



Submission No 2

Inquiry into Australia's trade and investment relationship with the economies of the Gulf States

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Inc.

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“Australia’s trade and investment relationship with the Gulf States”

- a) We believe the quite simple point should be made that in any Trade relationship it is far too easy to become complacent when a country has a ‘balance of trade’ in its favour, such as exists in Australia’s position with the Gulf States.

Rather than ‘sitting back’ and reaping the rewards of past efforts we should be constantly on the alert to offer our counterparty opportunities to improve their position. We are aware that some of these States believe Australia should be doing more to promote trade with the Region.

Whilst our exports to the Gulf look impressive at A\$5.8 billion, this figure represents only 4.5% of their total imports thus there remains a significant untapped market for Australian goods and services.

Given that the Gulf can generally be described as ‘cash rich’ we should be working with them to encourage the establishment of Trading Partnerships and facilitating Investment from those countries in Australia.

- b) **Building on our strengths.**

For many years Australia concentrated on Asia as its major market and of course suffered as a result of the economic downturn in that Region. It is interesting to note that the slowdown in Asia caused a number of exporters to rethink their strategies and, finding Europe had become a little harder with the introduction of the Common Market, found there were several opportunities in the Gulf.

Australia already had a good reputation in the region, built over many years of small but strong commercial links. Whilst there are significant cultural differences, both sides have developed a quite good understanding of the other’s point of view and Australia has, until recently, been seen as a neutral player in political terms

The Trade figures and current market trends are well documented and we do not intend to re-analyse them, however we believe the following points are worth making in regard to our future trading relationship with the Region:

- Australia’s market share of the Gulf’s imports is poor. Whilst growth in recent years is encouraging, Australian industry needs more targeted encouragement to participate.

Some examples:

1. The ‘Supermarket to Asia’ project was a success and we are pleased to see that the re-badged “National Food Industry Strategy” has recently successfully targeted the region to promote other food industry companies into the Gulf.

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2. The Master Builders Association, in conjunction with Austrade, has worked with companies in the building services and products areas over the last few years to showcase Australia at the "Big5" Exhibition in Dubai. Not only has the participation level increased, but also there is tangible long-term export business flowing to those companies.

Some sectors where a similar more targeted approach could reap early rewards are;

- Education – Australian Secondary and Tertiary Institutions already have a good International reputation, English is a second language in most of the States, our climate is not all that dissimilar and we are accepting of cultural differences. Given these factors there is a large market for promoting Australian education facilities here. More particularly there is potential to sell our services in areas of remote and distance learning.
- Communications – some Australian companies have already achieved good success in this field however a large market exists and there is potential to exploit our skills in providing such services in an environment, again similar to Australia.
- Health – traditionally residents of the Gulf States have looked to the USA and Europe for specialist medical care. There is evidence that they are now looking elsewhere and the skills available in Australia are attractive.
- Technology – again a rapidly growing sector with Australian companies facing problems much in line with those confronting the Gulf. Only a very few companies have taken advantage of the opportunities to date. The point should be made that ICT alone is not a marketable commodity, however when Australian technology is packaged with education, health, communications, etc we will have greater success.
- Regional Offices – given Australia's proximity to, and already close trading ties with Asia, we need to 'sell' ourselves as an ideal location for Gulf companies to establish Regional distribution centres and/or headquarters here.

Traditionally Australian companies have required a good deal of innovation to meet market needs. Unfortunately there is a distinct lack of appreciation of how marketable that innovation is in other developing economies. Many small businesses have already seen the potential for their product in the Gulf but we believe a targeted approach would reap greater benefits for this country.

c) **Services exports:**

There is currently no accurate measure of Australia's performance in the important area of services. Anecdotal evidence suggests we are performing quite well, but the actual flow of funds is not collated. This matter needs addressing if we are to further expand on this lucrative market.

d) Marketing Australia in the Gulf:

1. Business people in the Gulf make the point quite regularly that Australia has a fragmented approach to its marketing effort. Whilst we have Austrade as the official Government Agency, we still see the States and various State Departments taking Trade Missions into the Region sometimes hot on the heels of other State or Commonwealth Missions. These various Missions tend to call on the same Industry groups and Regional Government Departments and do little to assist a "market Australia" approach to our overseas customers. In the worst cases reported to us some missions actually 'down-sell' other States or service providers.

From our point of view the various Austrade posts and people in the Gulf perform an excellent function and they should be given a more formal role in co-ordinating marketing activities. We accept that such an approach will not be readily agreed to by all State, Departmental and Regional interests but the simple economics of the situation should be used to drive an improved marketing strategy which will ultimately deliver more value for the marketing dollar.

2. With the significant improvement in Airline services from/to the Gulf, both in terms of direct access and frequency, it is timely for the Australian Tourism Commission to take a more proactive role in the region. Australia is regarded as climatically suitable and offering a safe environment for Gulf nationals.

3. Resources:

The last 12/18 months has seen a significant reduction in the 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 particular the Senior Trade Commissioner (STC) Dubai has now assumed a regional responsibility on top of his Consular duties in Dubai. The STC and his team provide excellent service, given their limited resources, but we believe the overall structure should be subjected to an early review.

e) Visas:

The difficulty Gulf Nationals face in obtaining business and tourist visas to Australia is a constant source of annoyance to them. The issue becomes more relevant when one considers that quite a few Gulf

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States now grant automatic visas to Australians upon arrival. As an example an Australian visitor arriving in the UAE, receives a free 30-day visa at the Immigration desk, and is then able to enter Oman and Qatar without further formality.

f) Section 23AF (Income Tax Assessment Act):

AACCI is concerned that recent changes in the way the Minister's delegation is administering S23AF is having a considerable impact on the competitiveness of some of our members in the Gulf region. These members obtain employment for skilled Australian's, which in turn brings significant revenue to this country and they have built a considerable reputation as providers of quality employees over the last 15 years.

This change, apparently implemented without warning, has substantially diminished Australia's competitiveness in this difficult market. Our concern is that the new interpretation of S23AF will impact on the significant other export benefits that flow from the over 9,000 Australians employed in the Gulf.

The presence of Australian contractors in foreign countries generally has a number of tangible benefits, such as:

- Specifying/buying Australian products and services. We are aware that a number of large contracts in the Oil & Gas, Engineering, Construction and building industries have been gained through the presence of expatriates in the region.
- Providing commercial contacts and promoting tourism to Australia,
- Repatriation of earnings – estimated at over AUD450M pa.

While it is difficult to measure these, it is most certainly better to have Australians in positions of skilled influence rather than nationals of other countries.

We understand that S23AF's original intention was to deliver a level playing field for Australian industry, which faced global competition from countries that clearly and without question extended tax exemption to their contractors and personnel.

Whilst S23AG now covers some of these situations we feel that the current administrative arrangements may be erroneously focusing on some sense of fostering personal benefit in the interpretation of the Act, rather than resting where it should on a vigorous buttressing of the international competitiveness of Australia and Australian firms.

AACCI urgently seeks your consideration in defending and promoting the original spirit of the legislation.