Accessories	Hassan Miski, Riyadh, Saudi Arabia
Infrastructure	Building and construction Oil, gas and petrochemicals - Technology transfer, - Equipment e.g. process plants, piping, Instrumentation, electrical equipment, air conditioning communication, cathodic protection.	Greg Coelho, Dubai, UAE
ICT	e-government e-commerce e-learning Privatisation of telecommunications networks Dubai Internet City – e-business development centres IT solutions/consultancy in electronic banking and security	Babak Khosravic, Tehran, Iran
Education	Joint collaborations with institutions English language tuition Specialist technical/vocational courses e-learning	Sylvie Khoury, Beirut, Lebanon
Defence	Specialised military equipment Security services Training ICT	Paul Seaton, Dubai, UAE
Health	Medical and pharmaceutical Hospital development and expansion Aged care	Jack Hajjar, Riyadh, Saudi Arabia
Marine	Leisure boats Commercial craft – ferries	Craig Banks Dubai, UAE
Art, jewellery, sculpture (new)	Cultural exhibitions to introduce Australian capability to the region.	Sybil Fernades Dubai, UAE

Austrade's Results

- 124 companies across these industry sectors have been assisted by Austrade since June 2003 to make export sales valued at \$977 million.
- 30 of these companies were new exporters with export sales valued at \$24 million.
- Seven investment clients were assisted in the same period with total outward investment valued at \$44.6 million.

4. A SECTORAL APPROACH TO MAJOR BUSINESS OPPORTUNITIES

4.1 Agribusiness – Characteristics and Trends

Food and agribusiness continue to constitute a major component of exports to the Middle East, with meat, dairy products, barley, and fresh vegetables dominating the top 10 merchandise exports to the region for 2003. Live animal exports continue to the Middle East through the UAE, Kuwait and Jordan despite bilateral difficulties with Saudi Arabia where live sheep sales have been suspended. Much of the product is on-sold regionally by local buyers.

Major importers in the region include Saudi Arabia, which annually imports approximately \$9.5 billion worth of foodstuffs, and Egypt, which imports 50% of its annual food requirements. The import dependency of many markets in this region will sustain strong demand for food exports in future years. Demographics in the region mean most markets have a relatively young population providing opportunities in processed food (or inputs to processed food) such as confectionery items and beverages. The processed food sector is being targeted as a major area of opportunity for new exporters.

Meat exports to the region remain strong, with Meat and Livestock Australia (MLA) exploring opportunities for new market access in for example in Libya and Iran. There is also potential export capacity for diverse meat products such as ostrich, emu and kangaroo meat. Opportunities for the resumption of meat and live animal exports (dairy cattle) are re-emerging in Iran and inward visit programs are being organised by Austrade in conjunction with Meat & Livestock Australia in Bahrain.

Austrade Activities to Develop and Identify Export Opportunities

In 2003-04 Austrade is pursuing opportunities in the extremely price sensitive markets of the Middle East.

Niche markets for products which are not subject to extreme demand fluctuations in response to price variations have been a focus for potential exporters. Austrade has also targeted major supermarket chains to distribute Australian produce.

To identify food sector opportunities for clients, Austrade uses inward missions to Australia involving key business and government representatives from the Gulf region.

Austrade's Middle East Business Development Managers and Middle East buyers will participate in Fine Food 2004, to be held in Melbourne from 6-9 September. Australian Food Week, which is designed to demonstrate the quality of Australian produce will also take place at prominent hotels throughout the region, such as Riyadh, Beirut and Port Louis. Food consolidators in the Gulf region service these out of area consumers.

Austrade is continuing to work cooperatively with allies in promotional events in the region. Examples include with the Australian Wine Export Council wines and wine tourism; with Dairy Australia to promote dairy products and value add dairy exporters;

with MLA live animals and processed meat cuts; and Ricegrowers Australia with government liaison in all regional markets.

Company Case Study: Appendix page 5

4.2 Automotive – Characteristics and Trends

Passenger vehicles are the largest single category of Australian exports to the Middle East. There was an increase in export of passenger cars into the Middle East from AUD\$1.75 billion in 2002 to AUD\$1.83 billion in 2003 (Composition of Trade).

Export figures of spare parts and accessories increased from AUD\$31.78 million in 2002 to AUD\$39.85 million in 2003.

Business opportunities across the automotive sector are expected to grow, driven by a combination of population growth, increased market size, and demand for spare parts, accessories, and technologies. In the Middle East, the average car lifetime is doubling to nearly 10 years. Combined with the expiry of Toyota and GM warranties, this means that the market for original equipment manufacturers (OEMs) and other automotive aftermarket spare parts and accessories will grow.

In Iran, rationalization and re-organisation of the massive indigenous car manufacturing industry is being closely monitored and scoped for opportunities. However, most appear to be in the upstream segment with major investments being undertaken by European manufacturers such as Renault.

Market moves towards internationalization remain driven by manufacture-under-licence and transfer of technology issues. Australian companies are pursuing opportunities in both the retro-fitting of fuel efficient and environmentally friendly engines into the national low-cost vehicle (Paykan) and the supply of catalytic converter technologies.

Austrade Activities to Develop and Identify Export Opportunities

Austrade's tactics to develop and identify export opportunities for Australian companies include:

- Inward automotive buyer missions to Australia during the last two years have resulted in several Australian suppliers entering the market. These missions will remain an element of our strategy.
- The major car exporting companies to the Arabian Gulf region from Australia have, over time, closely monitored developments in the Iran market with assistance from Austrade. One major company participated in the last Joint Ministerial Commission and business mission to the market led by Minister Vaile in September 2002.

Company Case Study: Appendix page 5

4.3 Infrastructure – Characteristics and Trends

Infrastructure opportunities in the region are being driven by strong population growth. There is a consequent need for continued and sustained investment in residential and commercial construction, urban transport, the power and water sector and large-scale government development projects.

Australian capabilities will have equal applicability in the Iranian market which continues to have major shortcomings in infrastructure capacity necessary to meet the demands of its population growth and policy-driven industrial development targets.

Key Opportunity Areas

Dubai airport expansion: A significant opportunity in the region is the \$5 billion expansion of the Dubai airport. In 2001 the airport catered for 13.5 million passengers, with projected travellers to exceed 30 million per annum by 2010. The expansion includes the construction of a new terminal, two concourses for passengers and a Mega Cargo Terminal. Upgrades to existing terminals are currently underway. The development here provides opportunities for Australian companies engaged in construction, but also in airport equipment such as baggage handling and particularly airfreight equipment and technology.

Construction: The UAE, Qatar and Bahrain are experiencing growth in the Tourism and Leisure sector. The Asian Games in Qatar in 2006, the Formula 1 motor race in Bahrain and Dubai's growth in tourism will account for the development of some 150 hotels in the next five years.

Industry clusters: The Emirate of Dubai is actively promoting industry clusters with the establishment of the Dubai International Finance Centre, the Dubai Health Care City, the Dubai Metals and Commodities Exchange, the Dubai Auto City and a variety of other sectors. This could be the catalyst for Australian companies in these sectors to establish a regional presence in Dubai.

Oil and gas: This sector will continue to provide significant infrastructure and associated services opportunities throughout the region including the development of new gas fields in Saudi Arabia, Qatar and Kuwait. In response, Austrade continues to promote Australian capability in oil, gas and petrochemicals.

Population pressure in Iran and a heavy reliance on oil exports for government revenue have led to further development of the gas industry for domestic consumption and to free oil production for export. Egypt has recently discovered significant natural gas reserves that the government is keen to develop and there will be a close watch on opportunities for Australian suppliers in Egypt's oil and gas sector. The Middle East markets provide opportunities in oil and gas technology transfer, equipment sales (such as process plants, piping, instrumentation, electrical equipment, air conditioning, communication, cathodic protection) and specialised consulting services.

Asian Games, Doha 2006: In July 2002, a GHD Pty Ltd (Management, Engineering and Environment) led consortium was awarded the Master Planner contract for the 2006

Asian Games to be held in Doha, Qatar. The total proposed construction and infrastructure spend is estimated to be US\$6 billion up to 2006. This is an opportunity to showcase Australian construction capability and Austrade is committed to maximising further exporter involvement with this contract.

Austrade Activities to Develop and Identify Infrastructure Export Opportunities

In 2003-04 Austrade in the Middle East will be actively pursuing infrastructure opportunities through a number of initiatives:

- **Client networking:** promoting and developing partnerships/joint ventures between Australian firms operating in the market.
- **Participation in relevant trade exhibitions:** Big 5 (Dubai) – Building and Construction Exhibition in Dubai 29 November –3 December 2003. 70 Australian companies participated in the exhibition and more than 10 commercial successes are expected.
- **New Exporters:** maximise the multiplier effect for new exporters from major contract wins such as the Asian Games Doha.

Company case study: Appendix page 6

4.4 ICT – Characteristics and Trends

The Middle East is a strong contender for Australian ICT exports as it has a mix of large markets with strong IT spending potential for e-government and e-commerce (Iran and Saudi Arabia), and “e-ready” governments that are actively pursuing ICT agendas (UAE and Jordan). There is also a region-wide, albeit varying, consideration of privatisation of telecommunications networks. There are planned improvements in telecommunications infrastructure and potential to later open the sector to competition.

A concerted attempt by governments in the Middle East to encourage ICT adoption and technology diffusion offers many opportunities for Australian companies in this region. For example, the UAE’s “Dubai Internet City” is the first fully integrated free-trade-zone technology park in the region with modern communications infrastructure, tax concessions and incentives for ICT companies to establish software and e-business development centres as a springboard for the emerging markets in the Middle East, the Indian subcontinent and Africa.

The Iranian Government is focussed on rapid adoption of ICT and is pursuing nationwide projects for employing full capacity in ICT applications such as e-government, e-commerce, and e-learning. As result, there is significant emerging potential for ICT solutions and consultancy in fields such as electronic banking and security. It is predicted that the Iranian ICT market, which is currently estimated at \$2.5 billion, could expand significantly in 2004 due to high levels of consumer and business interest.

Austrade Activities to Develop and Identify Export Opportunities

During 2003-04 Austrade will continue its key ICT activities in the Gulf.

Awareness raising of Australian capability in key ICT sectors will be achieved through promotion in targeted trade exhibitions. Sector-specific missions that incorporate one-on-one visits by Australian exporters for more detailed interaction with potential customers have also been organised around these trade exhibitions to further cement understanding of Australian capabilities and to facilitate business development.

Business matching is a regular feature of Austrade's export liaison work. Business matching is a labour intensive search and selection process to ensure initial compatibility of firms. Business matching services apply across all sectors and in the ICT industry. Such an approach saves exporters time and expense in meeting inappropriate or unqualified business prospects.

For instance, Austrade Posts throughout the Middle East region partnered with Austrade Dubai to bring buyers from their respective markets to pursue business matching activities with Australian companies participating in the Gulf Information Technology Exhibition (GITEX) in Dubai. GITEX is the largest ICT event in the Middle East & North Africa and the 2003 event attracted more than 1600 companies exhibiting from 36 countries attracting over 70,000 visitors.

Austrade Egypt is organising a delegation of ICT buyers from Egypt to accompany a Business Development Manager to the World Congress on IT (WCIT) to be held in Athens in May 2004 as a follow up to GITEX. Austrade is also following up the visit to Australia by the Director of the Dubai Knowledge Village to promote and capture emerging ICT opportunities.

Company Case study – Appendix page 6

4.5 Education – Characteristics and Trends

A number of overseas institutions, including those from Australia, have developed links with, in particular, UAE universities and the Higher Colleges of Technology (HCTs) to develop courses and curricula. Positively for Australia, there appears to be a trend towards the diversification of service providers, leading to a reduced reliance on traditional UK and USA providers.

The University of Wollongong has a campus in Dubai, which provides English language courses, and degrees in business administration, information technology and arts. Most of their students are third country expatriates attracted by both the prospect of studying in the UAE, and the obtaining of an Australian undergraduate or post-graduate degree. Some 20 per cent of postgraduate enrolments are from UAE nationals.

For Australian education service providers the specific areas of opportunity in the UAE include:

- undergraduate and postgraduate business, IT, engineering, telecommunications, education, health and media;
- corporate training, and purchase by industry of Australian courseware;

- vocational training in marine, fisheries, tourism and hospitality;
- English language; and
- study tours.

The UAE Ministry of Higher Education does not yet provide accreditation for distance or online degrees. However, with the development of the Knowledge Village at Dubai Internet City, this is expected to change. It will expand the sales prospects of Australian curricula and course content providers.

Austrade Activities to Develop and Identify Export Opportunities

In 2003-04 Austrade is assisting Australian education service providers in specific areas of opportunity:

Strengthening and developing relationships with stakeholders (including government-to-government, industry and education providers in the market) is a priority in capitalising on opportunities for Australia, including government/industry scholarships, and consultancy services relating to educational reform. Austrade has a strong working relationship with Australian Education International, IDP and other Government bodies to achieve Australian exports.

Australia has developed a profile in the Gulf States as a safe and multicultural country. However, our market position in education, training, science and research capability is not as developed as that of the United Kingdom or United States. Austrade's response includes focussing on specific areas relating to client needs in niche markets and working with AEI to achieve generic awareness building.

Countries in the Middle East and the Gulf, in particular, are reforming their educational and human resources development training policies. This creates opportunities for Australia but requires a detailed awareness of related spending programs and policy goals. Austrade obtains this information, assesses it and provides it to clients to assist their tailoring of service proposals to buyers in the area.

In cooperation with Australian education agents, and Austrade clients, Austrade undertakes targeted promotional events and activities, including:

- Visits in the region;
- In parallel with AEI's Virtual Australian Education Centre, development of a client-based website;
- Support to local government and industry delegations; and
- Nurture media contacts in the Gulf States and Middle East and utilise Austrade Operational staff in Australia.

Education case studies: Appendix page 7

4.6 Defence – Characteristics and Trends

The Gulf region has the highest defence spending per capita with regional sales estimated to be US\$45bn each year. The region accounts for about 30 percent of all defence exports globally. Within the region, there are profitable niche opportunities for Australian defence manufacturers and related service providers.

There is a growing awareness of the strengths and capabilities of Australian suppliers in this sector of the market. There has been considerable acknowledgement of the role that Australia has played in the recent conflicts in the Arabian Gulf and the efficient and effective manner in which the Australian Defence Forces performed.

Historical, political and military links with Britain, the USA and various other countries that are already strongly represented in the market, make for considerable competition for Australian businesses. There is, nevertheless, growing interest within the region to seek out new suppliers. Success in the Gulf markets requires a concerted marketing effort and a willingness to take a long-term perspective.

Increasing Australia's export market share

The Australian government has as a policy initiative giving priority to export and materiel co-operation activities that enhance Australian industry capabilities. The capabilities identified as both strategically important and commercially realistic are extensive. Australian industry has competitive capabilities in the following fields:

- **Integrated logistics 'support and through-life support' techniques** - using complex computer hardware and/or software systems to upgrade and extend the life of defence electronic systems at a fraction of replacement cost.
- **Defence facilities design, construction, operation and maintenance** - Australian construction, project management and design firms have benchmarked cost-competitive and environmentally sensitive state-of-the-art facilities suited to extreme climatic conditions.
- **Specialist training** - including in navigation and seamanship; systems engineering and integration; officer and pilot training and aero-maintenance. This is increasingly being extended to include further educational and vocational fields.
- **Maritime industry capabilities include fast ferries, patrol boats, frigates, submarines and minesweepers** - related capabilities include the manufacture of hulls and pumps, the supply of mechanical systems and most combat control, navigation, electronic warfare, mine warfare, simulation and sonar systems.
- **Military vehicle manufacture and assembly** - including upgrades and modifications; vehicle communication services and fire control systems.
- **C4I (Command, Control, Communication, Computers and Intelligence)** - high-frequency radar, phased array radar, low-risk software development and 'commercial-off-the-shelf' solutions, sophisticated command support communications systems, encryption related systems, simulation, design, development and integration.

- **Aerospace activity** – such as: air systems integration, aircraft component servicing, airport equipment and services, air traffic management, avionics, pilot education and aero-maintenance training.

Austrade Activities to Develop and Identify Export Opportunities

- Australia thus far has had a relatively low profile within the Gulf markets. Part of Austrade's role is to lift that profile as it relates to the capability and capacity of Australian business.

A number of recent promotional events during 2002 and 2003 have included:

- **Business missions:** a number of defence related Australian businesses have participated in Ministerial and state government organised business missions to the region, raising the profile of Australian capabilities in niche areas and creating a platform for the development of future business relationships.

In October 2002, Austrade lead a defence industry mission in conjunction with the Department of Defence and DFAT and the South Australian Government.

Visiting Oman, UAE, Bahrain, Qatar and Kuwait, some 10 Companies took part in the mission representing clusters from all states across Australia. These clusters covered broad areas of capability focusing on IT, Training and Simulation, Border Security, Infrastructure as well as Clothing and Textile Suppliers. The delegation made more than 25 formal presentations to the defence forces, other ministries and invited industry gatherings. The delegation met over 300 defence and industry managers during presentations and other organised networking activities

- **Trade exhibitions:** following the success of business missions, Austrade managed the Australian participation at IDEX in April 2003, one of the worlds leading defence industry exhibitions. Austrade co-ordinated both an Australian pavilion that was co-funded by the Department of Defence and an extensive range of meetings for participants with Gulf region defence officials and key industry contacts. This lead to a number of immediate successes for company participants and some long term business development for other participants.

Austrade has also extended this strategy across the region and has supported SOFEX a Special Operations Forces Exhibition featuring a wide range of highly-specialised defence, security and anti-terrorism weapons, communications systems, surveillance devices, vehicles and aircraft. SOFEX was held in Jordan in 2000 and again in 2002. 40 countries and 200 companies specialising in military equipment manufacture participated in the four-day exhibition in 2002. Australia will be represented in 2004.

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4.7 Health - Characteristics and Trends

There are major opportunities for Australian companies in the health and medical industry in the Gulf and particularly in Saudi Arabia. The Saudi government

encourages the expansion of health services in the private sector.

Presently, private health facilities deliver their services through coordination and integration with the health care system of Saudi Arabia. Within government there are trends towards the development of private sector care. Soft loans have been granted for the construction of private hospitals and multi-disciplined health facilities, in addition to non-government management and operation of these facilities. The private sector has also been given the opportunity to provide maintenance facilities and services.

Some of the best opportunities for Australian companies include:

- **Expanding preventive health programs** through development of existing preventive units and creating new units including health offices, maternity and child care units and health care centres. This also includes expansion of vaccination and immunisation programs against epidemic and communicable diseases, environment health, health education and training, early detection of diseases and protection against exotic diseases.
- **Conducting studies and research** on health, environmental, epidemic, and nutrition problems.
- **Construction of new hospitals** or the expansion, development and maintenance of existing facilities to improve their efficiency, and the establishment of healthcare centres of various levels and categories to meet the different health needs of the communities they serve in desert areas, villages and cities.
- **Increasing and improving specialised medical services** in all central hospitals in cities, in addition to expanding and upgrading technical sections to current scientific and technological standards and levels and improving and spreading emergency services.
- **Upgrading and improving efficiency of engineering and maintenance services**, support services and medical catering and supply at central level, in addition to the establishment of units to provide these services in every health department.
- **Management and rationalisation of medicine and medical supply utilisation**, and encouraging the establishment of pharmacies throughout Saudi Arabia so that the community can have easy access to medicine at all times.
- **Preparation and implementation of Family Health Record Project**, so that each member of the family can have a health card including all the data related to their health developments during their life, and to guarantee the highest level of preventive and curative services.
- **Cleaning and catering services to health units and centres**, thus allowing medical professionals to focus on the delivery of high level health care services.

In the UAE the Ministry of Health plans to complete 18 new hospitals with 3816 beds by 2005. The Ministry also supports several planned private investments in the areas of heart disease, cancer and rehabilitation. This growth provides useful opportunities

for Australian exporters of medical equipment. Providers of healthcare management and consultancy services are also likely to benefit.

Austrade Activities to Develop and Identify Export Opportunities

In 2003-04 Austrade is actively pursuing opportunities in the health sector through a number of initiatives:

- **Australian Pavilion at Arab Health 2004:** briefings and invitations to participate in Arab Health 2004 were marketed throughout Australia by Austrade's Australian Operations and State government allies. In 2003, 25 Australian firms participated in the exhibition either as full exhibitors or via an Austrade organised brochure / poster display.
- **Market briefings:** Austrade provided briefings to Australian health firms attending Arab Health 2003 covering commercial and legal aspects of doing business in the region. Dubai Health Care City also addressed the group on opportunities for this project.
- **Australian briefings:** Austrade organised a series of briefings by the Exhibition Manager of Arab Health 2003 in Sydney, Melbourne, Brisbane and the Gold Coast outlining the health opportunities in the Gulf region.

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4.8 Art, Jewellery & Sculpture – Characteristics and Trends

The Australian arts and crafts sectors are developing a strong commercial presence in many overseas markets. In the Gulf, the UAE is slowly developing its interests in supporting international art, entertainment and cultural events and in 2003-04 Austrade Dubai has assigned resources to target the sectors in trade export activity.

Arts, particularly visual arts, fashion and textiles and film making, are priority areas of specialisation in post-secondary education institutions in the UAE. An Australian University is to sign an agreement with a local education provider to deliver its Bachelor of Arts (Fashion and Textiles) in Dubai. The government views these disciplines as priority for young UAE national women in developing their careers.

In terms of jewellery, the Middle East and India together account for 40 percent of the world gold consumption. Dubai enjoys the world's highest per capita consumption of gold with an average of 36 grams per person. While 35 percent of gold imported into Dubai is consumed in Dubai, 25 percent is exported to other GCC countries and 20 percent to other Arab countries.

In the past, there has been limited interest from Australia in tapping into this sector and Australian capability has not suited the market. With a greater number of people travelling to Australia from the region, the general awareness of the country and Australian products has grown. It is hoped that by showcasing Australian jewellery designers, through relevant trade and cultural/promotional events, with the direct

involvement of key decision makers in retail/wholesale jewellery trade, the profile of Australian jewellery may be raised.

In September 2003 the coordination of a cultural program in conjunction with the Australian Food Promotion in Riyadh aimed to raise the profile of Australia and its cultural heritage. An Australian art company who is a new exporter participated in the event and achieved export success.

Austrade Activities to Develop and Identify Export Opportunities

In 2003-04 Austrade will promote Australia's arts and crafts sectors through initiatives in the Middle East markets:

- In 2004 and in future years Austrade will incorporate a cultural aspect for other markets such as Bahrain and Kuwait. Art companies can participate in exhibitions arranged by Austrade. Through this activity, Australia's profile will be raised in the region and this should assist other exporters in other sectors to succeed in these markets.

Austrade Dubai activities

- **Buyer introductions:** facilitate opportunities for Australian clients to display or sell their work by introductions to art galleries, consultants and interior decorators (including opportunities to display works at Dubai hotels).
- **Build government to government and customer relationships:** contribute to positioning of Australian arts and culture, including with the Department of Culture and Information, festival organisers and galleries
- **Raise the Profile of Australian Arts, Entertainment and Culture:** arrange arts and cultural events that contribute to the promotion of Australia, as well as profiling the artist/s.
- **Facilitate Australian participation in local arts and cultural events:** arrange an exhibition of a mix of Australian artists, to include jewellery, fashion and textiles

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4.9 Marine - Characteristics and Trends

EPOC International, a United Arab Emirates-based marketing consultancy firm estimates, that the national population of the Gulf, with the purchasing power to be able to participate in marine leisure is some 10 million people. This figure does not include Western expatriates with an interest in leisure boats. Based on a Gulf market estimate of some 35,000 leisure boats (including personal watercraft), this gives a boat ownership/persons ratio figure of one leisure boat for every 296 in the population. Most countries in the region, including the UAE, also have plans to expand port infrastructure to maximise trade opportunities. It is expected that this will further encourage the growth of commercial shipping, and ship-building.

In the Middle East the market for commercial boats and leisure craft is not as clearly defined as in North America, Europe or Australia. In fact, many boats that would be classified as commercial craft in some countries are frequently employed for leisure pursuits in the Gulf region. For instance, many wealthy UAE nationals have large fly-bridge leisure boats as well as more practical craft to use for recreational fishing and diving.

The Australian marine industry sectors does not have a high profile in the Arabian Gulf markets of the Middle East. The customer base is readily identifiable and research suggests the opportunity pool appears to be strong. Strong sales to other regional markets has resulted in few Australian marine industry suppliers promoting themselves into the Gulf region. It is anticipated that this may alter.

Strong opportunity sectors include the recreational boating and waterfront development sectors where, with the development of the Palm Islands, Dubai Marina, and Dubai Marine City some 4,000 people will have the opportunity for waterfront residences and mooring facilities.

Opportunities also exist to leverage sales into the Oman, Yemen and Kuwait navies with additional sales of patrol boats and defence vessels. Local low price competition for crew boats is making it difficult for Australian builders to compete but there are significant capacity issues with the two local aluminium builders, which will present best delivery time opportunities for Australian builders.

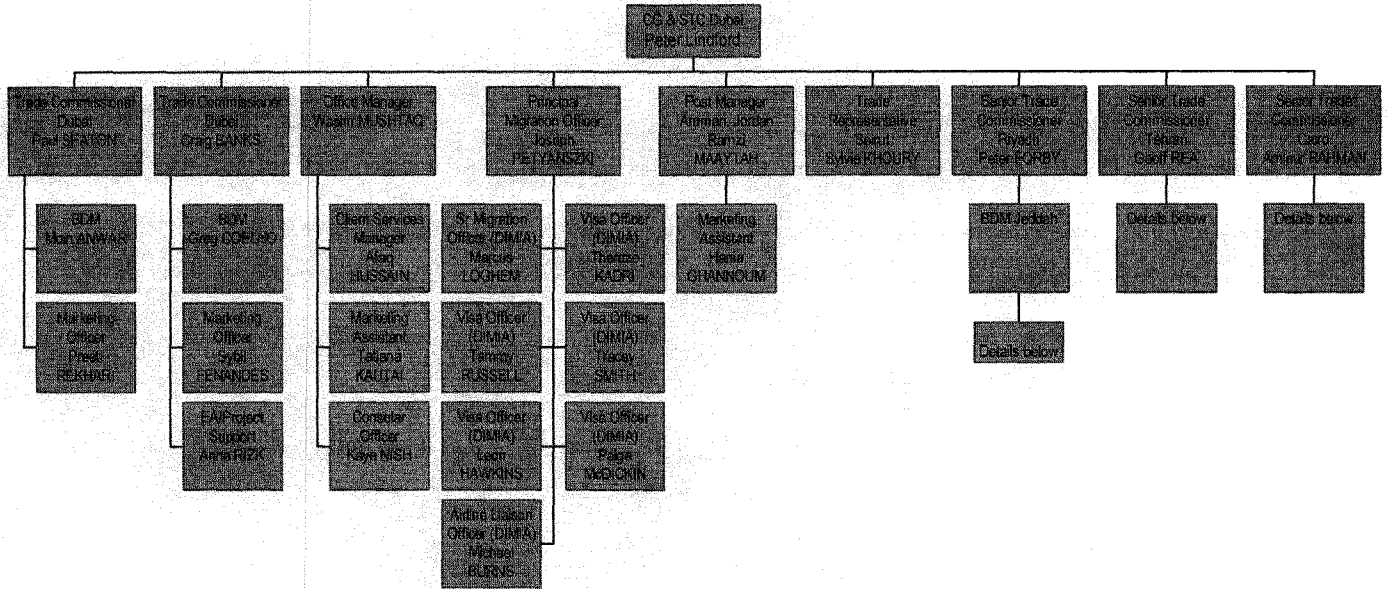
Austrade Activities to Develop and Identify Export Opportunities

For the marine sector covering the recreational boating, commercial vessels, defence vessels, marine equipment and waterfront development sectors, Austrade plans to further develop a customer base, promoting a strong understanding of Australian supply capability. This should lead to opportunities for Australian companies which to date have been going to UK, European and US builders.

Significant client building opportunities exist with the Dubai International Boat Show, the Gulf Maritime Commercial Boat Show and dissemination of the opportunities identified from the customer development and market awareness programs.

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DUBAI, AMMAN, BEIRUT, RIYADH, JEDDAH, TEHRAN, CAIRO



CAIRO, TEHRAN, RIYADH, JEDDAH

