



Submission No 7

Inquiry into Australia's Trade and Investment Relations with North Africa (Algeria, Egypt, Libya, Morocco, and Tunisia)

Organisation: Philip Eliason and Associates

Contact Person: Philip Eliason

Address: 9 Gipps St
Barton ACT 2600

Submission to the Joint Standing Committee

on

Foreign Affairs, Defence and Trade

Inquiry Into Australia's Trade and Investment Relations
With North Africa

Philip Eliason and Associates
9 Gipps St
Barton ACT 2600
02 6273 5238
Eliason@peaa.com.au
www.peaa.com.au

29 July 2005

About this submission

This submission seeks to address issues which relate to the operations of trade relationships between Australia and North Africa, particularly the Maghreb countries of Morocco, Algeria, Libya and Tunisia.

It does not seek to reiterate facts and figures concerning those countries which will be presented within submissions from Austrade and DFAT. It does not offer sectoral trade strategies which can be sourced from Austrade.

This submission rather than be descriptive is intended to assist the Sub-Committee on Trade make recommendations to Government which can influence the activity of machinery of Government and the deployment of its effort in support of trade development.

Qualification to make this submission

Philip Eliason and Associates (PEAA) is a consulting business with particular interests in policy design and at a geographical level, the Middle East and North Africa. PEAA convened Australia's first technical workshop to consider areas of greatest potential assistance in agriculture for the reconstruction of Iraq, advised the Department of Environment and Heritage on issues affecting the protection of Iraq's heritage post-2003 and provided training services to Iraq's diplomats on trade and trade policy in 2004. We are regular visitors to Morocco and have in the past provided introductions for Moroccan officials to Australian experts on land degradation/reafforestation. We managed the visit to Australia of Sa'adi al-Gadhafi in 2005 for the Libyan Peoples' Bureau.

Nature of trade with North Africa

Egypt has traditionally dominated Australia's trade in the region. Export of wheat, flour and generation of flour handling and milling skills along with infrastructure to handle our product formed the bulk of the relationship and had a significant impact on our political relationship i.e. through our stance on treatment by the Paris Club of Egypt's often large food debt.

Trade with the region is relatively minor and constrained to the traditional exports of farm and mining goods and services. In both these areas there are strong prospects to grow. Trade can be diversified into civil infrastructure services, environmental management and goods and services required for the realisation of these countries' national economic plans. There is potential growth, especially in Libya and Algeria both of which have currency based on hydrocarbon exports.

Features of doing business in North Africa

Knowledge

At present Australia's understanding about North Africa is patchy. While there are exporters who have in-depth knowledge and contacts this is not common. Nor are there North African communities of substantial size in Australia which provide an indigenous source of information about and contacts in their home countries. This is not insurmountable but as the facts about trade with the region show, activities of the private market are not likely to remedy the knowledge gap. This will be an area for Government intervention in a structured manner if improvement is to occur. Commercial success will of course draw its own profile and as with other areas it will be rapidly disseminated among members of the business community who are partly or fully per-qualified to pursue similar success. This market-based solution will be inadequate if Australia seeks to grow trade with North Africa.

Style of business relations

Australia's external trade activity is driven by the independent judgement and risk taking by business people. Government has a role in export and import activity:

- Quality control, product description, consumer protection
- Standards
- Customs and controlled exports/imports
- Sanitary and phyto-sanitary issues
- Statistical reporting

These are framework setting activities rather than direct involvement in trade. Over the past 40 years we have seen a continuous reduction in the number of government mandated or wholly government controlled and governed trading enterprises. The AWB remains one of the few examples where Government has a steering hand through its enabling legislation. Government remains involved in activity related to collective benefit such as generic promotion, facilitation of trade missions and official representations when required to address trade disputes.

In North Africa these functions exist but national governments have far greater standing in external trade through their continued use of state corporations, involvement of government personnel in state businesses, high levels of public sector employment including in tourism, hotels, agribusiness, manufacturing (especially in the infrastructure supply sector eg cement, steel, bricks, equipment importation), transport (notably air transport) and education.

Australian exporters will need to recognise this basic difference in principle of national organisation to interpret local conditions, finance availability, decision making and time taken to do so. This is an overlay on knowing whom to deal with in these markets.

Consequently, in developing further access to markets in North Africa, the Commonwealth and the Parliament will have a higher relative role than, *ceteris paribus*, they would have in South East Asian markets or Europe. The leverage drawn from the status of government and Parliament from the North African perspective will be an important tool in any strategy to promote trade (and other links) with the region.

Nature of Government involvement

Government activity will assist create visibility for Australia. State control of, or at least guidance of many media in North Africa, particularly television will assist in coverage of official activity such as Ministerial visits, Parliamentary delegations, state government ministerial visits or delegations and visits and activities by Australia's diplomatic or Consular representatives. Exploitation of publicity opportunities associated with visits and in-country activity should be a structured part of any planning for these activities. Attracting North African attention from Europe, including Central Europe and Russia is the task at hand. US and Asian activity is growing as well in the region. Thailand is opening a representative office in Libya in part to address energy issues. High level government and trade visitors now flock to the area far more regularly than previously..

For Australia's part, official Government visits to North Africa attract higher recognition, despite the apparently satisfactory reception of unofficial visits, and are more likely to generate a legacy of activity. Despite the traditional debate between officials in Australia concerning the alleged confusion of representation caused by state and Commonwealth activity, this should not constrain any future visits or contact program.

The announcement that Australia would open a Consulate General and trade office in Tripoli has great significance for Australian visibility not only in Libya (the key emerging market in the area) but in countries covered by the post. Information provided to Austrade by its Tripoli post should be of two kinds. Despite Austrade's deal focus in performance assessment of its overseas staff, reporting on economic needs and trading conditions (finance, insurance, regulations etc) will be an early priority to assist focus potential trade interest in the area. Obtaining a solid set of Libyan contacts and introductions in Morocco, Algeria and Tunisia will be another challenge. Deal matching can progress simultaneously as can standard Austrade activity of buyer visits, trade show support and qualification of contacts in the area.

The Austrade office in Tripoli should be active in identifying/assessing candidates for visits to Australia under Government programs. Some competitor countries use a group approach to promotion of their interests. India, for example, recently hosted a promotional visit to its satellite imagery service by a delegation from North Africa. Collective treatment of promotional visits may have benefit but in the initial period bilateral approaches would have greatest impact.

North African governments use official organisations to undertake activity abroad as appropriate. Australia's government-sponsored Council for Australian Arab Relations (CAAR) has a small budget and has visited the North African region on two occasions to receptions greater than expected by some official observers. CAAR's small budget and orientation could have more significant relative impact when used to promote linkages and dialogue with countries like Libya and Algeria rather than highly trafficked countries such as UAE, Bahrain and Saudi Arabia. Marshalling the attention of the board of CAAR to this new national interest target (ie trade development target) will be a task for officials handling CAAR's administration and action by the ex-officio representatives of DFAT and Austrade on the CAAR Board.

The reverse of outward bound visits are inbound orientation visits to Australia for North African political leaders and senior officials. Commonwealth and state government sponsorship of inbound visits to observe Australia's capabilities and interest in North Africa will have over time a positive impact on the facility with which Australia and Australian business deals with these countries. Press visitors should be invited to join such delegations in view of the back selling to home audiences that this assists accomplish. It was notable that during the visit to Australia in February 2005 by Sa'adi al-Gadhafi, there was a highly active press group which drew on satellite uplinks to report aspects of the visit to Libyan audiences.

In selecting the visitors Australian officials should note the need for active hosting by interested Australian businesses and other institutions such as scientific, educational and cultural. Although, aside from Egypt, North African expatriate populations are small in Australia (and some of these few may be here to be away from their home governments) they should be informed of inbound visitors. (Iraqi expatriate receptions for Iraqi diplomats in Australia for training in 2004 were high points in their program.)

Trading on existing strengths is a starting point for inbound visits. Agricultural development, R&D, production technology and environmental management issues have a history of exchange and are able to be readily absorbed. Our presence in the North African petrochemical sector provides another suite of opportunity.

Finding opportunities

Research on national economic plans and identification of Australian expertise or goods/services matching North African requirements can extend the range of contacts for visits and business pitching activity.

Growth in tourism infrastructure is a common feature of current national plans in the region. Exploitation of the Mediterranean coast and potential of adventure travel inland along with history and archaeology are North Africa's key cards to play. Tunisia's tourism is now mass market and needs quality and price improvements. Algeria's tourism market remains disturbed by security concerns but has a solid potential. Morocco's tourism industry is the region's best (and growing) after the established culture/sport/history tourist industry in Egypt. Morocco has used its early involvement in film settings to develop a large filmic industry based largely in the city of Ouazarzate inland across the Atlas Mountains from Marrakesh. Libya sees tourism as having a strong future but at present its infrastructure is poor and its orientation to tourism (despite its brochureware and rhetoric) does not match its promise of potential. With coast based attractions, inland tourism and global exposure and experience Australia could be well placed to support design concepts, market development planning and consultancy arrangements with Libya. Tourism is developing in Libya. In late 2004, The Italian firm Gruppo Norman signed a six year US\$ 268 million deal with the Libyan government to develop a large coastal site near the Tunisian border called the Farwa Island Project.

Similar assessments can be made in housing, health, transport, energy, defence and education sectors.

Libya has shown an interest in defence materiel particularly land vehicles and training. Saadi al-Gadhafi raised naval equipment and training during his visit to Australia but unconnected to this, Robert Hill visited Libya for ANZAC Day in 2005 and is understood to have had talks with defence staff. Australian companies like ADI (and, its French parent Thales) are capable of addressing certain Libyan (and other country) needs. Land vehicles and fast patrol boats along with inventory management training would assist countries control people smuggling and circulation of potential terrorists.

Morocco's important fishing industry is under stock pressure and could gain from Australia's stock monitoring and regulatory experience. Our approach to fish farming appears to be of interest to Egypt. Equine industry support is another area of potential should industries make contact.

Algeria has a strong suite of growth prospects based on oil and gas wealth and pre-existing infra-structural capacity and forecasts demographic demand.

Particular steps to develop trade

As a result of this Inquiry certain alterations to the way the machinery of Government operates could be considered.

First, Austrade should be invited by the Committee to provide an escort officer for the delegation's North African visit. Where the purpose of the delegation is to assess and develop commercial relations an Austrade officer should join the traditional DFAT staff member.

Second, The Commonwealth and state governments should convene a joint on dialogue on trade development with North Africa involving exporters with an existing and prospective interest in the region. An independently facilitated conference of business and government might best be convened after the return of the Sub-Committee and informed by the participation of its members. CAAR Board members (particularly those who visited North Africa under its arrangements should be invited. The goal of the meeting would be to align effort in the region and identify synergies where possible for a 'team Australia' style approach to an overall strategy for the area.

Third, an early plan for further regional promotion through official government visits should be composed timed to follow the opening of the Consulate General in Tripoli. This plan needs to engage the needs and interests of likely export sectors including defence, education, science in addition to the traditional players.

Fourth, the Consulate General (after its establishment) should be officially opened in Tripoli by a Cabinet level Minister supported by the Chair of this Committee and the Chairman of CAAR. A business group should be invited to consider being present for the opening and trade discussions.

Fifth, the Government should consider a proposal to Libya to attach for six months a senior energy markets analyst from ABARE to the Libyan National Oil Company as support for Libya's oil marketing assessments. Sales of oil fuel its capacity to purchase our exports. (Correspondence on this matter is with Sen Colbeck

Parliamentary Secretary to the Minister for Agriculture). Relatedly, an offer of a workshop-based training and site visits could be made to a group of energy resource economists from the Maghreb as part of diversifying Australia's current standing in their industries. This may be co-funded by the Commonwealth and industry and delivered by industry and educational institutions with an interest in later sales to the area.

Sixth, Australia should assess current visa arrangements for regional visitors and urge improvements for Australians from particularly Libya's perspective.

Seventh, particular attention should be given by the Australian Institute of Sport to the development of sports consulting and team training and development for North African countries where sport remains an important tool of government and sporting success is, as in Australia, a matter of national pride.

Eighth, EFIC should upgrade its monitoring assets for the Maghreb countries and publish through Austrade a six monthly assessment of risk conditions to assist inform exporters of risk outlook.

Ninth, trade development activity should be supported by media activity where Australia invites editors from leading London-based business and general magazines and those from North Africa to visit and document their observations.

Tenth, the Governor of the Reserve Bank of Australia should consider hosting a seminar for central bankers from the Maghreb addressing the role of a central bank during economic deregulation (occurring in Libya and other North African countries).

Eleventh, until a Consul-General/Trade Commissioner is appointed in Tripoli, the Australian Ambassador/senior diplomatic staff in Cairo should increase their frequency of visits as preparation for the opening and to collect contact lists and develop relationships which can be further activated and built on by the Consul-General/Trade Commissioner.

Twelfth, the Defence Department should add North Africa to its defence export facilitation program and develop its relations with Austrade and industry in this regard. Defence should integrate its successful marketing in the Arabian Gulf (UAE) with visits to Gulf trade shows by North African military representatives to view Australian capability.

