

21st June 2013

Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee Secretary

I write to draw the Committee's attention to the views of the Australian Uranium Association on a number of issues raised in proceedings before the Committee.

Trade and human rights dialogue

First, the Association wishes to comment on the various human rights and related reasons advanced in some submissions as justifying not exporting Australian uranium to the UAE.

According to the Department of Foreign Affairs and Trade, in 2009, the two-way merchandise trade between Australia and the UAE was worth over A\$4.25 billion. Of this, Australian exports to the UAE were A\$2.14 billion, while imports were A\$2.11 billion, including crude petroleum imports worth A\$1.91 billion.

Australia's exports have undergone diversification away from a primary product base to one based on elaborately transformed manufactures (ETMs). ETMs now constitute over 20 per cent of Australia's total exports to the UAE.

This trend gathered pace with the start of passenger motor vehicle (PMV) exports in 1996. In 2009, PMVs were one of Australia's largest major exports to the UAE, worth A\$115 million, making the UAE Australia's third largest market for PMV in the Middle East.

Other notable ETM exports in 2009 included processed iron and steel, mechanical handling equipment, general industrial machinery and office machineries.

Gold, wheat, zinc, dairy products, meat, live animals, dairy products, fruit and nuts, and vegetables were the lead primary product exports.

12,000 to 15,000 expatriate Australians live and work in the UAE. As at April 2010, there were over 1,200 Emirati students in Australia

The UAE is Australia's largest market in the Gulf, with excellent growth prospects.

The activities of Australian companies in the UAE cover a very wide range.

Given the dimension and diversity of the Australia/UAE trading relationship, the Association is puzzled about proposals to prevent uranium exports as a means of leveraging human rights reforms in the UAE.

If the uranium trade turns out to be as insignificant as some making submissions have claimed, then it does not seem credible that preventing uranium exports to the UAE would make much difference

to official UAE attitudes to human rights, especially if the UAE is able to access uranium from other sources, as it seems it can.

If trade leverage were thought to be a means of addressing human rights questions in the UAE, then restricting passenger motor vehicle exports or preventing Emirati students coming to Australia would be far more painful for the UAE and far more effective.

As it happens, the AUA (albeit with little expertise to offer in these matters) does not believe punishing the UAE as a means of addressing human rights questions will be very effective. We suspect, again with little expertise at hand, that dialogue in the context of a healthy trade relationship is a better strategy.

The 'high risk, low return' argument

Second, the Association wishes to address the argument that uranium exports to the UAE are 'not worth the risk' because the uranium industry is only small and Australia's incremental exports to the UAE will only be a modest addition to overall exports.

The Association's first submission indicated that the industry is middle-sized in export terms.

The continuing operation of a world-wide nuclear power industry is evidence that nuclear power is not considered 'high risk' by the countries that deploy it.

Nuclear power is embedded in the world's economy and in the economies of many countries. Those countries deploy nuclear power for its benefits and put in place principles, policies and practices to manage risks associated with it. Nuclear-powered countries cooperate globally to enhance nuclear safety.

The provisions of the Australia/UAE treaty cover nuclear safety, indicating that Australia and the UAE jointly understand the need for commitment to and action on nuclear safety and have addressed that in the treaty.

We note that the Australia/UAE treaty also commits both countries to applying any changes to this treaty as a result of changes to other treaties governing nuclear safety (Article V (2)).

Given that uranium exports and nuclear power are not 'high risk', the idea of 'low return' by comparison has little to commend it.

That incremental exports of uranium to the UAE as a result of the treaty may be modest or that the Australian uranium industry is middle-sized in export and employment terms is not evidence of 'low return'. In any case, the commercial risk – the probable actual return against a company's internal rate of return and the factors that could account for any gap - is for uranium exporting companies to make judgements about.

The Association submits that the Committee should not be diverted by the 'high risk, low return' argument, which is merely a new way of prosecuting an old and discredited case.

Rather, the Committee should assess whether, as argued in the *National Interest Analysis* submitted by DFAT, the agreement meets the requirements of Australia's longstanding uranium export policy, 'enhances strategic bilateral relationships, as well as Australia's commercial position as a supplier of an important energy resource commodity' and whether it contributes to 'raising overall standards' for the peaceful use of uranium world-wide.

In the Association's view, the treaty meets all those tests of national interest.

Funding the nuclear inspection regime

Finally, there was a discussion at the 'roundtable' on 17 June about a levy on uranium producers to help finance a nuclear inspection regime.

Australia, through its financial contribution to the IAEA's budget, already financially supports the Agency's inspection regime. Through the payment of taxes and royalties, the uranium industry contributes indirectly to the Agency's inspection regime.

No party made any submissions about what a levy-financed inspection regime would look like, how it would be agreed internationally, how it would operate or how it would be put in place, let alone how much it would cost or whether and how the existing inspection funding might be utilised for such as system. There is no consideration of how the IAEA or the international community might respond to such an idea.

The Commonwealth, through general revenue, funds many international projects and organisations without hypothecating a tax on Australian companies that, in some way, are related to those activities. There is no reason why the uranium industry should be singled out by a discriminatory levy.

Yours sincerely

Michael Angwin
Chief Executive Officer
E: Michael.angwin@aua.org.au