



## **Australian Government**

Australian Government response to the  
Joint Standing Committee on Foreign Affairs, Defence  
and Trade report:

Australia's trade and investment relationship with  
countries of the Middle East

MARCH 2019

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## Introduction

The Australian Government thanks the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade for its report inquiring into Australia's trade and investment relationship with countries of the Middle East. The trade and investment relationship between Australia and the Middle East region is significant with many opportunities to increase economic links. The subcommittee's report provides some useful insight into ways the relationship can be strengthened to the benefit of Australia's business community and the community at large.

Many Middle Eastern countries are important trading partners for Australia. Our two-way goods and services trade with countries in the region was worth \$17.4 billion in 2017-18. These markets, while varied in their trade profiles, are significant for a variety of Australian exports, particularly agricultural products. The Gulf States are also a significant source of investment into Australia.

Key amongst the recommendations is an expanded diplomatic footprint in the Middle East to assist Australians and Australian businesses to operate in the region. The Government is already advancing this issue. Since the inquiry was launched, Australia has opened an embassy in Doha, Qatar, and established an embassy in Rabat, Morocco. The government has also opened an Austrade office in Tehran, Iran. The Department of Agriculture and Water Resources has also appointed a Counsellor (Agriculture) at the Australian Embassy in Riyadh, Saudi Arabia. This is a significant expansion of Australia's diplomatic and trade representative presence in the region.

Free Trade Agreements are an important driver of economic growth and employment. The government continues to advocate for the resumption of negotiations for the Australia-Gulf Cooperation Council FTA. The Australian Government notes the current tensions amongst members of this Customs Union which may affect prospects for concluding an FTA in the short term. However, increasing economic links with a key regional trading bloc will provide a strong foundation for increased trade and investment between Australia and Gulf Cooperation Council (GCC) countries.

**RECOMMENDATION 1**

The Committee recommends the Department of Agriculture and Water Resources improve national coordination and oversight of halal certification to assist exporters find the most suitable provider of certification services, and also provide online access to the halal requirements in different Middle Eastern countries.

**RESPONSE TO RECOMMENDATION 1**

The Australian Government notes the recommendation. The Department of Agriculture and Water Resources (the department) has a role in halal certification of red meat and red meat products for export, including monitoring and compliance, as part of the Australian Government Authorised Halal Program (AGAHP). As part of this role, the department countersigns halal certificates for red meat exports with the religious certifiers. Trading partners do not require government export certification for halal other than red meat and certification for all other export products occurs under commercial relationships.

Exporters (and prospective exporters) are able to obtain information on halal requirements of different international markets through the department's Manual of Importing Country Requirements, which can be accessed at [www.micor.agriculture.gov.au](http://www.micor.agriculture.gov.au). Access to this database is free.

The list of Approved Islamic Organisations operating under the AGAHP (and the markets for which they are accredited) is publicly available on the Department of Agriculture and Water Resources' website at [www.agriculture.gov.au/export/controlled-goods/meat/elmer-3/list-islamic-halal-certification](http://www.agriculture.gov.au/export/controlled-goods/meat/elmer-3/list-islamic-halal-certification). The department updates this as necessary and changes to the list are notified as soon as possible to key industry stakeholders via market access advices, issued by the department.

The department's officers respond to all export-related enquiries, including enquiries about halal certification under the AGAHP. A dedicated mailbox (Halal.ExportMeat@agriculture.gov.au) for processing enquiries regarding halal certification of red meat is managed by the department.

The Government maintains strong engagement with Australian export industries and trading partners on the best way to manage halal certification for export markets in the Middle East.

**RECOMMENDATION 2**

The Committee recommends the Department of Immigration and Border Protection:

- benchmark its processes for the granting of international student visas with competitor countries;
- consider measures to simplify its international student visa process for applications from Middle Eastern countries who present a low immigration risk; and
- undertake a review of the simplified student visa framework reforms one year after its commencement to determine their efficacy.

**RESPONSE TO RECOMMENDATION 2**

The Australian Government notes the Committee's recommendations.

Australia's international education sector was valued at \$32.4 billion in 2018 (Australian Bureau of Statistics – October 2018).

The Department of Home Affairs (Home Affairs) plays a key role in supporting the Government's *National Strategy for International Education 2025* by maintaining competitive visa settings to attract genuine students and support the sustainable growth of the international education sector, while maintaining strong levels of integrity at Australia's border.

The Simplified Student Visa Framework (SSVF), implemented on 1 July 2016, was a major reform. The SSVF reforms:

- introduced online application lodgement for all student visas;
- simplified the application process;
- reduced the number of student visa subclasses from eight to two (a single Student visa (subclass 500) for all international students and a Student Guardian visa (subclass 590)).
- introduced a new single immigration risk framework to guide the level of documentary evidence or English language and financial capacity that a student needs to provide with their visa application; and
- allows students with the lowest immigration risk to access streamlined evidentiary requirements.

The SSVF is continuing to support growth:

- 378,292 Student visas were granted in 2017-18;
- as at 31 January 2019, there were 459,952 Student visa holders in Australia.

The Government endorsed an appraisal of the SSVF in 2018 which explored how the SSVF could be enhanced to ensure it effectively manages risks and supports the international education sector. Home Affairs, in consultation with key stakeholders in the international education sector, is currently implementing the recommendations of this appraisal.

### **RECOMMENDATION 3**

The Committee recommends that the Australian Government explore with the Government of Saudi Arabia whether the appointment of an independent auditor to monitor implementation of the Exporter Supply Chain Assurance System would meet Saudi Arabia's sovereignty concerns.

### **RESPONSE TO RECOMMENDATION 3**

Since the JSCFADT released its report into Australia's trade and investment relationship with the Middle East, the issue of independent auditing has been clarified with the Kingdom of Saudi Arabia (KSA) officials, by Australia's Agricultural Counsellor in Riyadh. This was achieved as part of a focussed program to address the KSA Government's concerns with the Exporter Supply Chain Assurance System (ESCAS).

The Department of Agriculture and Water Resources has approved ESCAS arrangements for the export of live sheep to KSA. However, no company has applied to export livestock to Saudi Arabia, nor does any company that currently holds a

livestock export licence have an approved export supply chain. Any licenced livestock exporter may make a formal application to have a new livestock export supply chain approved.

#### **RECOMMENDATION 4**

The Committee recommends that the Australian Government prioritise resumption of negotiations and conclusion of a comprehensive free trade agreement with the Gulf Cooperation Council.

#### **RESPONSE TO RECOMMENDATION 4**

The Australian Government agrees with the recommendation. We continue to pursue a GCC FTA given the trade and investment gains which could be made under an FTA. Free Trade Agreements are a key driver of economic growth and provide significant opportunities for Australian business and the broader community, ultimately creating more Australian jobs.

We note however, that on 5 June 2017, Saudi Arabia, the United Arab Emirates, and Bahrain ceased diplomatic relations with fellow GCC member Qatar and severed commercial relations. These actions are likely to prevent any further progress on an Australia-GCC FTA in the short term.

Nonetheless commencing FTA negotiations will remain a priority in our engagement with GCC countries and we will continue to advocate for the benefits of free trade, including in the context of the ambitious economic diversification plans being pursued in the Gulf.

#### **RECOMMENDATION 5**

The Committee recommends that, in the event the Gulf Cooperation Council (GCC) does not wish to resume negotiations on a free trade agreement by 2017, the Australian Government pursue bilateral trade, services and investment agreements with individual GCC member nations, and give priority to negotiating agreements with the UAE, Saudi Arabia, Kuwait and Qatar.

#### **RESPONSE TO RECOMMENDATION 5**

The Australian Government notes the recommendation. We will also continue to focus on bilateral channels to boost trade and investment levels with the GCC, including through ministerial and senior official visits to the Gulf.

Since the start of 2017, there has been a high tempo of senior ministerial visits to the Gulf. High level visits can have the effect of signalling that the senior leadership of Australia and Gulf countries endorse a strong trade and investment relationship and are the precursor to formalising individual agreements.

The inaugural Joint Economic Committee, a new economic cooperation mechanism with the UAE, our largest trading partner in the Middle East, was held in November 2017 in Sydney (see response to recommendation six). We have a Joint Ministerial Commission with Saudi Arabia (our second largest Middle Eastern trading partner) which brings together Trade and Investment and Agriculture ministers. In February 2018, the former Minister for Foreign Affairs, the Hon Julie Bishop MP, signed a Memorandum of Understanding with her Kuwaiti counterpart establishing broad-

based Senior Officials Talks between Australia and Kuwait. These talks, expected to be held for the first time in the first half of 2019, will cover the breadth of the bilateral relationship, including significant trade and investment interests. In addition, a regular dialogue at officials' level is held with the GCC Secretariat.

The former Minister for Defence Industry, the Hon Christopher Pyne MP, visited countries in the Middle East on a number of occasions to discuss defence export opportunities and the then Prime Minister, the Hon Malcolm Turnbull MP, visited the UAE in April 2017. The Minister for Agriculture and Water Resources, the Hon David Littleproud MP, visited Kuwait, Qatar and the UAE in May 2018.

The opening of a new embassy in Doha in November 2016 has provided a platform for boosting relations with Qatar, our third largest trading partner in the Middle East. Direct flights between Australia and the UAE and Qatar have been instrumental in our growing export trade to the Gulf.

#### **RECOMMENDATION 6**

The Committee recommends that the Australian Government propose the formation of a Joint Economic Committee with the UAE as a forum for:

- bilateral discussions on trade and economic issues;
- negotiations on a services and investment agreement; and
- developing a memorandum of understanding on innovation in sectors prioritised by the Joint Economic Committee.

#### **RESPONSE TO RECOMMENDATION 6**

The Australian Government agrees in principle with the recommendation. We recognise the importance of the UAE as a trading partner and continue to progress bilateral discussions on trade and economic issues. In particular, we recognise the potential economic gains to be made from new bilateral economic architecture with the UAE.

In November 2017, the former Minister for Trade, Tourism and Investment, the Hon Steven Ciobo MP, hosted his counterpart HE Mr Sultan Al-Mansouri, Minister for Economy, in Sydney for the inaugural Joint Economic Committee with the UAE. This new committee provided a practical mechanism for advancing our already dynamic trade relationship with the UAE. The inaugural meeting of this committee agreed to an ambitious agenda to improve commercial ties and discussed opportunities for closer engagement in key sectors, including investment, education, agriculture, aviation and tourism.

The Australian Government recognises the importance of the UAE as a partner for services and investment. However, we note the limitations of bilateral negotiations on these topics outside the framework of an FTA given that the GCC has competence for trade policy issues such as tariffs and customs policy.

The Australian Government supports in principle the recommendation on furthering the innovation agenda with the UAE, which was discussed as part of the inaugural Joint Economic Committee in November 2017.

Innovation is critical to ensuring future growth and a transition to a more diversified Australian economy. However, there may be alternative means to a memorandum of understanding that are better suited to advancing this goal.

**RECOMMENDATION 7**

The Committee recommends that the Australian Government investigate the potential benefits of negotiating double taxation agreements with Gulf Cooperation Council member countries. The Committee further recommends that priority be given to reaching taxation agreements with the UAE, Saudi Arabia, Kuwait and Qatar.

**RESPONSE TO RECOMMENDATION 7**

The Australian Government notes the Committee's recommendation. The relative merits and priority of double taxation agreements with Gulf Cooperation Council member countries will be assessed against the Government's other negotiation priorities, and in light of the Government's tax treaty commitments in response to the OECD/G20 *Base Erosion and Profit Shifting Project* recommendations.

**RECOMMENDATION 8**

The Committee recommends that the Australian Government pursue bilateral trade agreements with other Middle Eastern nations outside of the Gulf Cooperation Council, with priority given to Iran, Egypt, Morocco, Jordan and Israel.

**RESPONSE TO RECOMMENDATION 8**

The Australian Government notes the recommendation.

We recognise the requirement to prioritise our trade negotiation efforts within existing resources. The Government regularly reviews its trade priorities to identify markets which are of most potential significance and gain. When additional resources are available, markets such as those listed in the recommendation could be weighed against other prospective markets to ensure we best utilise our limited negotiation resources.

**RECOMMENDATION 9**

The Committee recommends that the Department of Foreign Affairs and Trade increase Australia's diplomatic representation in North Africa by opening a new post in Morocco that also covers Algeria and Tunisia, and opening Austrade offices in Egypt and Morocco.

**RESPONSE TO RECOMMENDATION 9**

The Australian Government agrees with the recommendation that diplomatic presence in the region should be increased.

In June 2017, Australia established an Embassy in Rabat, Morocco. The former Minister for Foreign Affairs, the Hon Julie Bishop MP opened the Embassy in Doha, Qatar in November 2016. These new embassies significantly increase the Department of Foreign Affairs and Trade's diplomatic presence in the Middle East region.

**RECOMMENDATION 10**

The Committee recommends that Austrade:

- seek to recruit staff with business experience;



- enhance the business acumen of its advisors by ensuring that staff training includes regular, on-the-ground engagement with small to medium sized exporters, and exposure to their issues and perspectives; and
- review the purpose and impact of charging a cost recovery fee per hour for its services to Australia's small and medium-sized enterprises when they seek advice on exporting, and examine whether doubling the initial two hours of free consultation would encourage more exporters to take Austrade's advice and thereby improve their export strategies and decision making.

#### RESPONSE TO RECOMMENDATION 10

Austrade recognises the importance of recruiting staff with business experience, particularly for Business Development Manager roles in its offshore offices and for export advisory roles onshore. Reflecting this, Austrade specifies relevant business experience as an essential or highly desirable job requirement, and staff in these roles are typically recruited from the private sector for their business experience, commercial networks and language skills.

A significant proportion of Austrade's engagement with businesses (both onshore and offshore) is with small and medium enterprises, reflecting the high priority that Austrade gives to assisting Australian SMEs to expand in international markets. Austrade will ensure that this priority continues to be reflected in its staff training programs and through its ongoing engagement with business.

While Austrade does charge for tailored services, Austrade also provides exporters with market intelligence and advice on general market conditions and requirements at no cost.

Austrade's fee-based services consistently receive positive feedback, with the service improvement study for the first quarter of 2017–18 showing that 93 per cent of Austrade clients (the majority of whom are SMEs) rated those services as 'good', 'very good', or 'extremely good', and 87 per cent achieved a commercial outcome as a result of working with Austrade.

#### RECOMMENDATION 11

The Committee recommends that the Australian Government continue Middle East-specific commercial promotion to showcase Australia's capabilities to supply high quality goods and services, such as food, education and tourism.

#### RESPONSE TO RECOMMENDATION 11

The Australian Government agrees in principle with the recommendation. The Australian Government supports the strategic promotion of Australia's capabilities to supply high quality goods and services, such as food, education, agri-tech and mining technology and services in the Middle East in order to maximise the return on investment to the Australian economy.

Austrade undertakes a range of Middle East specific promotions each year, in line with its annual market plans for the Middle East and North Africa region.

On 25 March 2018, the Government announced Australia's participation in the 2020 World Expo in Dubai, UAE. Expo 2020 Dubai will be the first World Expo hosted in

the Middle East, and is expected to attract around 25 million visitors from over 180 countries. This Expo is an opportunity to showcase Australian culture, ingenuity and innovation to the UAE, Middle East and the world. It will highlight the quality of our services sector and education system, agricultural products and credentials as a secure destination for investment.

Central to Australia's commercial promotion efforts is 'Australia Unlimited MENA', Austrade's annual flagship promotion event for the region. This program showcases Australian expertise and innovation through a series of events held across the Middle East and North Africa and focuses on sectors that support the development visions of the major markets and where Australia is globally recognised as being innovative.

Each year, Austrade also coordinates or supports Australian delegations to major sector-specific exhibitions in the region, such as Gulf Food in Dubai, the International Exhibition and Conference on Higher Education in Riyadh, and the International Defence Exhibition (IDEX) in Abu Dhabi.

Austrade's programs in the region are complemented by activities in Australia to raise awareness of opportunities in MENA-markets. Austrade's 'MENA Connection' seminar series is delivered with state and territory governments and industry bodies in capital cities across Australia.

#### **RECOMMENDATION 12**

The Committee recommends that the Australian Government encourage Middle East sovereign wealth funds to invest in Australia through a nationally coordinated marketing of Australia by federal, state and territory governments, including high-level visits to and from the Middle East to promote opportunities, and explain Australia's investment and taxation requirements.

#### **RESPONSE TO RECOMMENDATION 12**

The Australian Government agrees in principle with the recommendation. Austrade is the Commonwealth agency with responsibility for investment attraction, promotion and facilitation. Austrade also works with DFAT and the states and territories through officials-level meetings to help coordinate the overseas investment promotion work of all Australian jurisdictions, including across the Middle East.

Over the past four years Austrade has worked on assisting relevant federal and state ministers to undertake investment meetings with key investors, in particular with the Sovereign Wealth Funds in the GCC.

Australia is considered to offer low-risk, stable returns. Interest from Middle East investors in Australia as an investment destination has been steadily increasing, particularly in relation to long term assets such as infrastructure.

Austrade's plans for investment promotion in MENA markets prioritise targeting sovereign wealth funds and high net worth individual investors who are looking further afield for stable investments.

Additional activities are underway to explain Australia's investment and taxation frameworks to key investors – including sovereign wealth funds – in the region,

including visits to the region by Treasury and senior Austrade investment officials. Austrade will continue to deliver investor outreach seminars and arrange introductory meetings for key investors.

### **RECOMMENDATION 13**

The Committee recommends that the Department of Agriculture and Water Resources expand its counsellor network in the Middle East by posting an agricultural consul in Iran to assist food exporters gain greater access into this market.

### **RESPONSE TO RECOMMENDATION 13**

The Australian Government notes the recommendation. The Agricultural Competitiveness White Paper (2015) provided funding for an additional five agricultural counsellors to be placed overseas in key priority markets, boosting agricultural representatives to a total of seventeen. These additional agricultural counsellors were deployed in January 2016 and included an additional agricultural counsellor in Saudi Arabia to supplement Consul (Agriculture) Dubai. The placement recognises the importance of the Middle East market, and builds on our existing representation based in Dubai.

On 8 May 2018, the Government announced the continuation of funding for the five counsellors funded through the Agricultural Competitiveness White Paper and the expansion of the department's overseas network by a further six counsellors. The new positions will complement the department's existing overseas network and will be placed in locations where Free Trade Agreements have recently been finalised or are being negotiated to maximise the potential gains for Australian producers. Locations for the new counsellors will be determined following extensive consultation with industry, other government agencies and host countries.

Consul (Agriculture) Dubai has overall responsibility for Iran as well as other Middle East markets not covered by the Counsellor in Saudi Arabia. Consul (Agriculture) Dubai assists food exporters gain greater access into the Iranian market through facilitating new or improved market access for Australian agricultural products and works closely with industry peak bodies and the Iranian Government on the opportunities in Iran.

### **RECOMMENDATION 14**

The Committee recommends that the Department of Education and Training expand its overseas counsellor network into the Middle East by posting an education consul in Saudi Arabia.

### **RESPONSE TO RECOMMENDATION 14**

The Australian Government notes the recommendation. The Department of Education and Training reviews, from time to time, its international counsellor network to ensure the strategic placement of our counsellors in overseas locations that will diversify our key student markets and capitalise on growth opportunities. The recommendation by the Trade subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade will be considered within this context and subject to budget considerations.

**RECOMMENDATION 15**

The Committee recommends Tourism Australia reverse removal of the \$250,000 Middle East marketing campaign allocation to better promote Australia as a family-friendly tourism destination for tourists from the Gulf states.

**RESPONSE TO RECOMMENDATION 15**

The Australian Government notes this recommendation. Tourism Australia's global marketing strategy supports the objective of the Tourism 2020 national tourism policy: to grow the annual value of the Australian tourism sector to between \$115 billion and \$140 billion in overnight visitor expenditure. Tourism Australia focuses its global marketing resources on markets which represent the greatest potential growth out to the year 2020. While visitation from Middle East countries is growing, current priority markets are the Asian region, North America and Europe.

Tourism Australia's delivery of its global destination marketing campaigns via its digital and social media channels, distribution platforms such as the Australian Tourism Exchange and Aussie Specialist Program, as well as through its partnerships with Middle East based airlines, such as Etihad Airlines and Qatar Airways, currently reach travel consumers in the Middle East market. Tourism Australia will continue to monitor consumer travel behaviour and visitation growth forecasts for Middle East markets to determine any future marketing investment in this region.

As noted in response to Recommendation 11, the Australian Government announced on 25 March 2018 Australia's participation in Expo 2020 in Dubai. Expo 2020 Dubai will be the first World Expo hosted in the Middle East, and is expected to attract around 25 million visitors from over 180 countries. It will be an opportunity to increase tourism promotion in the Middle East and to showcase Australia.

**RECOMMENDATION 16**

The Committee recommends that Tourism Australia open a representative office in the Gulf states to better coordinate tourism marketing campaigns for Australia with airlines based in the UAE and Qatar, and Australian carriers.

**RESPONSE TO RECOMMENDATION 16**

The Australian Government notes the recommendation. Tourism Australia will continue to monitor the growth of visitation and expenditure from the Middle East and determine whether forecast growth rates support the investment of public funds in establishing a representative office in the Middle East. Tourism Australia currently partners effectively with key Middle East based airlines and Australian carriers on its global destination marketing campaigns.

**RECOMMENDATION 17**

The Committee recommends that the Australian Government undertake a joint study with state and territory governments of Australian trade promotion efforts in the Middle East, with a view to making reforms that will ensure a better coordinated, unified and coherent approach to promoting Australia's commercial interests in the Middle East region.

RESPONSE TO RECOMMENDATION 17

The Australian Government notes the recommendation. The Australian Government has a range of mechanisms to help coordinate the trade and investment promotion efforts of state, territory and federal government agencies across all markets.

Austrade coordinates a ministerial-level framework through the Trade and Investment Ministers' Meeting, officials-level meetings of the Senior Officials Trade and Investment Group (SOTIG), as well as two specific working groups: the National Investment Advisory Board (NIAB) and the National Trade Working Group (NTWG). These fora provide important avenues to improve coordination between jurisdictions on trade and investment promotion, and to pursue reforms which cross jurisdictional boundaries.

RECOMMENDATION 18

The Committee recommends that the Australian Government, in collaboration with state governments, review the adequacy of rail sidings, grain loading facilities and railway track conditions on strategic freight train routes, with a view to making a joint submission to Infrastructure Australia for funding improvements to raise the productivity of grain exporters.

RESPONSE TO RECOMMENDATION 18

The Australian Government notes the recommendation. The Government remains committed to developing Australia's export supply chains in agriculture and other strategic sectors. Growing the viability of grain rail transport by increasing load rates at country receiver sites, extending sidings, addressing 'last mile' inefficiencies, and lifting weight and speed restrictions are logistical issues which must be tackled cooperatively between the Australian and state governments, primary producers and private sector operators.

While the states have primary responsibility for the regional rail lines within their borders, the Government is committed to ensuring the interstate network, into which regional lines generally feed, is able to provide a high quality and efficient connection to capital cities and ports. This includes a commitment to develop the Inland Rail project between Melbourne and Brisbane, via regional New South Wales. The project will enable faster and more efficient export market access for producers, especially for large-volume grain harvests, as well as opportunities to develop new private investment in logistics and grain handling infrastructure adjacent to the rail line.

In addition, the Government has partnered with Western Australia to invest \$113.1 million in their grain rail networks and has committed \$240.2 million to upgrade the Murray Basin Rail Network in regional Victoria. This investment will assist jurisdictions to arrest a decline in grain rail market share by lifting the infrastructure quality on economically viable lines out of a downward spiral.

Infrastructure Australia is an independent statutory body which provides research and advice to all levels of government as well as investors and owners of infrastructure. Infrastructure Australia assesses projects to determine if they have potential to meet an identified infrastructure need and reviews assumptions underlying costs and benefits. Specifically, Infrastructure Australia assesses projects based on strategic fit,

deliverability and an economic evaluation. Infrastructure Australia does not make recommendations on funding, nor does it provide funding for projects.

While Infrastructure Australia does not make direct recommendations to the Government, its evaluations are considered in addition to the advice received from the Department of Infrastructure, Regional Development and Cities as part of the Government's broader decision making process when prioritising projects for funding. More information on the role of Infrastructure Australia can be found on their website. The Government welcomes states making submissions to Infrastructure Australia on nationally significant infrastructure projects, including projects aimed at raising the productivity of grain exporters.