



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE

(Trade Subcommittee)

**Reference: Expanding Australia's trade and investment relationship with the  
economies of the Gulf States**

MONDAY, 29 MARCH 2004

CANBERRA

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## JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

### Trade Subcommittee

Monday, 29 March 2004

**Members:** Senator Ferguson (*Chair*), Mr Brereton (*Deputy Chair*), Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, Marshall, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

**Subcommittee members:** Mr Baird (*Chair*), Senator Cook (*Deputy Chair*), Senator Eggleston, Senator Ferguson (*ex-officio*), Mr Bevis, Mr Brereton (*ex-officio*), Mr Hawker, Mr Jull, Mrs Moylan, Mr Nairn, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

**Senators and members in attendance:** Senator Eggleston, Senator Ferguson, Mr Baird, Mr Jull, Mr Nairn, Mr Prosser, Mr Scott and Mr Thompson

#### **Terms of reference for the inquiry:**

To inquire into and report on:

Expanding Australia's trade and investment opportunities and relations with Bahrain, Iran, Kuwait, Oman, Saudi Arabia, Qatar and the United Arab Emirates.

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**Subcommittee met at 9.33 a.m.**

**CORRIGAN, Ms Marilyn, Project Officer, Europe, Middle East and Africa, International Liaison Unit, Austrade**

**ELIASON, Mr Philip, Manager International Liaison, Europe, Middle East and Africa, Austrade**

**FORBY, Mr Peter, Senior Trade Commissioner, Riyadh, Austrade**

**LYONS, Ms Margaret, Director, Corporate Services, Austrade**

**CHAIR**—On behalf of the Trade Subcommittee, I welcome the representatives from the Australian Trade Commission. The subcommittee prefers that all evidence be given in public. Should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request, as you all know. Do you have any comments to make on the capacity in which you appear?

**Mr Forby**—I have responsibility for Saudi Arabia, Kuwait and Bahrain.

**CHAIR**—Did you just happen to be back at the moment?

**Mr Forby**—Yes.

**CHAIR**—That is fantastic; that is great. I declare open this first public hearing of the inquiry into expanding Australia's trade and investment relationships with the Gulf states, conducted by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. We will be examining our trade and investment relationship with seven countries, namely Bahrain, Kuwait, Oman, Saudi Arabia, the United Arab Emirates, Qatar and Iran. Of particular interest to the inquiry is the nature of Australia's existing trade and investment relationship with the region and likely future trends in these relationships. Further, the committee will be looking at the role of the government—particularly the Department of Foreign Affairs and Trade, Austrade and the Export Finance and Insurance Corporation—in assisting Australian companies to win business in the Gulf states. We hope that our inquiry will lead to a better understanding of the Gulf states and an expansion of trade and investment.

Although the subcommittee does not require you to give evidence under oath, I should remind you that these hearings have the same status as legal proceedings of the parliament and therefore have the same standing as proceedings in the respective houses. The subcommittee has one submission from Austrade, submission No. 8. I now invite you to make an opening statement before we proceed to questions.

**Ms Lyons**—Our submission, I think, is fairly sharp and to the point. Certainly it addresses the terms of reference that the committee currently has. There are just a couple of things that I was going to draw to your attention. Perchance we have in Australia our senior trade commissioner for Riyadh, who has responsibility for a couple of other of the Gulf states. We in Austrade are very conscious of spending taxpayers' dollars, so when we knew we had to come before the committee we looked around to see whether there was somebody from the region who was going

to be here rather than us getting somebody out. Quite fortuitously, Mr Forby was here. He is here to take any questions in relation to on the ground Austrade activities in the region.

Most of you would be aware that from 1 July last year Austrade's overseas network was restructured from six regions into four, and we now have a region that is Europe, the Middle East and Africa, which is headed up by John Finnin, and the Gulf states are within that particular region. There are three other regions: North-East Asia; the Americas; and South-East Asia, South Asia and the Pacific. In the Middle East, Austrade currently have seven offices. Within the Gulf states we currently have three and a trade consultant in Oman. So there are four places where Austrade are represented. Mr Forby can expand on that. It is an area that we believe has a great deal of potential as a market.

**CHAIR**—Oman or the region generically?

**Ms Lyons**—The Gulf states and the Middle East in general. We are constantly looking at the resourcing that we are putting into that part of the world, with a view to focusing on those markets that we think have the greatest potential. Austrade's services in that region are very similar to those that are delivered throughout the world, primarily looking at market opportunities to be fed back here so that Australian businesses can take advantage of those opportunities in order to become exporters. In our quest to double the number of exporters by 2006, that becomes an ever-increasing focus for us. Mr Forby will probably talk to you in greater detail than I, but the security situation in the world has meant that Austrade in the past two years has had to look at very innovative ways of trying to get products and services to markets. Certainly Mr Forby will be able to enlighten you on some of the quite innovative ways that we have of getting Australian businesses' products to interested buyers in the Middle East market, which is a primary area of security concern. With those opening remarks I might hand over to Mr Forby to give you some more detailed information about the Gulf region.

**CHAIR**—May I say we appreciate the assistance that Philip Eliason gave in the early stages of trying to establish this program. It was very helpful; thank you for that.

**Mr Forby**—If you like, I will give you a quick overview of the Gulf region, just to put it in context. Obviously I am based in Riyadh, in Saudi Arabia, so I do not claim to be an expert on everything happening in Iran or in Oman. The region is a very fast growing region, with very young populations. In Saudi Arabia, for example, the population is 22 million people. So it is a similar size to Australia. The major difference is that in Saudi Arabia 50 per cent of the population is under 15—quite the opposite to our country—

**CHAIR**—What percentage?

**Mr Forby**—Fifty per cent, and they say 70 per cent is under 20. it is a very fast growing population, with 3.5 per cent growth per annum. That could be said of the entire Gulf—it has very fast growing populations. These fast growing populations are creating enormous pressure on the government services sector, particularly health and education. There are also quite high unemployment levels throughout the region. A number of the governments in the Gulf have implemented programs to try to overcome this pressure and have introduced nationalisation programs to employ national people rather than imported workers, if you like. For example, in the health sector in Saudi Arabia, 80 per cent of medical professionals are expatriates. So they

are looking to increase the number of Saudis who are employed in the health sector. As part of that, one of the reasons I am in Australia at the moment is that I brought a delegation of Saudi health officials to Australia to talk to the royal colleges, teaching hospitals, universities, various government agencies, the New South Wales Medical Board and Victorian health about how we can assist with some of their training requirements for their physicians and technicians to overcome this pressure.

**CHAIR**—How are we going in terms of selling medical tours here so that people who want operations come to Australian hospitals? I understand that there are a whole lot of hospitals that are interested in becoming part of such a program.

**Mr Forby**—I do not know whether we have done much in that area at this stage. The health sector, as you know, covers an enormous stream of both training and education. Then you have equipment supply and services being delivered in Australia as such. I think there are enormous opportunities right throughout the health sector.

**CHAIR**—Senator Eggleston—or Dr Eggleston—is the man who would know about that. There was a consulting firm in my electorate that was putting together programs with a whole number of hospitals that felt they had spare capacity—mainly private hospitals, for obvious reasons. It seemed to have a lot of potential. Apparently they used to all go to the States or the UK. Since recent events that has not necessarily been the case.

**Mr Forby**—I think it is fair to say that throughout the region they have traditionally looked to the United States or to Europe for products and services. They are now looking for alternatives. They are looking for other options for a number of reasons, including the strength of the euro, 9-11 and the war on terrorism, and relationships with other countries. They see Australia as a provider of high-quality services and products, so they are looking to us as an alternative supplier of products and services. They are looking in other areas, of course. For example, with health training they do a lot of it at the moment in Canada. Canada just cannot cope with their requirements, so they are looking for alternatives to Canada. So, yes, there are opportunities.

**Senator EGGLESTON**—Why did they go to Canada? Did the Canadians just get in first or something?

**Mr Forby**—They have been there for 22 years. They established this relationship 22 years ago. I do not know on what basis they established that relationship, but it is a longstanding relationship that they are very happy with. The Canadians are training their physicians to become specialists or sub-specialists and to a level that they require. They have tried other countries as well and have not been satisfied with the level of training that has been received. They are quite particular that they do not want special programs. They want programs which are exactly what an Australian would get in Australia or a Canadian would get in Canada. They do not want a special program where someone gets their certificate based upon, basically, attending. I do not know why that relationship initially started, but it is 22 years old. So it is a long time.

**CHAIR**—But you have heard about this company that is trying to put together the package of hospitals?

**Mr Forby**—No, I have not, to be perfectly honest with you.

**CHAIR**—Perhaps we will try while you are here to follow up on that.

**Mr Forby**—There are high unemployment levels and young populations coming through and placing enormous pressures on the service sector. The government is introducing privatisation programs to encourage private investment in education and health. Again, that opens up enormous opportunities for Australia to become more involved. Also, as you know, they are largely oil based economies, so they are looking to diversify from the oil sector. In a place like Saudi Arabia, the oil and gas sector will dominate for a long time, but a place like Dubai is definitely moving more towards becoming a financial hub, a tourism hub and a health and education hub. There are quite a lot of changes happening there at the moment, so it is a very exciting time to be there.

As I said, they are looking for alternative suppliers. As senior trade commissioner in Riyadh, I can say my major challenge is changing people's perceptions in Australia about what the kingdom has to offer in terms of business opportunities and changing Saudi Arabian perceptions of what Australia, rather than traditional suppliers, has to offer—like health hubs and education hubs. We are very good at selling automobiles to the Gulf and we are very good at selling rural commodities like wheat, meat and livestock and dairy products. It is about changing those perceptions.

In terms of how we are trying to capture this bubbling opportunity, I think we have changed the way we operate in the Middle East slightly. We now operate very much as a region. Dubai is obviously the hub for the region, so our senior trade commissioner in Dubai acts as the Middle East senior trade commissioner with an overview of the region. We have implemented a number of initiatives to try and identify the best markets for Australian companies. For example, we get approached by a lot of companies which are interested in going to Dubai to sell their products and services, and they want a quick market assessment by Austrade of the likelihood of success, whether there is a market and those sorts of things. We have implemented changes so that that inquiry is distributed among the several posts in the region. When someone says, 'I'm interested in selling my product to Dubai,' we can say, 'Dubai may not be the best entry point for you in the region,' and each of our offices would do a quick market assessment on that product and give feedback to a central point. We can then go back to the client and say: 'You expressed interest in coming to the Gulf. You expressed interest in Dubai. We have looked at each of the markets in the Gulf and we think your best entry point may be Amman in Jordan,' because we have identified an opportunity there. So we are thinking much more regionally rather than by individual posts.

Dubai has quite major trade shows for the region, so rather than bring people from Dubai to Riyadh, for example, I would send one of my business development managers, with some Saudi Arabian businessman, to a trade show to meet an Australian delegation. We then offer the Australian delegation regional presentations on what is happening throughout the region rather than just in Dubai. That gives them a chance to meet buyers from all around the region rather than just from Dubai and it also gives the buyers a chance to meet a lot of Australian companies which they may not have met. We are using the hub mentality. Each office has what we call a regional industry leader, who has responsibility for a sector throughout the region. For example, one of my staff is the automotive industry specialist, and he has an understanding of the automotive sector in each of our markets in the Middle East so that he can act as a referral point for the entire region. We basically have that in every sector. That is working effectively. We



obviously have standard presentations that people can use when they come to Australia and things like that.

We also use regional videoconferencing. We had a successful one for airports recently. There is a lot of airport development there. Dubai is building its third terminal and that is a major development. Bahrain is about to extend its airport. Kuwait is about to extend its airport. I think Qatar might be as well, and Jeddah is looking at it. There is a lot of development in the airport sector, so we have put together a brief on all these opportunities throughout the region. We have put together a group of companies in Australia which are interested in airport project development. They can have a videoconference to talk about the opportunities throughout the region. We are using those sorts of things.

We are also trying to take advantage of what we believe will be some significant traffic through the region to Europe for things like the Athens Olympics. Businesspeople may be going to Athens and then to Europe and may be utilising some of the Middle Eastern carrier companies—like Emirates Airlines, Katara, Gulf Air, Qatar Airways and Middle East Airlines—and we will try to see if we can encourage them to stop off in the Middle East and meet with some buyers in the market, so that is another initiative that we have implemented. Obviously we are still doing the usual things that we have always done: bringing buyers to Australia and encouraging people to come to the region. That gives you a broad view of what we are doing regionally. Obviously we are working closely with our allies in the region. Australian Education International have established a new representative in Dubai, Lea Sublett, so we work with her to identify the education opportunities throughout the region. State governments—the Victorians, the Western Australians and the South Australians—have representatives in Dubai as well, so we assist them with their missions and with opportunities for them. We work with the defence attaches. The Australia Arab Chamber of Commerce and Industry and the Council of Australian Arab Relations are organisations we deal with closely. In fact, the Council of Australian Arab Relations assisted with our program for bringing these Saudi Arabian health officials to Australia. That proved very effective. I hope that gives you a general feel for the region.

**CHAIR**—I will ask a couple of general questions before I ask my colleagues, starting with Mr Jull, to proceed to their questions. What would you see as the key markets for Australia if you had to rank them? Obviously, we are right in the throes of planning this. We thought we knew where we were going but we are still meeting this afternoon to finally determine it for our visit, so this will give us a feel for where you believe at this stage there is the best potential.

**Mr Forby**—To give you an idea in terms of economies and opportunities, I think Saudi Arabia is by far the biggest market in the region. It dominates the region.

**CHAIR**—Does it necessarily follow that it is the No. 1 opportunity for Australia?

**Mr Forby**—It does not necessarily follow. Dubai is quite active in its development; there is amazing growth in Dubai. If you travel to Dubai, every time you go there there is another 40-storey building, and they are very aggressive in promoting Dubai and what Dubai will be. I think it is the third largest regional hub in the world now, behind Hong Kong and Singapore.

I suppose each of the markets offers different opportunities for different people. The reason I say that is I am very keen on Bahrain. I am keen on Bahrain because it is an ideal country for very small Australian companies. Whereas Saudi Arabia is a large economy and dominates the region, Bahrain offers niche opportunities for small Australian companies. It is a small market of 350,000 people, so in terms of a small company testing whether their products or services are saleable in the Middle East I think Bahrain is a good litmus test for the Middle East. The Saudi Arabians go there regularly for weekends and holidays. It is very Arabic in its nature. There is an expatriate population. But Bahrain is smaller. It is difficult to say which market offers the most potential, because they all have unique features. Qatar has got the Asian Games in 2006, so there are opportunities in the infrastructure area there as well as in airports and sport related activities. There are enormous opportunities there. Oman is starting to promote itself as a tourism destination, so there are opportunities for tourism. They all offer opportunities. It is just depends on what opportunity you are looking for. As I said, Kuwait sees itself as an entry for Iraq. It also appears to be recovering and trying to re-establish itself as a major centre in the region after having been a little bit cautious about investment in the country. There is enormous growth in Kuwait as well, so right throughout the region there are enormous opportunities and enormous growth.

**CHAIR**—And Iraq?

**Mr Forby**—I have not actually had anything to do with Iraq, to be perfectly honest.

**Ms Lyons**—Perhaps I could give you a little bit of information, Chair.

**CHAIR**—Sure.

**Ms Lyons**—Until December last year we had a trade commissioner—who was not based in Baghdad but in Amman—and we have been endeavouring to replace him. We have in fact found a replacement—somebody who will go into Baghdad, we hope. But we have been targeting Iraq outside Baghdad, because as you would appreciate the security situation in Baghdad has been quite difficult. Having said that, the person who will go into Baghdad will primarily concentrate on looking at opportunities that arise out of the project management office in the CPA. But we will still have somebody based in Amman who will also, as part of their brief, look at those areas in Iraq outside Baghdad, because it is very difficult to get around the country.

**CHAIR**—You have one at the office in Jeddah, the full office in Jeddah?

**Mr Forby**—He operates from a virtual office.

**CHAIR**—So where is yours?

**Mr Forby**—Riyadh, the capital. I have one of my staff members based in Jeddah.

**Ms Lyons**—It is what we call a sub-office.

**CHAIR**—How many do you have in Riyadh?

**Mr Forby**—There are eight of us altogether—me plus six and one in Jeddah.

**CHAIR**—How many in Oman?

**Mr Forby**—There is a trade consultant in Oman who is attached to the Dubai office.

**CHAIR**—And Dubai?

**Ms Lyons**—If you look at attachment A to the submission, we have set out a structure that gives you the numbers and the names of the people who are there.

**CHAIR**—Thank you.

**Mr JULL**—There are a couple of things I would like to clear up. One is the attitude towards Australia in that area now, because you were speaking of the security situation. Are we still regarded as being neutral?

**Mr Forby**—I do not know if we are regarded as being neutral, but I do not think there are necessarily any negative perceptions about Australia. I think Australians are well regarded in terms of the way in which we do business and our reputation for doing business. I do not think there are any negative perceptions about Australia.

**Mr JULL**—You also mentioned the role of the states—and there are city to city arrangements as well. I think your words were that you look after them or tend to help them. Are some of the activities of the states more a hindrance than a help?

**Mr Forby**—I do not think they are a hindrance, no. I think they have a specific role to help companies based in their states, and we work with them when they require assistance from Austrade. In some cases, they do not need assistance from Austrade.

**Mr JULL**—And they do not cause any confusion within the marketplace?

**Mr Forby**—I am not sure; I do not think so. I think people are aware that there is the Australian federal government and then there are individual states that have responsibilities.

**Mr JULL**—What about the city to city relationships? My electorate covers the Gold Coast, so we hear about the relationship between the Gold Coast and Dubai all the time and the alleged tremendous benefits that come from that. Is that a fair assessment? Do we have enough of those city to city relationships? If the Gold Coast is successful, are there any other Australian cities that might be regarded as being successful?

**Mr Forby**—I did not realise there was a city to city relationship with Dubai and the Gold Coast. Being based in Riyadh, I was not aware of that. I think any relationship that can be established that is going to build a bridge, if you like, and change perceptions is a good one. I think there are enormous benefits for the Gold Coast, for example, in terms of tourism from the region. Quite a lot of Saudi Arabian businesspeople I meet do come to Australia now and do go to the Gold Coast for their holidays, so I think there is a growth area there—and also in terms of investment.

**Mr JULL**—I suppose the purpose of asking that was tied into the next question, which is: are Australian businesses not confident about or even scared of trying to do business with the Middle East?

**Mr Forby**—I do not think so. I think it just gets down to knowledge of what the options are and I suppose each business has to determine where it can best allocate its resources to achieve its requirements. Some will say that at this stage they would prefer to go to Singapore than Dubai. It does not mean that they are necessarily scared of the region; it may just not be on their radar at the moment.

**Mr JULL**—A year or two ago the foreign affairs committee came back through Dubai and we had a number of meetings with the Australian operators and the rest of it. They seemed to be a very large and enthusiastic group in Dubai—and very confident about the future. Is that replicated in the other centres in the Gulf States?

**Mr Forby**—In terms of the confidence—

**Mr JULL**—In terms of Australians operating in those areas—getting together and almost becoming their own promotional vehicle on the ground within that city.

**Mr Forby**—There are not too many Australian companies based in Riyadh, as such, or in Saudi Arabia. But in Bahrain there is some Australian presence. For example, the chief executive officer of Gulf Air is an Australian; the chief executive officer of ALBA, the large aluminium plant there, is an Australian; the No. 2 of BAPCO, the petroleum company, is an Australian; and I deal with a number of other Australians with smaller companies. So they are very keen to promote Australia in that region and there is a positive thought process there that Australia can operate in this market.

**Mr JULL**—How important is the advent of the airlines beginning their services to Australia? How important has that been in establishing our presence? More importantly, can it be related directly to any major lift in trade in any particular commodities?

**Mr Forby**—I think the link is very important because, again, it will make it much more accessible. If you can fly non-stop from Sydney to Dubai in 14 hours, both for an Australian travelling there and also for someone travelling from the region to Australia, it takes away the distance factor to a certain extent. In terms of building trade in a particular sector, I am not sure that you could say one particular sector would benefit from it. Most of all, tourism might.

**CHAIR**—I suppose it is not only Emirates with direct flights but it is Gulf Air and Qatar.

**Mr Forby**—Qatar are about to start their daily flights as well.

**Mr JULL**—Have they made much of a difference in the lifting of air freight?

**Mr Forby**—I am not sure of the figures, to be perfectly honest.

**Mr JULL**—When that group was coming through from Afghanistan via Dubai, one of the criticisms from them in the meetings we had—and Austrade's fellow was down from Bahrain—

was that parliamentary delegations do not go through the area enough, principally because there are not any parliaments in our sense of the word and so there is no real opportunity. Is there a greater role? The fellow from Bahrain was keen that we hop on a plane, there and then, and go up and speak to government people in Bahrain on the spot. Are there opportunities to use parliamentary committees in some of those areas to help in the general promotion of trade and image?

**Mr Forby**—I think that any official visit to the region is appreciated in the region. When you meet the ministries it shows a commitment by Australia to the region. It says, ‘Yes, we are keen to do business with you and we are sending official delegations.’ I think that is regarded highly by the various ministries and by the country.

**Mr JULL**—Are there any difficulties with the banking systems in those Middle Eastern countries as far as Australian companies are concerned, or does that all work well?

**Mr Forby**—I think there are letter of credit facilities.

**Mr PROSSER**—Do they recognise LCs?

**Mr Forby**—Yes. A lot of the major banks are represented right throughout the region—Hong Kong Shanghai Banking Corporation and Standard Chartered Bank. A number of major banks are there.

**Mr PROSSER**—Peter, before I get on to the questions I have in mind, you mentioned a moment ago the need to change perceptions. What perceptions, and how do we change them?

**Mr Forby**—An example is distance. Australia is a long way away, people say to me quite regularly, and I say it is a long way away but with current flights you can get there within 14 hours. There is a perception that we are a long way away. Also there is the perception that Australia has been successful in the region with probably large ticket items, if you like—automobiles, meat and livestock, dairy products and those sorts of things. But I have been trying to ensure that they are aware of our innovativeness. So I quite often say to them that Australia has had to adapt to a very harsh dry environment with isolated communities, which is very similar to a place like Saudi Arabia where I am based. So the technology that we have developed, or the products and services we have developed, can operate in our environment so they can operate in their environment as well. So we are very technologically advanced and so I am very keen to showcase some of Australia’s innovativeness. There is still not a great knowledge of how innovative we are and, likewise from Australia, I am not sure whether Australian business is aware of the opportunities in the Gulf. I think that is changing with Dubai and with the Emirates Airline. I think it is making people look to that region much more, and then from Dubai they will look beyond that as well—they are the sorts of perceptions.

**Mr PROSSER**—You have mentioned also that you have a person focused particularly on the automotive industry, and in every case we list motor vehicles. When we were there on that trip that Mr Jull mentioned, the Holden Statesman was not badged as the Holden Statesman. How can we change the perception, when the punters over there do not even recognise that these are Australian produced cars? They operate very well in their very harsh environment, particularly

in Kuwait where it was 52 degrees. I bet European cars would have trouble operating in that environment, and ours do not. Are you going to change every badge to a Holden personally?

**Ms Lyons**—I think they are generally commercial decisions that Holden has to make. They are a bit out of our control.

**Mr PROSSER**—But how do we change perceptions, when the cars that we make are badged basically as American cars?

**Mr Forby**—But people actually do know that—more and more people do know that they are made in Australia and that the Toyota Camry is made in Australia and that the Mitsubishi Magna may come from Adelaide. But that is something I cannot control.

**Mr PROSSER**—I was surprised at the figure that 50 per cent of the population are under 15 years of age. Where are they going to find jobs and what are the governments going to do in regard to their host workers?

**Mr Forby**—That is a challenge for the governments.

**CHAIR**—Is that in the Gulf region overall or Saudi Arabia?

**Mr Forby**—No, that is a figure for Saudi Arabia. But the figures are very similar throughout the region. I think in Iran it is a similar figure. Where are they going to find jobs? These nationalisation programs are all about training their citizens to take over roles which have traditionally been filled by expatriates, and so the challenge for the government is to get as many people trained as quickly as possible to take over those roles. Those expatriates will then have to find alternative employment.

**Mr PROSSER**—At what age do they generally leave school?

**Mr Forby**—At a similar age to us.

**Mr PROSSER**—That tells me that they have a really big problem. They have got about two or three years to fix the problem and then they could have a huge problem.

**Mr Forby**—There are definitely enormous challenges facing them and they are aware of that.

**CHAIR**—They have a different demographic challenge to ours, which is at the other end.

**Mr Forby**—Yes. The average size of a Saudi Arabian family now is just over six, so it is quite large.

**Mr CAMERON THOMPSON**—I wonder generally about our profile in the region, with the increased number of flights and the thing over the weekend about Syria. It just seems that our profile in the region is going up. Would you agree with that?

**Mr Forby**—As I mentioned earlier, I think in the region they are looking for alternative suppliers of products and services, due to a number of factors. I think the introduction of more

daily flights from the region to Australia means that more people will probably be looking at Australia as a tourism destination or as a place to come and look at doing business. I would like to think our profile is being lifted. It means I am doing my job.

**Mr CAMERON THOMPSON**—Is there more coverage of Australia? Is there any acknowledgement of Australia in the media? Is there any change in attitude towards Australia in the media?

**Mr Forby**—To be perfectly honest, Australia does not receive too much coverage in the media. The media tends to more domestic, based on Saudi Arabia, with a couple of pages on international major events. There inevitably is a page on India and Pakistan, because of all the expatriate workers who are probably interested in what is happening in their home countries.

**Mr Eliason**—On that point about media and coverage, recently outside this region, in Egypt, one of the main English language magazines carried an extensive story on Australia that was put together by a journalist, the embassy and Austrade. They provided background research, quotable quotes and so on. I mention that just to say that the Council for Australian-Arab Relations also has a media visitors program, which is funded by the portfolio department, the Department of Foreign Affairs and Trade. They have a program of bringing media visitors to Australia to help directly inform writers and editors in the Gulf about Australia—as well as those from the headquarters of international Arabic language magazines published out of London.

**Mr CAMERON THOMPSON**—Are there really good platforms there that we can use to more adequately promote Australia? Are there publications there that have decent reach that we could, for example, use to promote a greater awareness?

**Mr Forby**—From a business point of view we tend to operate a lot through the chambers of commerce—the Riyadh Chamber of Commerce, the Bahrain Chamber of Commerce. For example, I had a small exhibition in Bahrain recently where we promoted new Australian products and services, for new exporters who have never exported before to showcase, again, Australia's innovativeness. So the Bahrain chamber wrote to all of their members and said, 'We have an Australian display today.' That received quite a good response. We are going to do something regionally from Bahrain, Saudi Arabia and Kuwait, with both existing and new exporters. Again, we will promote those through the chambers themselves. We will probably do some media as well, in terms of advertisements and possibly some press releases as well. The ambassador has agreed to open each of the exhibitions so we will get some media attention from that.

**Mr CAMERON THOMPSON**—There was a question before about parliamentary visits, and this group is going to go and have a look. What about the potential there? Would it assist to meet some newspaper organisations, some publishers, some editors—those sorts of people?

**Mr Forby**—I think your program would be structured in such a way that if you were going to Bahrain, for example, I would make sure that you met the senior Australian business people in the region as well as the senior ministerial officials. There would be photo opportunities and opportunities to do a press release—'Visiting Australian delegation'. Those sorts of things appear in the paper quite regularly. So again it is a positive way of showing Australia's interest in

the region. Quite often I am asked, ‘What does Australia have to sell?’ I say, ‘We have everything. You tell me what you want, and I will get it for you.’

**Mr PROSSER**—If you tell them about Australian money and American cars, they might focus on us.

**Mr Forby**—I tell them we have Australian made cars.

**Mr CAMERON THOMPSON**—I understand that the chambers and those sorts of things are important conduits, but in terms of just public awareness about what Australia is like ,what language we speak, where we are and what sorts of things we have, it interests me that if the airlines can be looking at extending their trade over here and other organisations can be interested in extending their trade, there must be a need for a deeper, more general media understanding about Australia.

**Mr BRUCE SCOTT**—I will ask a little about the live animal exports to the Middle East. We have recently had some difficulties in getting live sheep into Saudi Arabia. Obviously it is an important area of trade and it goes back in history between Australia and the Middle East. Can you explain whether we are able to overcome the perceived problems by the Middle East? There are other domestic issues in Australia that are more politically driven. Can you explain a little about that?

**Ms Lyons**—A lot of the factors surrounding the live exports to the Middle East that have had some hiccups in recent times are a bit beyond Austrade’s jurisdiction, and we appreciate that quarantine agricultural agencies are dealing with those issues. Our role in the Middle East and anywhere is to increase the awareness back here of opportunities for exporters. In terms of live exports to the Middle East, that will continue, although there are some extraneous factors we would have to deal with.

**Mr BRUCE SCOTT**—On the agricultural food side, what are the opportunities for some of our boutique food industries—some of our Australian bush tucker, which is native to Australia and unique? We could talk about kangaroo meat, emus, wild olives, wild limes—a whole lot of foods that are unique to Australia and which we have obviously exported to other parts of the world over the years. Is there a niche there and are we able to capitalise on it?

**Mr Forby**—At the moment we are looking at game meat and Australian flavoured products and services. We are working quite a lot with hotels. Again, there is quite a large presence of Australians as executive chefs or food and beverage managers in hotels throughout the region, and we are working with them to try to include Australian products, particularly in Australian initiatives. For example, in Riyadh once a year for one month the Hotel Al Khozama, which is one of the major hotels there, has an Australian themed barbecue promotion, and they obviously buy Australian meat for that promotion. We are also encouraging them to incorporate some Australian olives, Australian pickles or whatever Australian—

**Mr JULL**—Fruit juice.

**Mr Forby**—Yes, those sorts of things—to introduce some niche products into the market. We are also talking to a couple of people in Bahrain—caterers—who work in the catering industry,



about showcasing some Australian flavours, which can be unique. Yes, we are definitely looking at those sorts of things to try to help those small niche opportunities to be sold, particularly through hotels and caterers rather than retail.

**Ms Lyons**—I will add to that. Last year in October we organised a fine food fair in Sydney and there were a number of buyers from all around the world, including the Middle East. Another one is proposed in September this year in Melbourne. If you like, I could take it on notice to find out how many Middle East buyers were there and what the outcomes were.

**Mr BRUCE SCOTT**—I would appreciate that—and the proposed one for September of this year. The committee would appreciate that and I would personally, from the point of view of my constituents. I turn now to the equine industry and the possibilities in the existing industry, such as thoroughbred horses. I know that in my own constituency every other year someone is bound to turn up from the UAE and buy the horse that wins the outback desert endurance ride. It may be small—I do not know—but you might be able to expand on what the opportunities are and whether there is more we ought to be looking at with regard to trade in racehorses and endurance horses.

**Mr Forby**—I will be perfectly honest: it is not something that I specifically looked at in Saudi Arabia. Dubai is much more active in terms of its racing industry, so I am not aware of what we are doing in our Dubai office with—

**Ms Lyons**—I can take that on notice and we can provide some information to the committee.

**Mr BRUCE SCOTT**—If you could, that would be much appreciated.

**Mr NAIRN**—My apologies for my lateness.

**CHAIR**—Mr Ferguson and Mr Eggleston, who have Senate things they need to attend to, are also coming.

**Mr NAIRN**—The dairy industry has not been a big area traditionally in the Middle East, but it seems to have made some big movements forward in more recent years. Your submission talks about the prospect of exporting live dairy cattle to the Middle East. I know that there have been some quite significant increases in exports of dairy products. Why is that change taking place? Dairy is an area that has always been really difficult in the Middle East. Is it a change in their eating habits that has opened up those additional markets?

**Mr Forby**—I do not think their eating habits have changed, but in Saudi Arabia, for example, they have developed some very large dairies. They may be changing their approach from buying dairy products to buying something that can produce dairy products of the standard that they require, with the required fat content or whatever. I am not sure what specifically has changed.

**Mr NAIRN**—Bega Cheese, which are in my electorate, have had some major wins in the Middle East. They are producing an Arabic labelled, Halal approved product which is going superbly well.

**Mr Forby**—I think Australian product is highly regarded in the market. If it is good quality and the price is right then obviously we are going to be competitive. That may be the reason that they are re-establishing themselves.

**Mr JULL**—How good are our efforts at selling education in the Middle East there? Do you see deficiencies in the way we go about moving the product? After the success of the University of Wollongong, why haven't other Australian institutions gone up there? Is there any fixed program to establish alumni groups within the Middle East for those students who have come through Australia? How aware are we of Australian graduates who now hold high positions within the governments or the ruling conglomerates there? The reason I ask is that during a delegation to Tehran we found that three of the leading figures in government had gone to university in Australia. Nobody seemed to know that; it was sort of hidden. I am wondering whether we are having much influence in those areas.

**Mr Forby**—The education sector certainly has enormous opportunities for us, again because of the changing relationships. Traditionally people from the Middle East went to the USA or to Europe for study, and for various reasons they are now looking for alternatives. You are right: a lot of the key decision makers now have an affinity with the country where they did their university studies, because they undertook them when they were young and they made strong friendships with people who are also key decision makers in that country. I think the establishment of the AEI—Australian Education International—office in Dubai is going to improve the flow. Lea Sublett and Jarradah are going to be quite active in promoting Australian education.

Australian universities are quite active in the region, promoting their products and services through organisations like IDP, Education Australia and Austrade. We work with a number of universities and tertiary campuses. The University of Wollongong has proved to be very successful there. I am not sure if any other universities are looking to establish similar campuses or are looking to accredit other universities in the region with their syllabus so that people can attend a university in Saudi Arabia and get a degree from the University of Melbourne or something like that. I know there are a number of universities that are very active in the region.

**Ms Lyons**—Maybe we could provide you with some further information on that.

**CHAIR**—Thank you.

**Mr Forby**—A large number of education providers come through. Other options in the education sector include the establishment of schools and technology for schools and things like that, rather than just student numbers for exchange programs or that sort of thing.

**Mr JULL**—While that business is going on with the universities, has there been much interest from Australian schools and colleges in getting into the secondary education market, as they have in places like Thailand?

**Mr Forby**—Not that I am aware of, but I am not sure. It may be possible in Dubai but it would be much more difficult in Saudi Arabia.

**CHAIR**—I understand, by the way, that you are also coming back to us in terms of section 23AF of the Income Tax Act.

**Ms Lyons**—We are providing a submission to you, I think by 6 April, because I understand that on 7 April you are holding some hearings at which a couple of people who want to make some particular points will address you. Prior to those hearings, you will have a submission from us.

**CHAIR**—I see that Roger Bayliss, who is the former regional trade commissioner for Austrade, is sitting here with his wife. Roger, are you going to provide any input? It would be great to hear from you in terms of your experiences.

**Mr Bayliss**—I was not proposing to provide a separate submission.

**CHAIR**—It would be good to hear from you at some stage.

**Mr Bayliss**—Is that possible in terms of the deadline for the committee?

**CHAIR**—No. I will speak to you in a minute. We would like to thank the representatives of Austrade for coming today. Thank you for your assistance, particularly Philip—for the work to date, and undoubtedly we have more work to go. On Wednesday at 9.15 a.m. we are having an official meeting with DFAT and Austrade on the planning of the visit. We will send you a copy of the *Hansard*. We appreciate your coming today.

**Proceedings suspended from 10.28 a.m. to 10.38 a.m.**

**COOKE, Ms Bettina, Director, APEC, North and South Asia Section, International Cooperation Branch, Department of Education, Science and Training**

**JAMIL, Mr Jimmy, Assistant Director, APEC, North and South Asia Unit, Department of Education, Science and Training**

**THORN, Mr William, Branch Manager, AEI International Cooperation, Department of Education, Science and Training**

**CHAIR**—On behalf of the Trade Subcommittee, I welcome the representatives from the Department of Education, Science and Training. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, I should remind you that the proceedings today are the same as legal proceedings of the parliament and have the same standing as proceedings in the respective houses. The subcommittee has one submission from the Department of Education, Science and Training, submission No 1. I now invite you to make an opening statement before we proceed to questions

**Mr Thorn**—I would like to start by thanking the committee for the opportunity to appear before you. As you have said, you have a submission which covers, I hope, a range of the issues the committee is interested in examining. By way of introduction, it is important to state that Australia has a developing education and training relationship with the Middle East. Certainly over the last couple of years we have seen significant growth in the number of students from the region studying in Australia. With regard to the Gulf states and Iran, in 2003 there were 2,475 students enrolled in Australian institutions. A majority of these were enrolled in higher education, some 39 per cent, and in the English language sector, some 33 per cent. Overall, the numbers have grown some 59 per cent from 2002, when there was a total of 1,467 students from the region enrolled in Australian institutions.

At the broader level, the department sees the Middle East as an increasingly important emerging market for Australian education and training services. We now have an education, science and training counsellor for the Middle East, based in Dubai. This position was established in late 2003. That counsellor is working towards developing linkages and opportunities for Australian education and training providers, with a particular emphasis on the Gulf states. The counsellor will also be working in cooperation with Austrade and DFAT on wider activities in the region as they arise.

Within the department we are currently developing our internal capacity to understand the complexity and nature of the Middle East market. We have also supported the establishment of an Australian-Iran Joint Education Committee to facilitate cooperation between Australian and Iranian universities, as recommended by the Australia-Iran Joint Ministerial Commission. That is just a brief statement but I am open to questioning either on matters relating to our submission or, more broadly, on education and training in this particular area of the world.

**CHAIR**—I would just like to check the figures you have for the Middle East as a whole. Can the committee have a copy?

**Mr Thorn**—For the Gulf states and Iran, in 2002 we had a total of 1,467 students studying in Australia. In 2003, there were 2,475 students from the Gulf states and Iran.

**Mr CAMERON THOMPSON**—There was 39 per cent in higher education. What was the percentage for English courses?

**Mr Thorn**—There was 33.5 per cent in English language.

**CHAIR**—Is it the UAE where most are from? It is a bit hard to see from the graph here because of the way it comes out.

**Mr Thorn**—In 2003, the largest numbers overall come from Oman, with 690, followed by the UAE, with 471. I can provide the committee with a copy.

**CHAIR**—Yes, that would be interesting to have that breakdown. I note that Iran is not on this list.

**Mr Thorn**—No. We had some 305 students from Iran in 2002 and 560 in 2003.

**CHAIR**—So they are going up substantially. Which disciplines are they enrolled in?

**Mr Thorn**—I can take that on notice.

**CHAIR**—Where are they going to in the main? Is it spread across the country?

**Mr Thorn**—In terms of institutions?

**CHAIR**—Yes.

**Mr Thorn**—As a general rule, the overseas students tend to be concentrated in the capital cities—Sydney and Melbourne, principally. Again, if you want that information, I can certainly provide the committee with it.

**CHAIR**—Yes, that would be interesting to know. Following on from a question that Mr Jull asked earlier about the University of Wollongong setting up their own institution in the Gulf, what has been the impact of that? Have they gained a lot more students here as a result? Do we see any other universities making a similar establishment in the Middle East?

**Mr Thorn**—I think we mentioned in our submission the institutions that are actually operating currently in the Middle East. I understand that from time to time others contemplate activity there and I think the ANU has at some stage had discussions about establishing in one of the Gulf states. That is probably the only one I know of at the moment.

**Mr NAIRN**—Just on investing, how many people are there from the ANU actually in Dubai?

**Mr Thorn**—That is the kind of thing I think you would really have to talk to the university about, unfortunately. We get some information about the number of students that they have enrolled in their offshore operations, but the exact number of Australian staff and things like that is the kind of question that is better to pursue directly with the university if you are interested.

**CHAIR**—We would be interested in student numbers and faculties.

**Mr Jamil**—I understand that their staff rotates there. They send lecturers to deliver the lectures for a week or two and then they do similar lecturing tours to other University of Wollongong campuses overseas and come back. They have tried to minimise their risk there by leasing premises; that is what we understand.

**Mr NAIRN**—What about the TAFE area—is there any activity from Australian institutions in that area? I would have thought there were some real possibilities, but maybe our TAFEs are not quite entrepreneurial enough.

**Mr Thorn**—My understanding is that there is probably very limited TAFE presence in this particular area. We recently did a survey of the overseas activities of the public TAFE system and, as one might expect, the overseas activities were concentrated in China. A huge proportion of offshore VET was in China. My recollection of those figures is that, if there was anything in the Gulf states, it was very low and was a very small part of any activity.

**Mr JULL**—Just on the numbers, the 2,500 a year: do those involved in the export of education do much in terms of after-sales service? Is there any move to create Australian alumni organisations in that region so that, in a sense, we can maintain a link with those who have studied here?

**Mr Thorn**—I am not aware at the moment that there would be an Australian alumni association for students within that region, but certainly it is often standard practice to establish those kinds of organisations once we have had a sufficient flow-through of students. Certainly in China there are Chinese student associations and there are associations in Vietnam and in India. They are things that our education and training counsellors can be involved in and support. I suspect that that will be the kind of thing that we will see develop as we get more students and more graduates.

**Mr JULL**—The Americans do it so well.

**Mr Thorn**—The Americans do do it very well. In pure numerical terms, obviously, the United States get more students and they probably have had more students over a longer period of time, which gives them the graduate base to actually build on. But, as I have said, the examples of Vietnam, China and India indicate that that is something that Australian universities are thinking about and our counsellors are involved in.

**Mr CAMERON THOMPSON**—I read the bit in there about Saudi Arabia replacing its expatriate teachers with locals. Does that reflect a more locally focused trend in education there and perhaps less inclination to be seeking education services overseas?

**Ms Cooke**—My understanding is that that is actually a political development in that area. It is not the only country doing that in the Gulf. There are a couple of other countries that are going for similar policies of trying to move away from a reliance on a very large number of expats in the economy and to move towards developing the skills of the local population. Certainly that is a very long-term policy. From our point of view and from our counsellor's point of view, we see that as more of an opportunity to move towards having more English language teaching at the school level, that type of thing. We do not really see in the immediate future a move away from the reliance on expat teachers at all. That is going to be a long term—

**Mr CAMERON THOMPSON**—I wonder whether it is more a move to consolidate educational services in country? Is it a move to plug up the flow of people out of the country to get degrees and things in places like Australia and the UK?

**Mr Thorn**—I would suspect it is a combination of things, but I think one of the main things would probably be concern about the long-term future of those economies. They are economies that often do rely on expatriate labour in a large number of areas of economic activity. I guess that, with regard to what might happen to oil revenues in the future, they may well be thinking, 'How can we consolidate the skills of our own population rather than rely on the import of labour?' I suspect that is the kind of driver that is behind it, rather than a concern that a number of Saudi students are going offshore to undertake study. I suspect that in the long run we will continue to see students from those areas go offshore.

**Mr CAMERON THOMPSON**—The other thing is this collaborative effort by these British universities in Dubai. Is that a model that could be worthy of perhaps attracting a similar collaborative activity by Australian universities, rather than going in there individually?

**Mr Thorn**—Yes, it provides a model. I guess the question is the extent to which Australian universities will see it as being in their interests to (1) move in there and (2), if they do move in there, collaborate. Australian universities really have to make a decision about whether they see this as a market which has long-term potential for them, given the populations of these countries and what others are doing there and given their other interests in other areas of the world.

**Senator EGGLESTON**—Vocational training or TAFE training was mentioned by Mr Nairn. What sort of market is there for vocational education and training for plumbers, electricians, pharmacists, physiotherapists and so on? Are they the sorts of things that the people in these countries are interested in doing or do they have other people to do those sorts of things in their societies?

**Mr Thorn**—I think we find that the large proportion of students coming to Australia will actually see studying in Australia in the VET sector as part of a pathway to higher education and they will be doing the higher-level diploma type awards. I think there is a fairly general recognition that that is the case. I guess in terms of vocational education, the export of courses such as plumbing or those very vocational ones is complicated by the fact that, obviously, with students moving the returns are probably not as great as they are for higher education; and secondly, there is the issue of recognition of qualifications and skills in the home country. Things like vocational training are obviously much more tied in with the specifics of a particular economy and the industrial relations arrangements, which I think makes it much harder for there to be mobility. We may see more offshore delivery of VET, which concentrates on those specific

vocational skills, but I suspect for the foreseeable future we will see students coming to Australia at the higher levels with the potential to move to higher education.

**Senator EGGLESTON**—Coming into Australia?

**Mr Thorn**—Coming into Australia, yes.

**Senator EGGLESTON**—What about the development of IT educational services—is there any potential there?

**Mr Thorn**—In terms of courses?

**Senator EGGLESTON**—Yes, Australian universities providing courses. You can do a lot of things on the Internet now, including doing law from the University of London.

**Mr Thorn**—There is quite a bit of distance education going on. For example, the University of Southern Queensland is a real leader in the use of distance education. I cannot give you the figures off the top of my head, but it probably has quite a large proportion of its overseas students enrolled in distance education. For example, a number of courses delivered by Australian universities in conjunction with organisations in Singapore rely in part on distance delivery, which may be over the Internet, and some face to face teaching. Those kinds of models are actually being developed pretty well by Australian universities.

**Senator EGGLESTON**—Western Australia, where I come from, already does quite a lot of trade with the Gulf, but I noticed when reading through your submission that no Western Australian tertiary education institutions are mentioned. Are universities such as Curtin, Edith Cowan or Murdoch involved in the Gulf? They are certainly very involved in South-East Asia.

**Mr Thorn**—Again, I would have to say not to my knowledge. They will undoubtedly get some students from those regions studying in Australia. What we have provided in the submission is what we understand to be the activity there at the time of writing.

**Senator EGGLESTON**—Thank you.

**Mr BRUCE SCOTT**—I want to ask something about the agricultural courses, and you also mentioned distance education. I think Australia has a lot of expertise in the field of distance education—the technology and so forth. Could you expand on the opportunities for distance ed and also tell us whether there is much interest from the Middle East in agricultural courses run by our pastoral type colleges as well as by our universities? Obviously there is interest from the Middle East in a whole range of exports from Australia, including agricultural products, and in industry and business management. Is there any interest from the Middle East in our degree courses and in other training type courses run by our agricultural colleges as well as in distance education learning technologies?

**Mr Thorn**—I would probably have to take on notice your question regarding students in agriculture. My understanding—and correct me if I am wrong, Bettina—is that the programs delivered in the Middle East are not agricultural programs. My understanding is that they are much more on the management, business side of things—perhaps for obvious reasons, given the



potentially significant investment that one would need to make in delivering agricultural science or something like that.

In terms of students coming here for IT, when we get the breakdown on what disciplines they are doing we can have a look at that. I suspect that many of the students from the Middle East, like the majority of overseas students, would be predominantly studying here in the IT and business area. As I said before, with the delivery of courses by IT there are opportunities to do that. The issue for the universities is going to be whether those opportunities stack up as a business proposition, given the other things they can do and the competitors they have got there.

**Ms Cooke**—I would only add that I am aware of quite a bit of interest in engineering, for example, and that is obviously linked to countries with oil industries. We recently had a delegation—Jimmy can probably add more information on this—from Qatar who were looking at a number of engineering scholarships under one of their large petroleum companies and also some government scholarships. They were looking at Australian institutions to make linkages with, and certainly some of the WA based institutions were amongst those. So engineering was a big one for that area. Nursing is also one that is getting increased interest from a couple of the Gulf states.

**Mr BRUCE SCOTT**—The reason I ask is because the Australian Wheat Board have programs, relating to processors and retailers and the technologies, about the better use of our wheats and those sorts of things. It is linked into the agricultural field. The Wheat Board is a major organisation that is funding technology transfer, you might say. I am just wondering whether that comes back a stage into better management of these agricultural industries. The agricultural industries are a significant part of our trade, and I am wondering whether we have had any focus at all on the extension of education into these fields, as an add-on, value added, to our agricultural exports, to get a greater understanding of these products—where we grow them, how we produce them and so on. I would be interested to know whether that is being considered.

**Mr Thorn**—We can certainly take that on notice. As a general point, we expect to see the relationship grow over time, and we would probably see the range of courses that were being offered grow along with that. Our general experience with people setting up campuses overseas is that they do start initially on a very limited range of courses where they know that they can get students and develop from that as demand grows and their reputation increases.

**Mr NAIRN**—Back on TAFE again: is the number of students that you mentioned in Australia the total number of students studying all sorts of things in Australia, or is it students just at universities?

**Mr Thorn**—It is total students enrolled in Australia in institutions. I will hand these figures over to the committee when we have finished, but in terms of students from the Gulf region—and we exclude Iran here—we had 193 students in the vocational sector in 2002 and some 360 in 2003.

**Mr NAIRN**—So 300-odd out of that 2,500.

**Mr Thorn**—Yes. If we exclude Iran we have around 2,000. Some 360 out of the 2,000 are from the Gulf, minus Iran.

**Mr NAIRN**—Thank you.

**Mr JULL**—I went through the Knowledge Village in Dubai a couple of years ago when it was in its very early stages. Have the Australian institutions taken any role in the establishment or the ongoing programs of either that institution or the one in Qatar?

**Ms Cooke**—Not to my knowledge. At the moment there are no Australian institutions operating there but we can double check that. That is our most recent advice from our councillor based there.

**Mr JULL**—I think one of the fellows who were establishing it had an Australian degree, didn't he?

**Mr PROSSER**—Yes.

**Mr JULL**—That is really quite interesting. How successful have they been, to your knowledge?

**Ms Cooke**—It is hard for us to give a judgment on that as we are not directly involved. Again, we can try to find out a bit more information.

**CHAIR**—Do you have a business plan in terms of developing your educational exports to the Gulf area?

**Mr Thorn**—The councillor we have there was previously an Austrade employee; she took up the job as education councillor recently. Part of her early work is to put together a business plan for the region. Our business planning processes for next year are under way. We will have one in place for next year once we have gone through the work in the next couple of months. Certainly part of the original intention was to have someone on the ground who could look at what was going on and make slightly better-informed judgments than we could.

**CHAIR**—Where is she based?

**Mr Thorn**—She is based in Dubai.

**CHAIR**—Does she cover the whole of the Gulf states?

**Mr Thorn**—Yes, the whole of the Gulf states plus a few other countries in the rest of the Middle East.

**CHAIR**—Another area it has been suggested we look at is the Qatar Science and Technology Park and the Knowledge Village in Dubai. Do you know much about these and what the governments hope to achieve with them—whether there is possibility of interaction with our universities in those centres?

**Mr Thorn**—We have, in a sense, covered that. At a general level, there would be. As stated in our submission, the objectives of the centres of excellence and the Education City in Qatar are to develop education systems in Qatar that will contribute to the advancement of education and

science and to meet future human resource development needs in Qatar and neighbouring countries. Like many of these things elsewhere throughout the world, they are a bit of a focus for the development of skills related to the knowledge economy.

**CHAIR**—Have they been set up like the research triangle in North Carolina where you have the universities involved as well as the research centres per se?

**Mr Thorn**—Again, I could not really answer that.

**CHAIR**—It might be interesting, before we leave, if we could have a little more information just to explore it more.

**Mr Thorn**—We will talk to our councillor and try to track down some more information for you on the objectives and partners involved in those particular activities.

**CHAIR**—Thanks very much for coming today.

**Mr Thorn**—Thank you for the opportunity to appear. I will pass those statistics over to you.

[11.14 a.m.]

**KNIGHT, Mr Anthony William, Chief Executive Officer, Australia Arab Chamber of Commerce and Industry**

**CHAIR**—On behalf of the Trade Subcommittee I welcome the representative from the Australia Arab Chamber of Commerce and Industry. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to go in camera then please let us know. As you know, these proceedings have the same status as hearings before the House, so I encourage you to regard them in the same way. The subcommittee has one submission from AACCI—submission No. 2. I now invite you to make an opening statement before we proceed to questions.

**Mr Knight**—By way of background, the Australia Arab chamber was established in 1979 for the sole purpose of developing bilateral trade relationships between Australia and the Arab League countries, of which there are 22. Obviously the major focus is on the Gulf, where our major trading relationships currently exist, although there is an expansion going on into the other Arab League countries, particularly those within the North African region.

We represent 450 members throughout each state in Australia. The chamber covers a wide range of industries ranging from one-man or one-family operations up to the larger corporates of Holden, Toyota, BHP, the Wheat Board et cetera. The major focus up until about five years ago was on agricultural products. In more recent times we have seen an expansion into other areas where the skills of Australians, which we still do not market properly—those who have seen the opportunity in the Gulf in particular—are becoming more widely acknowledged and needed. It was interesting to hear the comment earlier about education. A number of Australian companies have developed educational relationships. If you do not mind, I will refer to this.

**CHAIR**—That will be good.

**Mr Knight**—I will quote two examples. Meat and Livestock Australia have quite a significant presence in the Gulf. They have a training program where they bring the meat people from the Gulf states down to a TAFE, I think it is, in South Australia once a year for a training program. That involves between 10 and 20 people and has been going on for many years. The Australian Wheat Board similarly has a training program where it brings people involved in the grain industry from the region down to Australia for training programs.

Besides that, the Wollongong University has established a campus within Dubai. That is the only international university with a campus in Dubai. That is proving very successful for Australia. On top of that, a number of other companies—Holden and Toyota are but two—also have training programs where they bring people affiliated with their sales in the region to Australia for training in spare parts and servicing. So there is quite a significant behind-the-scenes training program going on. At the forefront of that—I have mentioned Wollongong University—IDP Australia, who represent the major universities, have a presence in Dubai, Kuwait, Saudi Arabia and Oman where they market Australian educational facilities. That covers a full range of colleges, TAFEs and universities. So there is activity. Sometimes it is not totally focused but it is happening.

I turn to the major points that we wish to raise. I might mention that we did raise these in our earlier submission to the inquiry into Australia's relationships with the Middle East. Australia tends not to sell its skills as well as it might. Earlier I mentioned our skills in remote and distance education. We have identified a distinct need over the last 12 to 18 months in such things as the School of the Air that we have developed by necessity. That has as great an application in the countries of the Gulf as it does here. Distance education offered by our universities for people studying degree courses is also now becoming a marketable commodity within the Gulf region in particular. Some universities have taken that challenge up and others are looking at it. Those are two areas where we have skills. There is a language problem in transferring that technology into the region, but at least we have got the skills and the technology to deliver it. The language part obviously can be fixed, because we have enough Arabic-speaking people in Australia to fix that part of it. So they are two areas where we do have the skills.

The other area that was mentioned was agricultural training. I have mentioned Meat and Livestock and the Wheat Board, but there are other areas. I suppose the focus of Australia's trade with the region, as I mentioned earlier, has been agriculture. We have moved more to motor vehicles, which are now our major export to the region. In the areas of agriculture we have great capacity to transfer knowledge, particularly in a place like Iraq once that market settles down. They have good arable land and ample water supplies. So Australian irrigation, crop and seed technology will have a great part to play in the longer term development of Iraq. That same water availability and good soil is available in places in North Africa. Again a technology transfer of our skills can be applied to developing their own industries. So that follows up on those two points that were made earlier.

**CHAIR**—It is a very good report that you have given us—it is targeted and useful. I want to ask a couple of general questions first. This very day we are trying to work out our itinerary. We leave in a couple of weeks time. Which countries do you believe are the most significant for Australian trade in terms of the Gulf states?

**Mr Knight**—No. 1 is Saudi Arabia; that is our biggest market. Following that is the UAE and then Kuwait, Oman, Qatar and Bahrain, probably in that order. Sorry, Iran would fit in after Kuwait—they vary between the two of them. I do not know a great deal about Iran because it does not fit within the Arab League, but it is probably more into the mining area.

**Mr JULL**—BHP, for example.

**Mr Knight**—Yes. Unfortunately that is now run out of London, so we do not see a great activity.

**CHAIR**—I want to make sure everybody gets a fair run of the rabbit. We will start with Senator Ferguson.

**Senator FERGUSON**—One of the things you said in your submission is that until recently we have been seen as a neutral player in political terms. I would have thought that our position had not been all that neutral for a long time, but it does not seem to have made any difference to the trading arrangements or the growth of the relationship that we have got with the states. Can you give us a brief summary of how you think perceptions might or might not have changed, if

you think that we were perceived as neutral and now we are not, and why it has not had any effect on our trading relationship?

**Mr Knight**—There has been a marginal effect on the trading relationship, I suppose. Until the most recent Gulf War, Australia was seen as a neutral player in internal politics within the region. Rightly or wrongly, we were perceived by quite a number of people within the Gulf as breaking that neutrality when we supported the invasion of Iraq. In saying that, none of the countries in the region condoned or sanctioned the regime within Iraq, but they felt there were other ways that the problem could have been solved. Initially, for some months, we saw comments that indicated we were not viewed with the same neutrality as we had been previously. That is starting to drift away now, but it did have an impact.

**Senator FERGUSON**—We did not get the view from the Kuwaitis a couple of years ago, when we were there, that it would have changed their perception of us.

**Mr Knight**—The Kuwaitis had a very personal interest.

**Senator FERGUSON**—So you think that any influence or perception that might have been around because of our involvement in the military operations is slowly drifting away.

**Mr Knight**—We still hear pockets of it, but it is not as general as it was in the few months after the—

**Senator FERGUSON**—Did it cause us to lose business?

**Mr Knight**—There is no evidence of it, no. Again, I think it all goes back to the fact the Australian companies have been supplying into the region—it is relationship based; it is driven more by the longer term relationships. As within the Gulf itself, the political situation itself tends to go to the background when there is a decent deal to be done.

**CHAIR**—That is right. By the way, I notice that you did not put Bahrain on your list. Is there any reason for that? Where would it fit?

**Mr JULL**—It is there. It is last.

**CHAIR**—It is last; I am sorry.

**Mr NAIRN**—You mention the training programs—that a number of the companies are bringing people from the Middle East to Australia. They probably would not fit within the figures that we got earlier from Education presumably.

**Mr Knight**—No.

**Mr NAIRN**—It is really part work, isn't it, so they would be in addition to the straight education type figures?

**Mr Knight**—They would come here mainly as business visitors.

**Mr NAIRN**—They would come on business visas and things like that.

**Mr Knight**—Business visas. The MLA people come here for about six to eight weeks, so it will be a business visit as opposed to education.

**Mr NAIRN**—I do not suppose we have any idea of what those total numbers might be.

**Mr Knight**—No. One of the hardest things to come to grips with is that the whole Gulf is a services component of Australia's standing in the region. Roger would know this well from his time with Austrade in the Gulf. We do not have an accurate measure; we do not collect these services data for our exports or our participation in the region. For example, there are 9,000 Australians working in the region at any one time. We do not collect data as to how much they remit back home. Various estimates—between \$35,000 and \$50,000—a year come back from them alone, which is a half-billion dollar market.

**Mr NAIRN**—In summary terms can you give us an idea of what the business culture is like in this region? How does it compare with the culture in other parts of the world?

**Mr Knight**—By way of background, I had 37 years with the ANZ Bank on international trade so I have experienced trading relationships with every region of the world. The Middle East is no different. It has a different culture but, once you understand the culture, it is no different to trade with. Again relationships are the most important factor in that trade development.

**Mr NAIRN**—Do some of the countries require people to be looked after to be able to get through the door, as occurs in some other countries of the world, or do you know where you stand?

**Mr Knight**—You are talking about corruption?

**Mr NAIRN**—I did not say that.

**Mr Knight**—Again, 'corruption' is prevalent in quite a few markets—what we regard as corruption. It is the nature of business in the region that in some areas, yes, a little bit of money under the table facilitates a deal. But it is not seen as corruption; it is business facilitation. The same prevails in Indonesia, in the Philippines, in China.

**Mr NAIRN**—How does it compare with those sorts of countries?

**Mr Knight**—It is more open and not regarded as a problem. In fact, companies that have developed long-term relationships do not even worry about it. It is not seen as a problem. It is not a significant cost factor in doing business. It is a matter of understanding that there are different ways of doing business but, once you have established the market and the relationship, it tends to go away.

**Mr PROSSER**—You mention in your submission that Australia has a good 'reputation' in the region. Can you expand on that, and is the reputation in business or what areas? That is my first question. Secondly, I note in your submission the reference to master builders. Is there an

opportunity for very large Australian construction companies, both in building and engineering, to obtain work in the region?

**Mr Knight**—I will answer the last part of your question first. If you go to Dubai you will see as many multiplex signs as you see in Sydney. In a lot of cases, below the multiplex sign for the quantity surveyor, the architectural engineer and the electrical engineer will be a multiplex sign of an Australian company—and that is not just in Dubai now; it is spreading throughout the region. Certainly, we have a very good reputation and we have a great skills transfer in both building design and technology areas, and that goes right down to supplying the taps and the fittings for the buildings—tiles, pavers, everything. The sails that you see now around some of our coastal areas were a concept developed in Australia and in places such as Dubai, Oman, Kuwait you will now see those sails everywhere. They are Australian sails designed and installed by Australians. I am speaking of sails that are used over open areas.

**Mr JULL**—It was a big innovation for export.

**Mr Knight**—Obviously, sun is a big problem out there—and heat. What was the first part of your question?

**Mr PROSSER**—In your submission you say that Australia has a good reputation.

**Mr Knight**—Our reputation has been built up over many years. Firstly, we are seen as reliable, we are seen as honest in our dealings and we are seen as very flexible. Say a company in a specialised area—pick a country—Saudi Arabia, wants a widget. They have seen the widget but they would like that end a bit sharper and this end a bit blunter. If they go to an American or a European company, their production line set-up is such that it is a case of saying: ‘That’s the widget. Take it or leave it.’ The Australian guy will come back and say: ‘You want it sharper, I’ll make it sharper. You want it blunter, I’ll make it blunter. How’s this one?’ We are very flexible. We do not stick to the standard: ‘We’ve got a product and that’s it. Take it or leave it.’ Also, when it comes to fitting a particular requirement and the installing of the equipment, we do not call in the engineer from the States or the quantity surveyor from the States. One of the most common stories you hear from companies in the region is: ‘The managing director was here to supervise the installation. He rolled up his sleeves, put on a pair of overalls and fixed the problem.’ There are two parts to it.

Secondly, we are seen as clean and green insofar as our food products are concerned. Our cities are clean and green. Where we grow our food products is seen as clean—no pollution. The GMO issue could become a factor, particularly in Saudi Arabia where they have banned any products with GMO in them. That could present a problem for us down the track, but at this stage we are seen as very clean and green. A lot of the water, mineral water et cetera, is supplied by Australia to the Gulf, again, because it is clean; it is not polluted. Also, we are seen as honest, hardworking and very flexible in our approach to designing and supplying the product.

**Mr JULL**—This morning when Austrade were before the committee, I asked them about the relationship between themselves, state promotional bodies and sister cities. They seemed to think all that worked quite well. The reason I asked was to find out what their attitude was. But in your submission you are fairly critical of some of the things that go on between, say, Austrade and the state bodies, even to the point of saying, I think, in your submission that they ‘go around doing



bucketing jobs on each other'. I have heard this, but I wonder for the record whether you can give us some examples of the sorts of things that go on?

**Mr Knight**—At the end of October last year I was in the UAE and Cairo, and prior to that I had been to various other countries in the region, but at the Sharjah Chamber of Commerce, for example, the Secretary-General there said to me, 'One big problem that you face is that we are getting fed up with the number of Australian delegations coming up here and they are all premiers or ministers. They make all sorts of promises. We wine them, we dine them, we put on functions for them and they go away and we never hear from them again.'

**Mr JULL**—They never deliver.

**Mr Knight**—He quoted the states that had been there in the last six months and he told me of where one state had the same products as the other and one state said, 'Don't deal with those guys; they're crooks.' He said, 'This is not the way to sell Australia.' This guy happens to like Australia—that is why he told me. We do not do ourselves any good. I saw this previously, in my time with the ANZ bank, where we had states sort of competing with one another to outdo product, particularly in agricultural areas but also when it came to technology in some cases—and more so now in technology where we are saying X state is better than A state.

I suppose the other criticism I had in there was the fact that Austrade has demolished the old Middle East-Indian Ocean desk: it no longer exists. We find it hard to understand why that happened, because when that was operating—up until about two years ago—we had five people dedicated to developing Australia's relationship with the Middle East and Indian Ocean region and now we are down to one, as part of a larger Europe desk. We need that Australian focus because now it has gone back to the states, and the state offices of Austrade have other competing interests without trying to focus on one particular market. That was the criticism I had of the structure within the organisation.

**Mr JULL**—Could I just confirm something else, with your background in the banking industry: are there any real problems that Australian companies face in doing business in the Middle East in terms of banking?

**Mr Knight**—If the company here is sound and has a good track record, they have no problem at all. Letters of credit are easy. Collections are easy. Payment against arrival of invoice is fine. Certainly in some countries within the region within the larger Arab league, yes, there are payment problems. But within the Gulf there is no difficulty whatsoever with obtaining payment for goods or services.

**Senator FERGUSON**—I notice that at the end of your submission you raise the issue of visas and the difficulty with the fact that Australians can go there and get automatic visas on arrival but, in fact, it is not so easy coming this way. I think in the current climate it is rather understandable that we are a bit concerned about who might be coming from that area. Is it a real problem as far as the trading relationship is concerned?

**Mr Knight**—It is, and even right now—over the weekend—I have been talking to our embassy in Riyadh. We have got a delegation of 29 Saudi companies coming here with the Saudi chamber to buy Australian. They are not selling Saudi products; they are coming here to buy

Australian product. Last night I got a message from the embassy saying: can you please issue a letter to DIMIA trying to get them to help these guys get their visas? It creates problems for us, in that we can get in there, no trouble at all. Okay, for Saudi Arabia you need a visa; it is the only country in the region you need a visa for.

**CHAIR**—Iran too, isn't it?

**Mr Knight**—Iran, yes, sorry. But all the other countries now, including Kuwait, allow us to arrive at the airport and get an automatic 30-day visa—no charge. Saudi Arabia: Australians going there have to apply for a visa but it is no problem. If they get the invitation from the Saudi company they get in; there is no difficulty at all. But we make it extremely difficult for all those countries to come to Australia. The electronic visa is being trialled in Dubai at the moment and that seems to be going well. It takes about seven to eight days to get a visa.

I can understand the political reasons to an extent, except that you have to understand that these people are businessmen, the same as we are, and they are reliable. Just because they are an Arab, it does not mean that they are a terrorist; just because they are a Muslim, it does not mean that they are a terrorist. They seem to think that we have just labelled them as terrorists because they are Arab—if they have an Arab name. For example, one of the people coming with a Saudi delegation could well have been bin Laden's brother—he has got the biggest construction company. He pulled out rather than cause problems. But it is those sorts of issues that create our problems. And it is a problem with the relationship. They see that as a slight against them.

**Senator FERGUSON**—You can understand, though, that there is a particular sensitivity in the current security climate.

**Mr Knight**—Yes.

**Senator FERGUSON**—I am not sure how we overcome it, actually. I am not sure that it can be overcome in the short term.

**Senator EGGLESTON**—But is it not a culture though, because it applies to Indian businessmen coming to Australia as well. They find difficulty getting visas. In fact I was going to ask you this question which has been asked by Senator Ferguson about the visa issue. I wonder how many other countries it applies to, because we seem to be causing a disadvantage to Australia in economic development and commerce by making it difficult for businesspeople from some areas to get quick access to Australia.

**Mr Knight**—In the case of India, from my knowledge, it is because of the overstay record—

**CHAIR**—Yes, it is.

**Mr Knight**—whereas in the Middle East—and my friends from DFAT who are on later may be able to expand—I do not think there is an overstay problem with anybody from the Gulf region.

**Senator EGGLESTON**—But even with India, I think the overstay record is overstated and there is not enough differentiation between different kinds of Indian businessmen who seek to

come to Australia. It seems to me that one part of DFAT is not talking to the other or to DIMIA about the need to promote and facilitate business contact between Australia and countries like those we are talking about in the Gulf and other countries such as India.

**Mr Knight**—Yes.

**CHAIR**—I have a question relating to health—about the residents of Gulf states having looked to the USA and Europe, and the opportunities for us to sell medical services to the Gulf states, bringing them out to Australia. There was a company that I am aware of that was putting together a package and talking to various private hospitals. I am interested in looking at your views as to how far that has gone. We do not seem to at this stage have made any progress in that area.

**Mr Knight**—It is gathering momentum. In the last week and a bit there has been a Saudi health delegation visiting Sydney and Melbourne. They have been sitting down with the major teaching hospitals and some academics and, I think, government departments to talk about facilitating technology transfer and use of facilities. I am aware at the moment that there are negotiations between St Vincent's and Royal Prince Alfred in Sydney, and there have actually been successful operations performed on Gulf nationals who have come here instead of going to their traditional hospitals in the states and Europe. That is a market that we believe has great potential for Australia, and not just from the fact that our technology is as good as that anywhere else in the world: with them comes the money and their family and the spending and developing other business—because these people are senior businesspeople.

**Mr JULL**—If health treatment is one of the hot commodities at the moment, what are the others that you believe can fire for Australia but that we have not yet achieved?

**Mr Knight**—I think the biggest marketing advantage we have at the moment is in the area of technology—not ICT as such, but technology associated with education, health and agriculture. They are the main areas, but tying our technology skills to a particular market segment is important. When we focus on a particular area, they are the areas that I think we have a greater advantage in—rather than trying to sell ICT as a bundle of software and hardware. That does not work, but when we can sell it with a major product—

**Mr JULL**—A microwave landing system or something?

**Mr Knight**—The Redflex traffic control systems out of Victoria are an example. They have been very successful in the UAE in particular in selling their radar, speed radar and traffic control systems. The boom gates allow people into car parks.

**CHAIR**—And traffic lights?

**Mr Knight**—Yes. So when we market our technology with a product we have more success.

**Mr CAMERON THOMPSON**—It seems pretty good really. You talked about all those Multiplex signs all over the place, and we have all these plane flights—the new services—being opened up, and we heard about the student numbers going right up. Is our profile there

increasing? What is going on? Are these sorts of linkages happening everywhere? Are we just part of a global wave or is there a renewed focus there on Australia?

**Mr Knight**—Bear in mind that our total trade with the region is probably about two per cent of their needs. So we are not big when it comes to trade with the region. Where we are growing I think goes back to the reasons I mentioned earlier—we are clean, we are green, we are honest, we are reliable and we are flexible when it comes to product. One interesting thing is the other businesses that are going in there now. For example, Holden and Toyota going in has grown a spare parts industry there. So Australian spare parts and accessory manufacturers have gone in on the back of that. Car servicing is another growth area. Because these are Australian-designed motor vehicles, we are sending people in there to train the locals. We are also seeing this in building. If a company like Multiplex goes in, they have the world to choose from so far as fitting out a building goes but it just so happens that some Australian companies have the best building materials or design features to go within the shell of their building.

**Mr CAMERON THOMPSON**—But with the cars, for example, we still give them American names.

**Mr Knight**—That is a problem. At least the Toyota has a Camry badge on it. If you could use any influence to change GMH's international philosophy and change the name from Chevy to Holden, we would appreciate that. We would love to see an Australian made badge on the back of every Chevy, even if they stick with the name.

**Mr CAMERON THOMPSON**—To follow my point through, in your submission you talk about tourism being an area of real potential.

**Mr Knight**—Tourism is going to grow now as a result of the improved frequency of flights into Australia. It is mainly into the Gold Coast—that is still the most popular destination—but Perth is also growing. The reason they focus on places like the Gold Coast and Perth is that they are smaller places and they feel safer. They do not like the big cities of Sydney and Melbourne. They are too crowded and there are too many people—there is a bit of sightseeing but the holiday aspect disappears. So the Gold Coast and the Sunshine Coast are still seen as places for a holiday, and also for investment—there is a significant amount of investment in property on the Gold Coast. There is also investment in property in large buildings in Sydney, but that is purely investment.

**CHAIR**—We really appreciate your input—it was very practical, useful and in line with the areas we are looking at. It was a good start and very helpful. We may well come back to you to get some further information. Thank you for appearing today. We appreciate very much your input today and your ideas.

**Mr Knight**—Thank you.

[11.54 a.m.]

**CUDDIHY, Mr Don, Executive Officer, Middle East Section, Department of Foreign Affairs and Trade**

**HICKEY, Miss Kristina, Desk Officer, Middle East Section, Department of Foreign Affairs and Trade**

**HOOTON, Mr Peter, Director, Middle East Section, Department of Foreign Affairs and Trade**

**OWEN, Ms Victoria, Assistant Secretary, Middle East and Africa Branch, Department of Foreign Affairs and Trade**

**CHAIR**—On behalf of the Trade Subcommittee I welcome representatives from the Department of Foreign Affairs and Trade. As you know, the subcommittee prefers all evidence to be given in public, but should you wish to go in camera—I cannot imagine that would be the case in this situation—please let us know. As you know, these proceedings have the same status as legal proceedings of the parliament. The committee has one submission from DFAT, which was useful. If you would like to make an opening statement, we can proceed from there.

**Ms Owen**—I had not prepared to make an opening statement, but I am very happy to, of course. We welcome the subcommittee's inquiry into trade with the Gulf. It is clearly extremely important for Australia and it is very important that we do everything we can to increase that trade. You will have noticed from our submission that, because of the drought, principally, last year, as well as the rate of the Australian dollar, there was some disappointing fall-off in our trade with the region. That underlines what has always been a bit of an issue for us in trade with the whole of the Middle East, which is that the traditional dependency we have had on commodity trade has made us rather vulnerable to this kind of downturn. So we have welcomed the recent expansion into manufactured goods in our trade with the region.

In that regard, there is a lot that can be done to increase the penetration of the markets there. As we have drawn out in the submission, we still, despite a huge amount of work over many years, suffer a bit from people in that region tending instinctively to look to Europe and the United States for manufactured goods. Now there is perhaps an inclination to look more towards Europe because politics, I suppose, has entered a bit into the American equation in the way that Arab business people feel they are dealt with when they go to the United States. So I think we have an opportunity at the moment to capitalise on the current situation. Certainly some visitors we have had in the last few months have made that point—that this is a good time for Australia to be out there being aggressive, strutting our stuff, showing what we have to offer, showing the huge range of things that we can provide and showing where there are complementarities between the Australian economy and the Gulf economies that we are talking about particularly today.

So there is work to be done in consciousness raising. From that point of view in particular we welcome your visit to the region. We will make sure that that gets a fair bit of press coverage, if

that suits you and is in your interests. That is another opportunity we have to show Australia's interest and commitment and what we can offer. But there is a range of other things that we can do. The recent establishment of the Council for Australian-Arab Relations is another vehicle. It was established at the end of 2002. It is another vehicle to show what Australia can offer—to bring people here, to send people there. When they go back, there is a kind of multiplier effect when we get press coverage for them. But we are very pleased to be here today to help with travel to the region and to share ideas about how we can move forward. Thank you.

**CHAIR**—I was talking to the new ambassador from Iran, who said that we used to have trade of \$1 billion a year, and now it has fallen to about \$300 million. I presume that is mainly agricultural commodities. Was it with the arrival of the ayatollahs that it fell so significantly or are there other reasons as well?

**Ms Owen**—As I understand it, what you said really covers it. Drought was obviously a big issue. Wheat was a big item in our trade with Iran. But also the Iranian economy has not been performing well. Since the revolution, people's per capita income has gone down. Therefore, they are less well placed to be looking at the kinds of goods and services that we would be providing. In addition there has been some difficulty in investing in Iran, because there are various issues that can complicate things. The various Australian companies that have been interested have perhaps found it a challenging environment. I think those are the two particular issues.

**CHAIR**—Where is the most competition for trade coming from? Is it predominantly from Europe?

**Ms Owen**—For Iran, yes.

**CHAIR**—What about the Gulf states generally?

**Ms Owen**—It would be Europe and the US—notwithstanding what I said before, it is still those two. I should qualify this in case we do not get onto the issue later: it is a huge generalisation but generally speaking Australia has a good product at a good price—a good quality product with good follow-up servicing and so on. That is the principal determinant, I think. Don, would you agree that the Europeans and the Americans are our principal competitors?

**Mr Cuddihy**—Yes, by and large. Asia is an important supplier, but not in the markets where we tend to compete there.

**CHAIR**—So are we talking about Germany, France and Britain?

**Mr Cuddihy**—Yes, by and large.

**Mr NAIRN**—In your submission you say that UAE and Kuwait have both expressed some interest in pursuing a free trade agreement. What would be in it for them? I can see what is in it for us.

**Mr Cuddihy**—It depends on the actual nature of the free trade agreement and what is agreed but, in the case of the UAE, they are probably the most diversified economy in the region. They export not only oil but also a range of TCS and light manufactured goods, for which they probably see a market in Australia. I think there are some tariffs on some petroleum products which they import. I understand that crude oil is tariff free for entry into Australia but certain petroleum products and petrochemicals face tariffs. So potentially they could see those tariffs reduced or eliminated.

On the services side, there is probably something in it for them—probably more what you would call the ‘head turning effect’ rather than anything that is easy to pin down. They have a fairly small services sector—if you forget their tourism and the airlines which they operate; their access is really governed by separate agreements. They could certainly look at, say, easier or clear access for services to Australia. It would probably be the first FTA that either of them had done with a Western country—and that alone I think would be a good experience for them; they would look at different sorts of things and become aware of other economic opportunities which they could take advantage of.

**CHAIR**—Do you put airline relations in an FTA or not?

**Mr Cuddihy**—Airline relations are covered by a separate treaty process known as air services agreements. I think there are references to these in other FTAs.

**Mr JULL**—The Singapore FTA has a reference to aviation, I think. But you are right, it is an air services agreement. I think in the Singapore FTA they actually wrote that into the agreement.

**Mr NAIRN**—What about financial investments? Would that be an area they would be interested in?

**Mr Cuddihy**—That is an area they are interested in already. Again, the area of real estate may also interest them. As you know, there are limitations on foreign ownership of Australian real estate. I am not sure how negotiable they are in an FTA context, but certainly that is one of the big areas of investment in which they do engage. They have said to us that they do not have any problems with our current restrictions.

**Mr JULL**—I want to ask some questions along that FTA line as well. The country that fascinated me was Kuwait. What does Kuwait have that we could be worried about, apart from oil?

**Mr Cuddihy**—Worried about?

**Mr JULL**—Interested in.

**Mr Cuddihy**—It is a very rich country. It is a small country but it is a strong market for our automobile exports and, now that it is a member of the GCC customs union, it imposes a five per cent tariff on automobile imports. If we were able to get that down, that would be significant. The automobile industry is a very competitive market. Five per cent would certainly make Australian cars more attractive. Most manufactures carry a tariff in the GCC countries. So with

things like oil, industry equipment and that sort of stuff it would be easier for Australian companies; they would get a tariff preference there.

**Mr JULL**—Should I gather from the comments this morning that Iran is a bit on the backburner in comparison to the others? Is Iran becoming too hard?

**Ms Owen**—Do you mean in terms of Australian people's interest in it?

**Mr JULL**—Yes.

**Mr Cuddihy**—It has probably never been an easy market. Iranians are pretty tough negotiators in a business sense. Anyone will tell you that. They do not have as much money—they are not as rich as the Gulf States—so they have to be tougher negotiators. That is not to say that the Gulf States give money away, but they simply have more money. I know that AWB Ltd see Iran as a very important market. I doubt if they would have put it on the backburner. Obviously their exports fell sharply last year due to the drought, but I am pretty sure they have not lost interest in it. I know that there are quite a few other Australian companies that are aware of the prospects there, particularly in things like agricultural technology and mining technology, and they certainly maintain an interest. But it is a tough market.

**Mr JULL**—What about the education boys?

**Mr Cuddihy**—There is an interest there, certainly. I think you will find that most Iranian scholars in Australia are on scholarships from the Iranian government. Again, a lot of people just do not have the resources to go abroad and study privately; they have to get a government scholarship. The Iranian government faces fiscal constraints on how many it can offer. But I think they have a counsellor at their embassy in Australia who specifically looks for educational opportunities. He has concluded several memoranda of understanding with Australian universities to make it easier for him. I think they like to have a group of students at one university for mutual support so that they have friends, people they can feel comfortable with. They are pretty active in going around and putting together partnerships with particular universities.

**Mr JULL**—It was interesting to find when I was there a year or two ago on a delegation that there were three very senior people in the administration—ministers and just below—who had degrees and had done their PhDs at Australian universities. The goodwill towards Australia was absolutely enormous. Have the results of the recent elections in Iran changed matters much at this stage, or is the administration going on much as before? It might be too early to say.

**Mr Cuddihy**—It probably is a bit too early to judge. The Iranian bureaucracy seems to me to have pretty well a life of its own. It has always been dealing with a situation where you have a popularly elected reformist government with relatively few powers and what you might call—

**Mr JULL**—The mob.

**Mr Cuddihy**—the mob. They are always conscious that there is a balancing act, that they have to have a pretty pragmatic sort of approach to how they do things. So particularly something like their education policy and how they seek to use foreign educational services



would probably not change a lot, as would probably be the case with their purchasing policies in things like agriculture. I know that the gentleman in charge of the grain trading corporation that imports all of its bulk commodities has pretty well been the same bloke under all complexions of Iranian governments.

**Mr Hooton**—Just to reinforce the point that Don has made, it is worth mentioning that these elections were in fact for the parliament. The government has not changed much. I think at this stage the bureaucracy has not felt the impact. There are also—although I am afraid I cannot name them—a couple of Australian universities that have invested in projects in Iran and have established small campuses there. So there have certainly been some recent developments in that regard.

**Mr PROSSER**—The previous witness from the Australia Arab Chamber of Commerce and Industry spoke about Australian construction companies in the region and automobile exports—such as parts components, servicing and those sorts of things. Is it still the case that Australia is seen as an agricultural exporter, of grain particularly, and not as a sophisticated economy in regard to manufacturing BTMs, technology and some of the other areas? For example, particularly in the building area, it was indicated that our internal fit-out materials are actually better than most others can supply in the world. If your view is that we are not seen as an experienced economy in those areas, how can we lift our image in those areas, particularly given that you just mentioned that the area looks to America and Germany and in all of those areas—particularly engineering and design—we have as good if not better products than our competitors in Europe and the US can offer?

**Ms Owen**—In relation to the question of whether we think that, we have referred in our submission to the reputation we have established over many years—I guess because of our wheat exports and our long history there. I do think it is changing, because people are saying, ‘Where’s that car from’ and that kind of thing. In Kuwait I think we have been successful in selling them our banknotes. There is a demonstration effect: every time you do one thing like that it then flows out and people realise. People are also coming to Australia. I have spent a lot of time living in the Middle East. People come back and say, ‘Now I know what you mean. It is like that’. They were thinking they were going to find kangaroos up Collins Street and that sort of thing. Having visited Australia, they realise it is not like that at all. We just have to keep plugging away at it.

**Mr PROSSER**—One of the questions that one of my colleagues put to a previous witness was: what chance do we have of exporting kangaroo meat? I was thinking to myself, ‘Hang on, we are a very, very sophisticated economy.’ I guess that just reinforces the question I am putting to you: what do we need to do to change the image?

**Ms Owen**—It is certainly not stopping kangaroo meat going. We can have both. We can keep on sending a terrific amount of high-quality wheat, meat, live animals and dead animals. I do not think that sticks us in that image rut and means that we cannot have both that and the sophisticated high-tech goods and services at all. I think we just need to keep working at it and plugging away at the public diplomacy. For example, we need to keep getting Australian film festivals out there—although it is difficult because of the cultural sensitivities. There are all kinds of things that we can keep doing as a soft power thing to show what Australia is about. We can keep having people go over there and receiving visitors. All those things eventually add up.

**Mr PROSSER**—Given that the Holden car is badged Chrysler it is no good trying to sell an image that this car was made in Australia. It is no good doing that if it does not say ‘made in Australia’ on it. If it is badged Chevrolet and then the parts packet says made in Australia the point I am getting out is that they will think, ‘Why can’t I get a Chevrolet parts packet made in the US.’ What do we need to do to have a Holden badge on the Holden or to have the Multiplex signs say ‘an Australian company building for Dubai’ or have something like that to reinforce that we are actually clever little buggers at a lot of things?

**Ms Owen**—Absolutely. As I say, my own view is that you keep on doing things. Roger Bayliss is an expert on this matter and has been working on it for years and years with Austrade, including projecting the image of Australia as a source of sophisticated goods and services with complementarities in the region. We have just got to keep on doing it and keep on spending the money.

**CHAIR**—I would go for a sophisticated image, yes.

**Mr Cuddihy**—To an extent, it does take time to build a reputation—almost by definition, it takes time. I think it is fair to say that 10 years ago Australian cars did not have as good a reputation as they have now. With regard to the Chevrolet, which the current Holden Statesman has replaced, I have spoken to people in the region and they say the Australian car is a much better car. They do not know it is an Australian car, but they say it is much better than the previous one.

**Mr PROSSER**—That is the problem: they do not know it is Australian.

**Mr Cuddihy**—They do not know it is Australian, and if they knew it was Australian they probably would not have bought it in the first place.

**Mr PROSSER**—How do we change that image?

**Mr Cuddihy**—Once the car is, say, 10 years old and it is still a good car—and they have been selling them only since 1996; they have been selling in bulk only since 1998—and once the word gets around that it is a really well-built car and much better than its predecessor, then you can come out and say, ‘It’s actually an Australian car.’ But there is that problem. We are still overcoming an image, particularly in the car industry. When it was highly protected it was not really world competitive. They are now very good cars, but the word has to filter out gradually. I think the best way is a demonstration effect, as Victoria said. You are seeing it particularly in the building industry.

There are a lot of Australian professionals over there. I think Multiplex has turned a few heads, and people realise it is an Australian company. There are a lot of Australian engineering consultants, architects and people like that in the region, and as people in the building industry find they are meeting more and more Australians they start to think more and more about Australia. It is probably not something you can change overnight. Part of the problem is that, in the local media, you do not see much about Australia. They look to Europe and America. They look at local political issues. And a lot of media look at the subcontinent, because there are a lot of people from the subcontinent working in the region as migrant workers. So when you see mention of Australia it tends to be pretty small.

The benefits are obvious. For example, GHD won a contract in Qatar to manage their hosting of the Asian Games, and it was largely on the strength of their performance at the Sydney Olympics. Everyone had heard of the Sydney Olympics, so they looked to the company there. So there is obviously a benefit in having big successes publicised, but it can be hard to do because we are such a small part of the world outside this country. To get coverage for Australia is difficult, but we try very hard.

**Ms Owen**—Embassies work hard at it and can do it. If you are in charge of the public diplomacy program at the embassy, which somebody might think is the soft and boring part, you can have a lot of impact by making sure that at least every week or couple of weeks you put out a targeted piece about Australia and about something sophisticated—not a ‘girl bites crocodile’ story but a story about a discovery.

**CHAIR**—That is how Geoff Dixon started his career.

**Ms Owen**—I think there is a lot that you can do, and I think it is fair to say that our posts are on the case and working hard at it. You just have to keep dripping away.

**Mr JULL**—This has probably got very little to do with the hearing, Mr Chairman. Things like the Dubai Cup for cricket—

**Ms Owen**—The Sharjah Cup.

**Mr JULL**—Yes. What is all that about? Does that do anything for us? Do they understand what it is all about? If you watch it on tv there are six men and a dog there and they are all Australians.

**Mr Cuddihy**—There is a big population from the subcontinent. They are the ones who are interested.

**Mr JULL**—So it is for them.

**Mr Cuddihy**—The majority of the population of the UAE is from the Indian subcontinent. I was in a hotel in Jeddah, in Saudi Arabia, talking to one of the Indians there and he knew all the Sheffield Shield results from Australia. That is where I think the impetus is.

**Ms Owen**—You will find when you are in the region and you pick up the *Khaleej Times* or the *Gulf Times*—or whatever it is—there is a supplementary about the subcontinent and probably half of it is about cricket.

**Mr Cuddihy**—Yes, you are preaching to the converted.

**Ms Owen**—Except that they probably do not want to talk about it this morning!

**Senator EGGLESTON**—Earlier in the hearing we heard that the Australia Arab Chamber of Commerce and Industry felt that there had been:

... a significant reduction in Austrade resources available to assist Australian exporters to the Gulf, viz.

- Regional General Manager removed and post now run from their European office.
- The Middle East Indian Ocean (MEIO) Canberra desk downgraded and is now part of the larger European desk.

This has placed more pressure on the people in the Region and removed the Australian based focus on the region.

In your submission you say:

Austrade maintains a regional trade office in Dubai, and the DFAT posts in Riyadh and Tehran have Australian-based Austrade representation. DFAT and Austrade cooperate closely throughout the region in increasing opportunities for Australian business.

There seems to be a bit of an inconsistency there.

**Ms Owen**—Although I am not sure, because I have not read through the Austrade submission, I think they are referring to what happens in Australia. I think it is to do with the way that—

**Senator EGGLESTON**—This is the Australia Arab Chamber of Commerce and Industry.

**Ms Owen**—I am sorry. I think what AACCI is talking about is the Austrade infrastructure within Australia rather than at their posts and offshore. There used to be an executive general manager, as I understand it—

**Senator EGGLESTON**—A regional general manager.

**Ms Owen**—in Dubai—though I am a bit reluctant in present company to say this—and then they rationalised, or whatever the word is, and put the boss of that region into Frankfurt.

**Senator EGGLESTON**—Is that a good thing, do you think?

**Ms Owen**—I would rather not comment on what Austrade does.

**Senator EGGLESTON**—It is all part of your department, though.

**Ms Owen**—It is part of the portfolio, but Austrade stands separately.

**Senator EGGLESTON**—Nevertheless, it comes under the heading of trade, which is your responsibility.

**CHAIR**—Trade policy is theirs; Austrade comes under Mark Vaile.

**Ms Owen**—Trade promotion, yes. They do have Austrade offices in Riyadh. There is a senior trade commissioner in Dubai and in Teheran.

**CHAIR**—They talked about that. We can make comment on that, if we wish.

**Senator EGGLESTON**—It is something that I am interested in because, if we are interested in expanding trade, reducing representation does not seem to help a lot.

**Ms Owen**—I am not sure if it is reducing or rationalising.

**Senator EGGLESTON**—They used the word ‘reduction’.

**Ms Owen**—Well, if Austrade does, they know what they are talking about if they are talking about their own structure.

**Senator EGGLESTON**—No, this is the chamber of commerce. They say, ‘a significant reduction in the Austrade resources available to assist Australian exporters to the Gulf ...’ The other matter I want to raise is on visas. The Australia Arab Chamber of Commerce and Industry say:

The difficulty Gulf Nationals face in obtaining business and tourist visas to Australia is a constant source of annoyance to them.

You, by contrast, say:

Visa processing times have been substantially reduced in most cases as a result of these improvements.

Obviously, the business people in the chamber of commerce are not happy with the situation at this point. Would you like to comment on that?

**Ms Owen**—Yes, I would. They are not absolutely mutually exclusive. I think one could infer from what we have said that it would have been as it was described by AACCI had not those improvements been made. But we have not been able to entirely eliminate some of the problems and frustrations that people feel. I am sure you would understand better than most that border control has to be important. Time has to be taken to just make sure that people who are coming here are who they say they are. That process just takes time. We would dearly love people to be able to issue visas on the spot in Riyadh, but we understand from the experts who have a security responsibility that that simply cannot be done. There has been an improvement. There has been that streamlining. There has been that eVisa for some Gulf nationals. I do not think we could ever entirely do away with them, but I am certainly sure that if there could be further streamlining there would be a big impact on our business, on education services and tourism. Business people coming in do not like filling out forms and that sort of thing.

**Senator EGGLESTON**—That is true, but we seem to have a bit of a tradition of making it difficult for people from some areas to come to Australia, and we disadvantage ourselves in a business sense. The Indian subcontinent is another one that I know about. What you really seem to be saying is that there are difficulties and we have made them slightly better, not that it is good.

**CHAIR**—It is probably something we could take up with DIMIA later.

**Ms Owen**—DIMIA is probably under a few constraints from other agencies, too.

**Senator EGGLESTON**—It is not a very satisfactory situation.

**CHAIR**—One wonders whether we could get a corporate business list from the Middle East and a special business visa for people who are already on the list, to make it easier. But that is something we can pursue.

**Mr Cuddihy**—We have in fact been talking to DIMIA about further improvements, and that is one of the things that has been floated as a possibility, particularly for someone who has already had a visa.

**Senator EGGLESTON**—Exactly.

**Ms Owen**—If you could make a recommendation to sort this out—

**CHAIR**—We will have a look at that. Following up the question someone asked about exports to Iran falling significantly, the figures you have provided on page 10 of your submission—which is interesting because it ranks the countries in order of exports—show just how much Iran has fallen, almost by half.

**Mr Cuddihy**—That reflects the fact that our exports to Iran are mostly of wheat. I think the wheat crop fell from 25 million tonnes to nine million tonnes last year, whereas for the other countries there is a big component of car exports, which obviously were not affected by drought.

**Mr Hooton**—Also Iran's demand for wheat fluctuates from year to year as well, depending on how well their own crop does.

**CHAIR**—AACCI made a point on page 2 of its submission that there are no reliable figures on Australia's performance in the area of service exports. That is a bit of a problem.

**Ms Owen**—We have made the same comment: that it is difficult to get accurate figures on services exports.

**Mr Cuddihy**—We typically take Australian Bureau of Statistics figures as the official figures, and they simply do not publish them for the Middle East. They also do not publish them for investment flows, unfortunately. That, I understand, is due to a combination of resource constraints and their rules on confidentiality whereby, if you are by far the biggest exporter of a certain product, you can approach the ABS and say, 'Publishing this will give away business details which I do not want given away.' Because of those two things, you just cannot get figures. In fact I am rather bitter about the fact that we shelled out \$300 last year to get what figures there were and there were three numbers over 10 years and five categories—100 bucks a number.

**Ms Owen**—We might delete that from the record.

**CHAIR**—Thanks very much for coming here today. We appreciate the input.

**Ms Owen**—Should we give further consideration to the Saudi thing?

**CHAIR**—Yes, if you could put forward your recommendation, we will take it up with Mark Vaile this afternoon. Thank you.

**Subcommittee adjourned at 12.28 p.m.**