



Submission No 5

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

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Australian Government
Austrade

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



Inquiry into Australia's trade and investment
relations with the countries of North Africa
(Algeria, Egypt, Libya, Morocco and Tunisia)

Prepared by
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July 2005



TERMS OF REFERENCE

To examine and report on expanding Australia's trade and investment relations with the countries of North Africa (Algeria, Egypt, Libya, Morocco and Tunisia), with particular reference to:

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



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AUSTRALIA'S TRADE AND INVESTMENT RELATIONS WITH NORTH AFRICA

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 101 locations in 57 countries and has an extensive domestic network throughout Australia.

In the region addressed by this submission Austrade has a representative office in Cairo and a Consulate-General to be opened later in 2005 in Libya.

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 contact Austrade Telephone 13 28 78.
- Specific, tailored advice is provided to Australian companies based on an hourly rate, quoted, and agreed in advance.

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



Austrade – Expanding Australia’s Trade and Investment Relations with North Africa

This submission considers the Terms of Reference and focuses on Australia’s trade and investment relationship with North Africa 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 with Invest Australia 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.

2. COUNTRY OVERVIEW

Egypt

Egypt has the second largest economy in the Arab world after Saudi Arabia. The new government appointed in July 2004 has strong economic reform credentials. In the last 12 months customs duties on a large number of items have been reduced from an average of 14.9 to 9% for some 6,500 products and more favourable foreign investment regulations implemented. Foreign investment is currently at US\$240 million, having fallen from US\$1.4 billion in 2001. The capital market has also reacted very positively to the reform agenda and has grown by over 40% this year. GDP growth rates are currently at around 2-4%. Tourist numbers increased substantially last year to over 8 million visitors and the first five months of 2005 has shown an increase in tourist numbers over the same period last year.

Egypt has a Free Trade Agreement (FTA) with COMESA (Common Market for Eastern and Southern Africa), an Association Agreement with the European Union (EU) which came into effect on 1 June 2004 and various trade agreements with Middle Eastern countries. The U.S. is Egypt’s main trading partner followed by the EU. Presidential and parliamentary elections are to be held in Egypt in September and November 2005.

Libya

Libya is a relatively wealthy North African economy with similar consumption characteristics to Middle East markets. Libya is very quickly integrating into the community of nations. All of the UN and most of the U.S. international sanctions have been lifted. ¹The Libyan government has recently announced the abolition of virtually

¹ Source Economist Intelligence Unit ViewsWire



all import tariffs, with cigarettes one of the few exceptions. The plan to do away with customs duties on some 3,500 items is scheduled to come into effect from 1 August 2005. The budgetary impact of the tariff abolition will be softened by the decision to apply a 4% import service charge. In a move to do away with all state subsidies and open the Libyan market to the private sector the Prime Minister has announced cuts in subsidies, which have resulted in a 30% rise in the cost of fuel and a 6% hike in the retail price of diesel. The price of electricity has also doubled – the second price hike in the space of a year. The short-term impact of this measure will be painful for most Libyans and it is a sign of the regime's commitment to economic liberalisation. In policy discussions with the International Monetary Fund (IMF), Libya has often been urged to dismantle its subsidy system.

Libya's GDP for 2004 was estimated at \$US25 billion. The oil dependence of Libya's economy, the expected upward trend in oil production, and combined with continued growth in public consumption, GDP growth of around 4.8% is anticipated for 2005. Libya's imports are valued at around \$10 billion per annum and are dominated by food, primary products and manufactured goods. Food represents 80% of total imports. Libya's main trading partners include Italy, Germany, France, Turkey, Tunisia, UK and Spain. Public sector reform has commenced and changes are being made to ensure private sector involvement. Major investment in infrastructure is a priority of the Libyan government, with rail, telecommunications, tourism, non-oil minerals, fisheries and roads targeted for development with foreign participation.

Algeria

The current President of Algeria is committed to further market reforms including privatising telecommunications and bringing investors into fixed-line and mobile phone operation systems, and allowing private investors to take up minority shares in state-owned companies and finance sectors. At least 1000 state enterprises have been privatised since 1996. The forecast is for real GDP growth of 8.3% in 2005, easing to a still substantial 7.5% in 2006. Not surprisingly, this impressive performance will be driven by the oil and gas sector, which will generate strong investment and real export growth. Approximately half of Algeria's trade is with the EU. The US is Algeria's next most important trading partner after EU members.

Morocco

According to the IMF, fiscal deficits have edged upwards in Morocco to reach a level of 7% of GDP. The deterioration appears to be due to some exhaustion of mineral resources, relied upon for export. In view of future accession to the World Trade Organisation (WTO) and the Association Agreement with the European Union (AAEU), Morocco has been pursuing trade liberalisation and the privatisation of public enterprises. The IMF considers Morocco an emerging market. Most of Morocco's trade is with Europe. The EU accounts for approximately 70% of total Moroccan exports. Foreign Direct Investment has been increasing significantly since the



beginning of 2003, indicating investors' optimism. The United Nations Conference on Trade and Development estimates 2003 Foreign Direct Investment (FDI) flows into Morocco at about US\$1.2 billion.

Tunisia

The Tunisian Government has developed a privatisation plan to encourage investment. The latest official figure published in July 2004 shows that since the beginning of privatisation and restructuring program in 1987, 180 government-owned companies have been sold off or liquidated. The IMF reported in July 2004 that the Tunisian economy was doing well. The Tunisian performance is one of the best in the Middle East and North Africa region. Tunis is persevering in terms of privatisation, subsidy cuts, restructuring of the banking and financial sector and multilateral trade liberalisation. The EU is Tunisia's major trading partner followed by the US.

2.1 Australia-North Africa Trade and Investment

Australia's experience in the natural resources and agriculture sectors is highly valued across the region.

Australia's exports to North Africa increased to \$800 million in 2004 from \$304 million in 2003. In 2003 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 fresh vegetables, dairy products, coal, and machinery and equipment. Principal imports include refined petroleum, fertilisers, textiles and clothing and integrated circuits.



TABLE 1: AUSTRALIA'S PRINCIPAL EXPORTS & IMPORTS FOR 2004

Country	Balance of trade 2004	Australia's main exports	Australia's main imports
Egypt: <ul style="list-style-type: none"> Population 73 million GDP estimated at US\$85 billion in 2004 	\$611 million	Total value - \$646 million <ul style="list-style-type: none"> Wheat Fresh vegetables Coal Dairy products Machinery/equipment 	Total value - \$35 million <ul style="list-style-type: none"> Refined petroleum Floor coverings Textiles Fertilizers
Libya: <ul style="list-style-type: none"> Population 5.7 million GDP estimated at US\$25 billion in 2004 	\$14 million	Total value - \$14 million <ul style="list-style-type: none"> Meat Measuring instruments Telecom equipment Civil eng. equipment 	Total value - \$0
Algeria: <ul style="list-style-type: none"> Population 33.4 million GDP estimated at US\$76 billion in 2004 	\$70 million	Total value - \$69 million <ul style="list-style-type: none"> Coal Meat Dairy product 	Total value - \$15 million <ul style="list-style-type: none"> Combustion engines Pumps for liquids Electrical equipment
Morocco <ul style="list-style-type: none"> Population 31.1 million GDP estimated at US\$53 billion in 2004 	\$9 million	Total value - \$29 million <ul style="list-style-type: none"> Crude animal materials Dairy products Toys/games/sporting Crude vegetable materials 	Total value - \$20 million <ul style="list-style-type: none"> Fertilizers Integrated circuits Seafood Textiles/clothing
Tunisia <ul style="list-style-type: none"> Population 9.9 million GDP estimated at US\$28 billion in 2004 	-\$1.7 million	Total value - \$3.4 million <ul style="list-style-type: none"> Inorganic chemicals Dairy products Measuring instruments Printing machinery 	Total value - \$5.2 million <ul style="list-style-type: none"> Clothing Textiles/knitwear Vegetable fat/oils Vehicle parts

Source: DFAT Composition of Trade Statistics (CY 2004)

Australian investment in North Africa

Egypt

Australian companies are increasingly looking to Egypt as an investment market due to its geographic proximity to Europe, Middle East and Africa. In 2004 Santos Limited expanded its global oil and gas search in a joint exploration venture over three years in the Gulf of Suez, Magnesium International Ltd announced in December 2004 that it had confirmed Egypt as the location for its 88,000 tonne per year magnesium smelter project, Centamin Gold Mines is involved in the exploration of gold in the Sukari area area, Gippsland Ltd is involved in the exploration of tantalum within the Central Eastern Desert in Egypt and the Australian Wheat Board (AWB) is investigating



further investment opportunities in grain silos in addition to their current joint venture flour mill.

Libya

Australian investment in Libya in the short to medium term will primarily be focused in the oil and gas sector. Investment in other sectors will be dependent on improvements in the overall foreign investment climate in Libya as well as improvement in the laws and facilities. The tourism sector is a high priority as this is one of the sectors that can be developed to diversify the economy and reduce its dependence on oil. Woodside Petroleum Ltd in addition to their current block successfully bid on four offshore exploration zones in Libya's first open-bidding licensing round for oil and gas exploration. Oil Search Pty Ltd also won a block during the last bidding round.

Algeria

BHP Billiton and Woodside Energy Ltd have undertaken significant investment in hydrocarbon projects in Algeria. Hydrocarbons are the backbone of the Algerian economy, accounting for roughly 52% of budget revenue, 25% of GDP and over 95% of export earnings. Algiers International Airport is being upgraded and there is a road-building program to establish an east-west corridor linking Algeria with Morocco and Tunisia. Work is also progressing on major water and power plants. Algeria's telecom network still requires extension and modernisation to keep up with demand. According to the IMF, substantial reforms are required to modernise the Algerian banking system.

Morocco

The Moroccan Government actively encourages foreign investment. A number of regulatory changes have been implemented to improve the investment climate. Foreign participation in privatisation programs is embraced. For example, in 2001, the government sold Maroc-Telecom to the Vivendi Group of France. Foreign investment is permitted in all sectors except agricultural land. Phosphate mining and, for the moment, tobacco marketing are state-run and are closed to foreign and domestic investment.

Tunisia

Tunisia actively encourages overseas investment. A unified investment code covers most sectors except energy, mining, finance and domestic trade. The government retains control over finance, petroleum production and refining, the national airline, electricity distribution, telecommunications and water resources. Currently there is not a high degree of interest in investing or trading with Tunisia amongst Australian companies. No active business dealings (Australia-Tunisia via Austrade) have been recorded in the past twelve months.



2.2 Issues and challenges

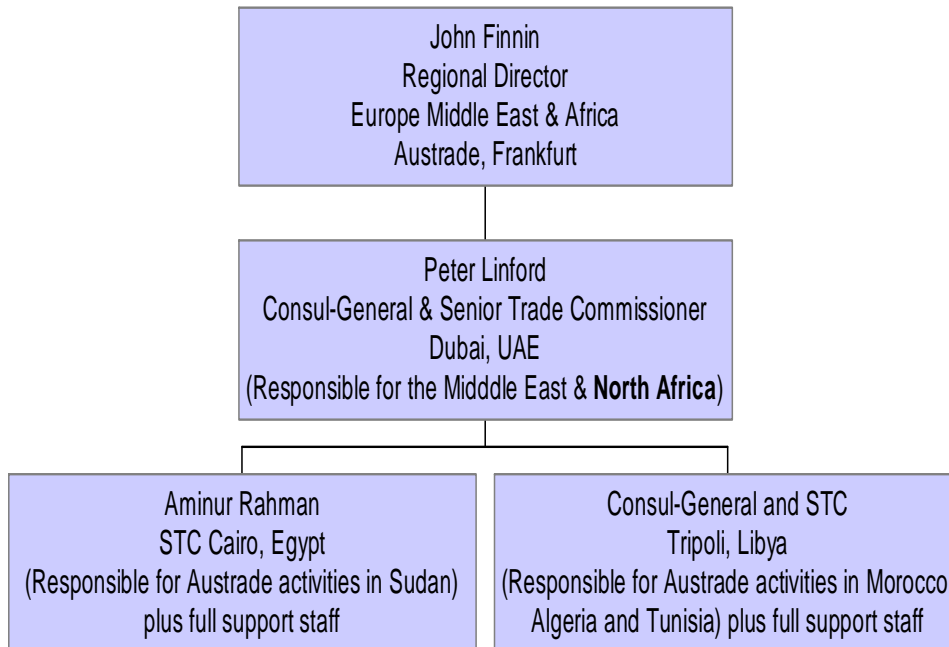
- Australian suppliers face a cost disadvantage compared with European suppliers owing to transport costs and lead-times faced in transporting goods from Australia. Egypt's Association Agreement with the EU is also a major cost disadvantage to Australian companies. Morocco has an Association Agreement in place with the EU with tariff reductions scheduled to take place over twelve years. Morocco also has a FTA with the US which is expected to come into effect in 2006.
- A sound comprehension of North Africa in general, the commercial opportunities of the market, and how to do business, and maintain effective business relationships is essential for new exporters.
- The closer markets of Europe have both a geographical and a historical trade advantage. Perceptions of Australia in North Africa as a primary producer will change as Australia's industry capability is promoted by Austrade and Australian business in the region.
- Terrorist incidents and associated security issues in the region have led to reduced visits by Australian companies. Companies need to revise their market strategies during difficult periods. Austrade is in a position to monitor situations and business activities and provide advice and assistance during these periods.
- Currently incidents are reported in the western press in extreme terms which fuel negative and often misleading perceptions of some markets. Awareness seminars in Australia and in the region are presenting the realities.



2.3 Austrade in North Africa

Peter Linford, Senior Trade Commissioner and Consul General to Dubai has overall responsibility for the Middle East and North Africa. Austrade's Senior Trade Commissioner, Cairo is responsible for Egypt and Libya at present and reports to the Senior Trade Commissioner, Dubai. Austrade's activities in Libya are currently managed from Cairo by a Business Development Manager who also operates informally from the Woodside premises in Tripoli.

PROPOSED STRUCTURE FOR AUSTRADE, NORTH AFRICA



The Libyan Government has accepted Australia's offer to establish a Consulate General in Tripoli in 2005 as the first step to opening a full Embassy. The appointment process for the Consul General and Senior Trade Commissioner is underway.

There is no Austrade representative resident in Morocco, Algeria or Tunisia. The Senior Trade Commissioner, Paris had responsibility for these markets until recently and visited the region for trade promotions and official visit programs. From 1 July 2005 the responsibility for these three markets has been taken over by the Senior Trade Commissioner, Dubai



2.4 Austrade's Activities in North Africa

Austrade's work across North Africa has been delivering export success in agribusiness, infrastructure and consumer goods.

One of Austrade's principle activities is to inform both Australian exporters and North African 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) for Australian suppliers and the website (www.austrade.gov.au/middle_east/layout/) for buyers from the Middle East and North Africa;
- business seminars, workshops and meetings in Australia and North Africa to promote market opportunities
- media stories about successful exporters to the region;
- business updates from Austrade's chief economist;
- North African news and events is placed in the monthly 'Export Update' magazine, which reaches 40,000 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 North Africa, the main business opportunities available, contacts for advice in Australia and overseas, and details of forthcoming seminars and industry exhibitions in Australia and North Africa. It is also a major information tool for businesses in North Africa keen to source from Australia.

Recent Major & Upcoming Initiatives

- Visits to Australia by Senior Trade Commissioners and Business Development Managers (BDMs) responsible for North Africa provide detailed information on opportunities and methods of doing business in the region direct to Australian companies. The *Winning Business in the Middle East* seminars delivered in May 2005 across major capital cities in Australia and regional centres attracted registrations of 1,050 from Australian companies, and also attracted extensive media coverage in print, radio and television. The events were partnered with State and industry allies, the Australian Arab Chamber of Commerce and Industry and with corporate sponsors such as Gulf Air. In Darwin for example the seminar attracted some 40 attendees from all corners of the Northern Territory with diverse interests including indigenous art, horticultural produce, plants, education, health services, chemicals, cut flowers and food.
- Exhibitions and fairs, including the annual *Tripoli International Fair* have proved to be a very successful method of introducing Australian capability to the markets



and identifying potential business partners. Austrade organises, or provides support to a wide range of strategically selected trade fairs. The first time Austrade arranged company participation at the *Libya International Fair* was in 2004 and twelve Australian companies took space in the Austrade arranged national pavilion. Five of these companies are doing business with Libya. Representatives from three companies attended as observers and representatives from the Western Australian Government promoted forty companies at the fair, mainly agricultural businesses. There was great interest in the Australian pavilion and it attracted over 80,000 visitors during the ten day fair. In addition, an ABC TV Foreign Correspondent crew was in Libya during the fair and filmed the Australian pavilion for inclusion in a television report on the market. The 2005 Fair attracted less attention from Australian companies as the event this year conflicted with Australian business interests in *Rebuild Iraq*, an international exhibition held in Amman, Jordan at the same time. In August and September Austrade will organise a *Jewellery and Fashion Road Show* through Beirut, Cairo, Bahrain and Dubai, timed to coincide with the promotion *Focus on Australia in the UAE*.

- Inwards Missions to Australia or to events elsewhere in the Middle East where Australian companies are exhibiting are used as a means of introducing buyers to Australian capability. For example *Fine Food* to be held in Australia in September 2005 and *Gulfood* to be held in Dubai in February 2006 are being promoted to Egyptian food and beverage buyers where Australian products and services will be promoted.
- A specialised education website (<http://www.austudy-me.com/>) in Arabic and English is promoting Austrade and Australian education services in the Middle East and North Africa. Education providers advertise through the website.
- Austrade Cairo will soon present directly to the Austrade network and Australian exporters via video conference facilities information on industry projects and business in North Africa and introduce North African buyers to their Australian suppliers.
- Partnering with DFAT, state governments and other allies, Austrade organises cultural exhibitions in North Africa to introduce Australian capability to the region (e.g. art, jewellery, and sculpture displays, education exhibitions, meat and wine tastings).
- The Managing Director of Austrade sits on the Board of the Council for Australian-Arab Relations (CAAR). The focus of the Council is on commercial and people-to-people links and it is working to strengthen academic and educational ties between Australia the Middle East and North Africa. In May 2005 the Chairman of the Council, Mr Brendan Stewart visited Qatar, United Arab Emirates, Libya, Lebanon and Syria. In Libya the Chairman had meetings with the Minister for Higher Education and the Minister for Culture, officials from the Foreign Affairs, Tourism and Economy and Trade Ministries, the Chamber of Commerce and Al-Fateh University.



- Trade and Industry ministerial visits help profile Australian business among political and business leaders. High level ministerial visits enable members of the visiting Australian business delegation access to senior government officials. Access at this level in North Africa is most advantageous, as government officials play a crucial role in commercial affairs.
 - The Hon. Mark Vaile MP, Minister for Trade led a 30-member business delegation to India, Egypt and South Africa in October 2000. The business delegation represented the following industry sectors: LNG, health facilities, railways, horticulture and financial services.
 - The Hon. Warren Truss MP as Minister of Agriculture, Fisheries and Forestry visited the Middle East including Egypt in recent years.
 - The Hon. Kim Chance MLC, Minister for Agriculture and Forestry, Western Australia visited the Middle East including Egypt in early 2002 to promote meat and animal exports and to increase Western Australia's \$1 billion agricultural exports to the region.
 - In July 2002 Minister Vaile led a 20-member trade delegation to Libya – including Woodside Petroleum, AWB Limited and Meat and Livestock Australia. This was the first visit by an Australian Minister in over 15 years to the North African country – and the first visit following the suspension of United Nations sanctions in 1999.
 - In June 2003 Minister Vaile attended a meeting of key WTO ministers in Egypt to discuss the progress of the Doha Round negotiations.
 - A 14-member delegation led by the Queensland Government visited Libya, UAE and Egypt in February 2004 targeting increased exports of Queensland agricultural products, particularly beef. Mission participants apart from the Queensland Government and Meat and Livestock Australia officials, included livestock equipment suppliers, livestock exporters, livestock suppliers, transportation advisers, livestock technology consultants, and companies supplying grain, camel, goat, and dairy and amenity horticulture for export.
 - The Hon. Alexander Downer MP, Minister for Foreign Affairs visited Libya for bilateral consultations in May 2004.
 - In April 2005 Senator the Hon. Robert Hill, Minister for Defence visited northern Sinai to meet with Australian troops who are part of the Multinational Force and Observers supervising the treaty between Israel and Egypt. He also visited significant sites in Libya and Egypt including Tobruk and El Alamein. In Cairo Senator Hill had meetings with the Egyptian Foreign Affairs Minister, the Finance Minister and the Foreign Trade and Industry Minister.



2.5 Export Marketing Development Grants (EMDG) in North Africa

For the latest completed grant year (2003-04, paid in 2004-05), twenty five applicants (1% of total EMDG applicants) reported either expenditure on promotional and marketing activities in the region and/or having earned export income in the five North African countries that are the subject of this inquiry.

It is important to note that while these twenty five applicants received a total of \$0.9m in grants, the grant may not be limited to the North African market. EMDG grants are paid for all eligible marketing expenses and these applicants may have been active in other countries outside North Africa.

3. FOCUS INDUSTRY SECTORS FOR AUSTRALIAN BUSINESS

TABLE 2

Industry	Industry sectors	Market
Agribusiness	Food and beverage Live animals Bulk commodities	Egypt, Libya Morocco, Algeria Tunisia
Education & Training	Joint collaborations with institutions English language tuition Specialist technical/vocational courses e.g. training in tourism, travel and hospitality e-learning	Egypt Libya
Healthcare and Medical	Medical and pharmaceutical	Egypt Libya
ICT	Telephone communications technology – both land and mobile IT solutions/consultancy in electronic banking and security	Egypt Libya
Infrastructure	<p>Building & Construction</p> <ul style="list-style-type: none"> - Construction equipment, building materials, windows, doors, bathroom furnishings - Tourism sector - hotel fitout <p>Oil, gas and petrochemicals</p> <ul style="list-style-type: none"> - Technology transfer, - Equipment e.g. process plants, piping, Instrumentation, electrical equipment, air conditioning communication, cathodic protection <p>Transportation</p> <p>Air transportation, railway technology, road construction and technology, port and cargo handling</p>	<p>Libya Egypt</p> <p>Libya</p> <p>Libya</p>
Tourism	Hotel fitout, equipment, food and beverage, training in hospitality sector	Egypt, Morocco, Libya, Tunisia



- Austrade assisted 54 (Egypt – 41, Libya – 10, Morocco – 2, Algeria – 1) companies in the above industry sectors secure export sales valued at \$97 million in the 2004-05 financial year.
- 5 (Egypt – 3, Libya –1, Algeria – 1) of these companies were new exporters with export sales valued at \$8 million.
- 3 (Egypt – 2, Libya –1) investment clients were assisted in the same period with total outward investment valued at \$95 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 North Africa from Australia, with meat, dairy products, and fresh vegetables dominating the top ten merchandise exports to the region for 2004.

Egypt is the major importer in the region importing 50% of its annual food requirements. The Egyptian market is price sensitive. Most importers tend to bring in a wide range of products in small quantities. The demand is increasing for health and dietary food items that are low in fat, sugar and calories. There is a limited choice in this area providing opportunities for Australian exporters.

With the expansion of local and international supermarket chains in Egypt, consumers' purchasing habits are beginning to change dramatically. Good opportunities exist to introduce new-to-market products and increase sales of products already in the market.

The steadily increasing population and developing purchasing habits of the Egyptian people stand to generate good opportunities for food manufacturers – especially in the food processing industry.

Consumers, advertisers, and food exporting nations are now targeting teenagers to the late-20s group for future expansion. These Egyptian consumers continue to demand more internationally branded products in a larger variety with increased levels of sophistication.

As a result multi-national firms are investing in Egypt, e.g. Nestle, Fine Food (Unilever), Pepsico-Snacks, Cadbury, and others. South African supermarket and department store chains Shoprite now operates in Egypt partnering with Americana the largest food company in the Middle East. The company's strategy is to open ten outlets a year and to target a broad consumer base by pricing products competitively. The French chain Carrefour has opened two hypermarkets. Metro, a huge modern local supermarket chain, is currently operating nineteen outlets in Egypt. The Dubai based chain Spinneys is opening their first hypermarket in Cairo later in 2005.



Morocco is open to franchising with some thirty foreign franchises operating in the sectors of fast food, clothing, furniture, cosmetics, office cleaning and auto repair. Large scale stores, which are relatively new to Morocco, like the German owned “Makro” store has invested in the market and is operating in Casablanca, Rabat, Ain Sebaa, Fes and Agadir.

A project to irrigate a large area of desert west of Lake Nasser, Egypt (Toshka Irrigation Project) is being developed. The Al-Salam Canal project is bringing water from the Damietta Branch of the Nile, under the Suez Canal to provide irrigation waters to the Sinai Peninsula. In Libya there are opportunities in the Great Man Made River Water Supply project. This is a long term undertaking to supply Libya’s needs by drawing fresh water from aquifers beneath the Sahara and conveying it in a network of underground pipes from the south to the northern coast and from Benghazi in the east to Sirt in the west. As these projects develop and expand, so will opportunities for Australian exporters for agricultural technology, farm management, horticulture and quality produce.

Meat exports to the region remain strong, with Meat and Livestock Australia (MLA) exploring opportunities for new market access in Libya for example. There is also potential export capacity for diverse meat products such as ostrich, emu and kangaroo meat.

Agribusiness - Austrade Activities to Develop and Identify Export Opportunities

Austrade is targeting major supermarket chains to showcase and distribute Australian produce and promoting Australian food and beverage to the hotel industry. The growth in tourism in Egypt has brought about an extensive development of hotel chains, especially in the Red Sea resorts (Sharm-El-Sheikh and the less up-scale Hurghada). This creates an additional opportunity of direct supply contracts as hotels cater more to the food products of Western taste, not always available locally.

Australian companies will be assisted to participate in *Cairo Supermarket Expo* in November 2005. This Expo is the largest supermarket show in Egypt and the Middle East selling directly to the public (over 800,000 visitors and 380 exhibitors participated in the 2004 exhibition). Australia exhibited the only national stand at the 2004 event showcasing ten Australian brands which proved popular with international and local visitors and resulted in export success for the Australian participants.

In Algeria Austrade is monitoring government tenders for meat and dairy products. Privatisation has seen the emergence of independent traders who are developing parallel import channels. Austrade is providing assistance to exporters of dairy products, alcohol and meat. In Morocco numerous exporters are being assisted across the agribusiness sector.

Austrade is continuing to work cooperatively with allies in promotional events in the region. Examples include 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. Austrade is promoting the



Libya Food and Agri Fair to be held in November 2005 and is expecting to arrange a stand at this event in partnership with the W.A. Department of Agriculture and the MLA.

4.2 Education and Training – Characteristics and Trends

The Libyan Government has a substantial scholarship program for its nationals. Currently there are over 5000 Libyans studying in the UK alone (the country of choice for Libyan students) and of these 90% are on scholarships. The National Oil Corporation (NCO) alone sends around 2000 staff for training each year. Austrade has developed a relationship with NCO and is promoting study opportunities in Australia. The US is also focussing on the education sector since the restoration of ties.

Egyptian schools and universities are interested in offshore courses or branches of Australian schools or universities e.g. tourism development in both Libya and Egypt will provide opportunities for training in tourism, travel and hospitality. There are estimated to be 25,000 Egyptian students studying abroad in the UK, Canada, US and Europe. Egypt has a young population with about 50% under the age of 21 and there is strong competition for university admission.

According to AEI (Australia Education International) there were 282 overseas student enrolments in Australia in 2005 from North Africa i.e. Egypt – 187, Libya – 65, Morocco – 17, Tunisia – 8 and Algeria – 5. AEI has identified Egypt and Libya as emerging markets for Australian education and training providers and is working very closely with Austrade to develop and promote market entry strategies.

Education and Training - Austrade Activities to Develop and Identify Export Opportunities

In January (Cairo) and February (Tripoli) 2005, AEI held events titled *Education in Australia and the Middle East: A Collaborative Forum* to increase awareness of Australian education and training among high-level audiences, within AEI's overall strategy to enhance Australia's profile of excellence and innovation in education, science, training and research. A second education exhibition is scheduled to be held in January 2006 in both Cairo and Tripoli

Egypt's *Fifth International Convention on Higher Education and Training* will be held in Cairo from 7-9 December 2005. Austrade and AEI will assist interested Australian institutions attend the event and participate in the associated *Education Exhibition*.

4.3 Health and Medical - Characteristics and Trends

Some of the best opportunities for Australian companies in Libya include laboratory equipment and technology, optical and ophthalmology, equipment for hospital and



health resorts, publications, medicines, medical insurance, information technology in healthcare, rescue and emergency equipment, beauty and beauty healthcare products, and medical technology.

Local medical and healthcare distributors in Egypt have strong linkages and networks in surrounding markets, especially with Libya and Sudan. Deferred payment terms are a major consideration in the purchasing decision as the Government is still the main purchaser. EU products dominate the Egyptian market but new sources are welcomed when a better price and quality are offered.

An area which Austrade is monitoring very closely is Egypt's push to develop medical tourism. This will definitely offer opportunities once it takes off.

Health and Medical - Austrade Activities to Develop and Identify Export Opportunities

Austrade is actively pursuing opportunities in the health sector for the promotion of Australian products and services, including medical IT to new and upgraded hospitals.

Austrade will hold seminars in Cairo to promote Australian industry capability to targeted hospitals and importers in the health and medical sectors. Austrade will promote two events in this sector once dates are confirmed by exhibition organizers i.e. the *Health & Medical Exhibition* in Libya and a similar exhibition in Egypt in early 2006.

4.4 ICT – Characteristics and Trends

There is a region-wide, albeit varying, privatisation of telecommunications networks and banking sector reforms. There are planned improvements in telecommunications infrastructure including both land and mobile, broadband networks, satellite communications, cable technologies, measuring instrumentation for telecoms, IT and software, banking equipment and technologies, and security systems.

The Egyptian telecommunications infrastructure has undergone extensive modernisation with 6.3 million lines installed – of which 75% are digital – in addition to an extensive fibre-optic transmission network that links all cities and districts. While there is an improved environment for protection of IPR in Egypt there continues to be widespread violations taking place. Localisation of software is very important and a reputable local partner is critical to overall success.

The Central Bank of Libya has recently launched the sale of some of its shares in a number of its banks e.g. the Saharya and Alwehda Banks. This move will open up the banking sector to competition from international banks once they are given permission to enter the Libyan market.



Tunisia has a rather poor domestic telecommunications system, although mobile use is growing faster than fixed-line. The Ninth Economic Development Plan calls for substantial investment in telecommunications, with plans to install 450,000 new lines, connect 800,000 new subscribers and to expand the GSM network over a 15 year period.

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.

ICT - Austrade Activities to Develop and Identify Export Opportunities

During 2004-05 Austrade will continue its key ICT activities in the Middle East and North African markets.

Awareness raising of Australian capability in key ICT sectors will be achieved through targeted trade exhibitions e.g. *Cairo ICT Trade Fair and Forum* held annually and last held in February 2005. 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. Austrade will hold seminars in Cairo in August 2005 to raise the profile of Australian ICT capability in Egypt.

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 and North African 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 2004 event attracted more than 1600 companies exhibiting from 36 countries and attracted over 70,000 visitors. *GITEX* 2005 will be held from 25-29 September 2005 in Dubai.

Austrade Egypt organised a delegation of ICT buyers from Egypt to the *World Congress on IT (WCIT)* held in Athens in May 2004 as a follow up to *GITEX* and to meet and progress business relations with Australian participants at *WCIT*.



4.5 Infrastructure – Characteristics and Trends

Heavy infrastructure investment is a priority of the Libyan Government with rail, telecommunications, tourism, non-oil minerals, fisheries and roads targeted for development with foreign participation. In recent weeks the skyline and landscape of Tripoli has gone through some dramatic changes with the demolition of a large number of state owned buildings and compounds. This is in preparation for a major infrastructure rebuild program and private investment projects, mainly hotels and business complexes. There is substantial interest from the UK, Italy and the UAE to partner with Libya to develop its infrastructure particularly in tourism projects e.g. a Dubai based company has recently signed an agreement for the development of the new Tripoli city at a cost of US\$3 billion+.

Morocco has a well-established infrastructure of roads, railways and airports. Further development of the transport and communication networks is a priority. Most agricultural and manufactured goods are transported by road and Morocco has one of the best road networks in Africa. Minerals, phosphates and fertilisers are carried by rail and the government plans to update and extend the rail network. There are seventy four airports in Morocco and eleven of these are international airports with regular daily flights linking Morocco to Europe, North America, the Middle East and Africa. A ferry service links Morocco to Spain and France. There are twelve ports with the primary point of entry for foreign manufactured goods being through Casablanca.

Algeria has devoted significant funds to expanding and modernising its transport and telecommunications sectors since the 1970s. As a result it has well-developed infrastructure, however, during times of civil conflict power and telecommunications networks and rail and road lines have been targeted.

Tunisia has a good road and rail system and international airports. Tunisia has received aid and loans to update the infrastructure, in order to develop its industrial and agricultural production.

Building and construction: In Libya there are opportunities in the Great Man Made River Water Supply project for construction equipment. This is a long term undertaking to draw fresh water from aquifers beneath the Sahara and conveying it along a network of underground pipes.

There are also opportunities for building materials, windows and doors, ventilation and refrigeration equipment, ceramics and stone for buildings, sanitary ware and bathroom furnishings and home accessories.

Transportation: Significant developments in Libya of interest to Australian suppliers include: air transportation, rail and railway technology, road construction and technology, material handling equipment, port and cargo handling equipment and technology training and skills development.

Oil and gas: This sector will continue to provide significant infrastructure and associated services opportunities in Libya including well drilling, geophysical and

seismic testing, construction, heavy duty machinery and modern engineering technology.

Egypt has recently discovered significant natural gas reserves that the government is keen to develop and therefore Austrade will maintain a close watch on opportunities for Australian suppliers in Egypt's oil and gas sector. The region provides 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.

Infrastructure - Austrade Activities to Develop and Identify Infrastructure Export Opportunities

Austrade is actively pursuing infrastructure opportunities through a number of initiatives:

- **Client networking:** promoting and developing partnerships/joint ventures between Australian firms operating in the region;
- Participation in relevant trade exhibitions; and
- **New Exporters:** maximise the multiplier effect for new exporters from major contract wins elsewhere in the Middle East such as the Asian Games in Doha.

4.6 Tourism – Characteristics and Trends

Egypt's tourism sector is expected to grow strongly and should offer opportunities for Australian companies. In 2004 there were 8 million visitors to Egypt. Five star hotels represent an ideal market segment for hotel equipment and food supply e.g. seafood.

In 1990, tourist visitors to Libya were around 100,000. Following United Nations sanctions this figure fell to around 50,000 in 1994. Given ongoing improvements in relations with Europe and the UK and French support for the removal of sanctions, the renewed tourist trade may support opportunities for Australian suppliers of gourmet and boutique food products for the hospitality industry.

Tunisia's beaches and historical sites are attracting an ever-growing number of tourists. Approximately 5 million tourists visit Tunisia annually and there has been considerable local and foreign investment in new hotels and resorts to cater for this growth.

Morocco's natural and historical sites attract some 5 million tourists annually. Hotel construction, upgrades and tourism projects will provide opportunities for Australian companies.



Tourism - Austrade Activities to Develop and Identify Export Opportunities

As the tourism sector expands Austrade will continue to develop its knowledge and understanding of the sector and establish a network of key contacts across the industry.

Awareness raising events across all major tourist sites to promote Australian foods, meat and wine will be held. New and existing hotels will be targeted and Australian industry capability promoted to the tourism sector in North Africa. Opportunities for hotel supplies, IT systems, security systems, furnishings, art and consumer items e.g. swimwear, suntan lotions, gifts etc will be promoted to Australian companies through the Austrade website and regular awareness raising seminars and events in Australia and North Africa.

Morocco has a significant program to develop inbound tourism outside of the traditional destinations such as Marrakech and Agadir. Austrade is providing assistance to an Australian company in its investigations to determine the viability of an investment in several locations.

5. Conclusion

In summary Austrade is actively monitoring government reforms and industry sector development in North Africa. The key sectors that provide opportunities for Australian business, particularly in the main markets of Egypt and Libya include agribusiness, education and training, healthcare and medical, ICT, building and construction, oil, gas and petrochemicals, transportation and tourism.

The appointment of a Consul General and Senior Trade Commissioner, Tripoli in 2005 will provide another avenue for Australian industry to assess information on opportunities in Libya, Tunisia, Morocco and Algeria. Austrade regularly reviews outcomes from its resource commitments to ensure it is getting the best possible return on investment.

Austrade stands ready to assist Australian companies succeed in North Africa by promoting opportunities to Australian exporters and promoting Australian industry capability and capacity to North African buyers.