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The Parliament of the Commonwealth of Australia

# **Expanding Australia's trade and investment relations with the Gulf States**

Joint Standing Committee on Foreign Affairs Defence and Trade

February 2005  
Canberra

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## **Forward**

Over the last decade Australia's exports to the Middle East have been growing dramatically. Traditionally a strong primary produce export destination, Australia's exports of elaborately transformed manufactures to the Gulf grew significantly in the 1990s. Australian produced cars are one outstanding example.

The dramatic growth in Australian exports to the Gulf has created fresh interest in the region. Consequently in late 2003, the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs Defence and Trade decided to inquire into Australia's trade and investment relations with the Gulf States to better understand the reasons for the success and how Australia might build on these achievements.

During the course of the inquiry a delegation of committee members travelled to the region and tabled a visit report in June 2004.

During the inquiry the committee found the Gulf States' special role within the world economy in combination with their young populations, have placed them in a unique position. The committee believes resource wealth and young populations are the 'twin drivers' of development for the Gulf States.

To accommodate these large young majorities, Gulf governments have committed to rapid economic development to provide employment opportunities for their young populations, and therefore stability and prosperity in the long term.

Unlike many other developing countries however, the Gulf States also have the financial means to fully fund such rapid development.

In light of the dramatic growth in the region, the committee found several areas or sectors to be particularly promising for Australia. These include building and construction, engineering and related consulting, agriculture (including food and beverages), healthcare and pharmaceutical services, education and training, tourism and tourism training, a large range of consumables, ICT products and services, and financial services.

In addressing obstacles to the growth of Australia's trade and investment relations with the region, this report makes ten recommendations. The recommendations

can be divided into two categories: those relating to government policy and those relating to the deployment of government resources.

In the first category, the committee recommends a range of measures to improve the trade and investment environment between Australia and the Gulf States. These include: arranging strategic high level visits to the region by Australian government and industry representatives; the pursuit of memoranda of understanding and other arrangements to create predictability and stability in the trading relationships; the holding of high level symposia with Iran to develop potential in key sectors; and the investigation of defence export related opportunities in the region.

The committee also recommends that the government re-examine its interpretation of section 23AF of the Income Tax Assessment Act with regard to tax exemptions for income earned overseas. The committee believes the advantages and disadvantages of the 2002 change in interpretation need to be examined more closely and weighed up.

In the second category, the committee recommends a number of changes to strategically position Australia in the region in order to capitalise on available opportunities. These include: a realignment of trade representation in Kuwait and Bahrain; increased DIMIA representation across the region for faster visa processing; and that consideration be given to placing representation in the region for the Australian Tourist Commission and Invest Australia.

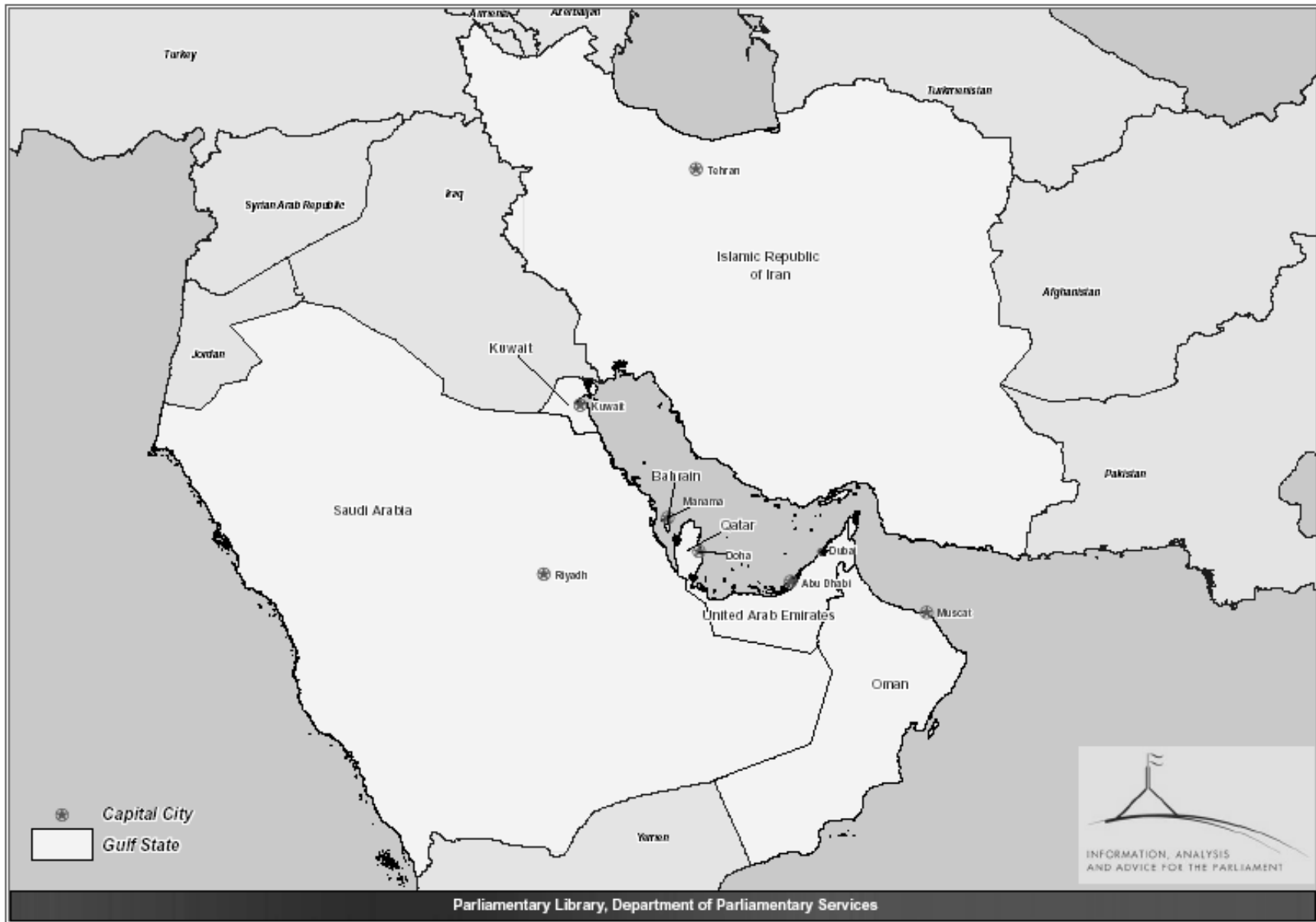
The committee believes strongly there is no time like the present to be pursuing export and investment opportunities in the Gulf region. The window of opportunity is open, and Australia is well placed to build on its successes in the region and make the most of new opportunities.

Finally, the committee would like to extend warm thanks to all the officials of the Australian government that assisted the delegation with the visit. The committee would also like to acknowledge and thank the officials and business people in the countries visited for their hospitality and input. The visit proved very valuable.

**The Hon Bruce Baird MP**  
**Chair**

**Trade Sub-Committee**

# The Gulf States





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## List of recommendations

### Recommendation 1

The committee recommends that the government give high priority to developing a program of high level visits to the region over the next three years to ensure Australia's profile is substantially raised.

### Recommendation 2

The committee recommends that the government reconsider the 2002 re-interpretation of section 23AF of the Income Tax Assessment Act relating to income tax exemptions. It should do this with a view to undertaking a more comprehensive cost-benefit analysis of the effect of the 2002 change on the national interest.

### Recommendation 3

The committee recommends that the government continue to pursue memoranda of understanding with relevant Gulf nations, to avoid potential problems with the live animal trade.

### Recommendation 4

The committee recommends that the government expedite an investment protection agreement between Australia and Iran

### Recommendation 5

The committee recommends the Australian government jointly host a symposium to investigate areas of potential technical cooperation between Australia and Iran. The symposium should include the following components:

- Mining
- Agriculture and agricultural training (including dry-land farming, forestry and vocational agricultural training)
- Post harvest technology.

#### **Recommendation 6**

The committee recommends the government consider strengthening Australian trade representation in Kuwait.

#### **Recommendation 7**

The committee strongly supports the government's plans to develop a strategy for the export of defence related hardware and services to the region. The committee recommends the strategy consider:

- What specific opportunities exist for the export of defence related hardware and services
- How the relevant agencies should cooperate, in terms of resourcing and personnel posted to the region, to optimise defence related exports to the region
- The long term export opportunities which would flow from Gulf nationals undertaking military training in Australia.

#### **Recommendation 8**

The committee recommends the government consider strengthening Australia's trade representation in Bahrain.

#### **Recommendation 9**

The committee recommends that DIMIA consider strengthening its representation across the Gulf region. This should ensure faster processing of visas for key economies in the region in light of the growing opportunities in the Gulf States.

#### **Recommendation 10**

The committee recommends the government consider strengthening the resources of the Australian Tourist Commission and Invest Australia in the Gulf region, to raise their profile and capitalise on current opportunities.



## **Membership of the committee – 41<sup>st</sup> Parliament**

**Chair** Senator A B Ferguson

**Deputy Chair** Hon G J Edwards, MP

**Members** Senator the Hon N Bolkus

Senator the Hon P Cook

Senator A Eggleston

Senator B Harradine

Senator S Hutchins

Senator D Johnston

Senator L J Kirk

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Senator M A Payne

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Hon W E Snowden, MP

Members

Senator the Hon N Bolkus

Senator A Eggleston

Senator A Ferguson (*ex-officio*)

Senator D Johnston

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Hon J E Moylan, MP

Mr G R Nairn, MP

Hon G D Prosser, MP

Hon B C Scott, MP

Hon W E Snowden, MP

Hon A M Somlyay, MP

Mr C P Thompson, MP





## **Terms of reference**

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

- 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 Gulf States as they emerge.

Referred by the Minister for Trade on 14 August 2003.





## List of abbreviations

AACCI	Australian Arab Chamber of Commerce and Industry
AQIS	Australian Quarantine and Inspection Service
ATC	Australian Tourist Commission
AUD	Australian dollar
AWB	Australian Wheat Board
Austrade	Australian Trade Commission
DAFF	Department of Agriculture, Fisheries and Forestry
DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
EIU	Economist Intelligence Unit
EFIC	Export Finance and Insurance Corporation
ETMs	Elaborately transformed manufactures
FDI	Foreign Direct Investment
FTA	Free trade agreement
GCC	Gulf Cooperation Council

HIC	Health Insurance Commission
ICT	Information and communication technology
JMC	Joint Ministerial Commission
JSCFADT	Joint Standing Committee on Foreign Affairs Defence and Trade
LNG	Liquefied natural gas
MOU	Memorandum of understanding
OECD	Organisation for Economic Cooperation and Development
OPCV	Overseas Projects Corporation of Victoria
UAE	United Arab Emirates
USD	United States dollar
UOWD	University of Wollongong in Dubai
VET	Vocational education and training
Visit report	Report of the Parliamentary Delegation to the Gulf States – June 2004
WTO	World Trade Organisation