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The Parliament of the Commonwealth of Australia

# **Report of the Parliamentary Delegation to the Gulf States**

**A visit as part of the Trade Sub-Committee inquiry in Australia's  
trade and investment relations with the Gulf States**

House of Representatives  
Joint Standing Committee on Foreign Affairs, Defence and Trade

June 2004  
Canberra

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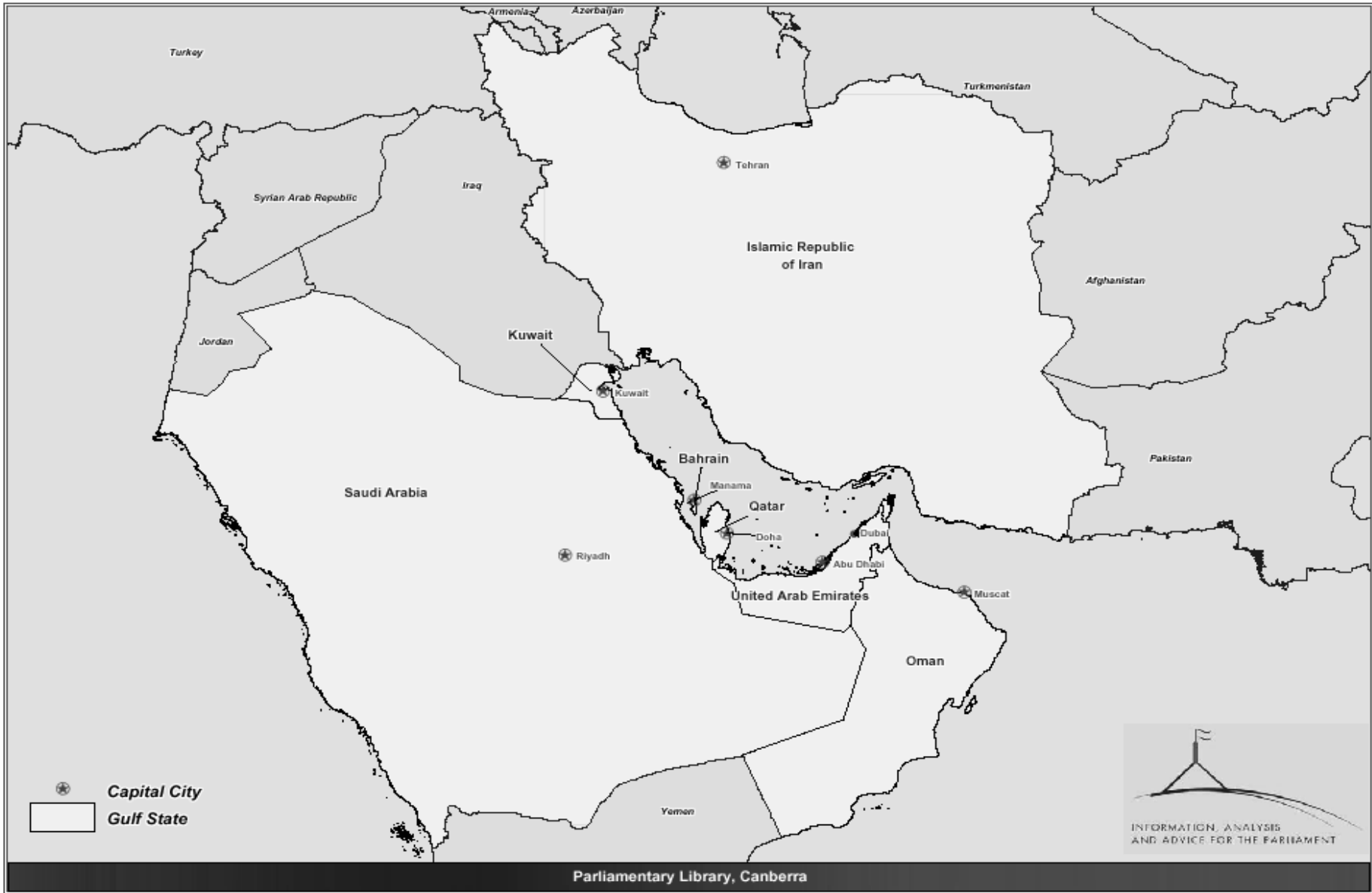


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★ Capital City  
□ Gulf State







## Foreword

The delegation's abiding impression from the visit was that the Gulf is a region on the 'fast track' to growth and development.

Several events in recent years drew the parliament's attention to the region. Though traditionally a strong primary produce export destination, Australia's exports of elaborately transformed manufactures to the Gulf, including cars, grew dramatically in the 1990s.

This shift created renewed interest in the region. The Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs Defence and Trade decided to inquire into Australia's trade and investment relations with the Gulf States in late 2003, prompting this visit in April 2004.

The region's unique position within the world economy as global oil supplier in combination with the demographics of the region, have placed the Gulf States in a unique position. The committee believes oil wealth and young populations are the 'twin drivers' of Gulf States development.

To accommodate these large young majorities, Gulf governments have committed to rapid economic development in the hope that it will provide jobs for the young and therefore stability and prosperity in the long term.

Unlike many other developing countries however, the Gulf States also have the financial means to fully fund such rapid development.

The delegation gained several impressions of the region during the visit. One key impression was the rare 'window of opportunity' currently open to Australia. The region has traditionally relied heavily on imports from the US, UK and Europe. For numerous reasons, the Gulf States have decided to diversify the sources of their imports and broaden their economic bases. This has created a window of opportunity for Australia, which is likely to remain open only for the next few years.

The region is also 'getting closer'. Emirates, Qatar Airways and Gulf Air have in place or have planned direct flights from Australian destinations to the region. Sydney is now only 13 hours flight away from Dubai and Perth is only 10 ½ hours away. This has opened up opportunities in fresh produce exports and will undoubtedly open up more in agriculture, tourism and a range of other industries.

The committee found several areas or sectors to be particularly promising for Australia. These include building and construction, engineering and consulting, healthcare and pharmaceutical services, education and training, tourism and tourism training, consumables, agriculture (including food and beverages), ICT products and services and financial services.

The United Arab Emirates impresses with its spectacular growth, development, vision and ease of access. Dubai is an ideal entry point into the region since it has successfully developed itself as the regional services hub, modelled on Singapore. Iran has the potential to be a major market, if it manages its economic reform process well. Although less resource rich and requiring long term commitment by exporters and investors, the committee feels that Iran in time will offer significant opportunities. Saudi Arabia is the biggest economy in the region and therefore provides a range of ready opportunities in the sectors discussed in this report. Kuwait and Qatar are smaller resource rich countries with similar growing development and consumer needs.

The committee believes there is no time like the present to be pursuing export and investment opportunities in the region. The window of opportunity is open and Australia is well placed to build on its successes in the region and make the most of new opportunities.

The committee would like to extend warm thanks to all the officials of the Australian government that assisted the delegation with the visit. The committee would also like to acknowledge and thank the officials and business people in the countries visited for their hospitality and input. It proved very valuable. Lastly, the committee would like to acknowledge the work of the Parliamentary Relations Office and the secretariat for their assistance with the visit and their contribution to this report.

**The Hon Bruce Baird MP**  
**Chair**

**Trade Sub-Committee**





## **Membership of the delegation**

<b>Leader</b>	The Hon B Baird, MP
<b>Deputy Leader</b>	Hon D F Jull, MP
<b>Members</b>	Mr D P M Hawker, MP Hon G D Prosser, MP Hon B C Scott, MP
<b>Secretary</b>	Mr Pierre Huetter





## **Inquiry terms of reference**

Examine and report on expanding Australia's trade and investment relationship with the economies of the Gulf States (Bahrain, Iran, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), with particular reference to:

- The nature of Australia's existing trade and investment relationships with the region;
- Likely future trends in these relationships; and
- The role of Government, particularly DFAT, Austrade and EFIC, in identifying and assisting Australian companies to maximise opportunities in the Gulf States as they emerge.

Referred by the Minister for Trade on 14 August 2003.





## List of recommendations

### Recommendation 1

The committee recommends that the government expedite an investment protection agreement between Australia and Iran

### Recommendation 2

The committee recommends the Australian government jointly host a symposium to investigate areas of potential technical cooperation between Australia and Iran. The symposium should include the following three components:

- Mining
- Agriculture and agricultural training (including dry-land farming, forestry and vocational agricultural training)
- Post harvest technology

### Recommendation 3

The committee recommends that DIMIA consider strengthening its representation across the Gulf region. This should ensure faster processing of visas for key economies in the region in light of the growing opportunities in the Gulf States.

### Recommendation 4

The committee strongly supports the government's plans to develop a strategy for the export of defence related hardware and services to the region. The committee recommends the strategy consider:

- What specific opportunities exist for the export of defence related hardware and services
- How the relevant agencies should cooperate, in terms of resourcing and personnel posted to the region, to optimise defence related exports to the region

- The long term export opportunities which would flow from Gulf nationals undertaking military training in Australia

**Recommendation 5**

The committee recommends that the government give high priority to developing a program of high level visits to the region over the next 3 years to ensure Australia's profile is substantially raised.

**Recommendation 6**

The committee recommends the government consider strengthening the resources of the Australian Tourist Commission and Invest Australia in the region, to raise their profile and capitalise on current opportunities.

**Recommendation 7**

The committee recommends that the government continue to pursue memoranda of understanding with relevant Gulf nations, to avoid potential problems with the live animal trade.



## **List of abbreviations**

ATC	Australian Tourist Commission
Austrade	Australian Trade Commission
DFAT	Department of Foreign Affairs and Trade
GCC	Gulf Cooperation Council
JMC	Joint Ministerial Commission
JSCFADT	Joint Standing Committee on Foreign Affairs Defence and Trade
UAE	United Arab Emirates
VET	Vocational education and training





## **Context of the visit to the Gulf States**

### **Background to the inquiry**

- 1.1 The Minister for Trade referred an inquiry into Australia's trade and investment relations with the Gulf States to the Joint Standing Committee on Foreign Affairs Defence and Trade (JSCFADT) on 14 August 2003.
- 1.2 The Trade Sub-Committee of the JSCFADT was assigned the inquiry. The formal terms of reference are included in the preceding pages. A map of the countries which are the subject of this inquiry is also included in the preceding pages.
- 1.3 This inquiry follows on from the work undertaken by the Foreign Affairs Sub-Committee of the JSCFADT in the August 2001 inquiry into Australia's relations with the Middle East.
- 1.4 The current inquiry, though more narrowly focused than the Middle East inquiry, aims to build on work done during the course of the previous inquiry, especially with regard to Chapter 6 'Australia's trade relationship with the region'. This visit report is one component of the inquiry.

## Background to the visit

- 1.5 The visit delegation comprised five members of the Trade Sub-Committee. The visit was held from 10 - 23 April 2004 and involved 37 meetings, with over 60 people in five countries. Meetings took place with business people (Australian expatriate and local), industry peak bodies, chambers of commerce, government officials and parliamentarians.

## Selection of countries to visit

- 1.6 Logistical and scheduling requirements mean that this visit was limited on this occasion to UAE, Iran, Saudi Arabia and Kuwait. These countries represent Australia's largest trading partners in the region.
- 1.7 Mid way through the visit, the committee received an invitation from Qatar Airways to meet with its CEO in Doha, which the committee accepted – taking the delegation to a fifth country. The full program of meetings is included at Appendix A.

## The role of the visit report

- 1.8 Parliamentary delegations in support of committee inquiries serve several purposes, including the following:
- To contribute to the parliament's understanding of the issues involved in the inquiry
  - To enhance awareness in Australia and in the countries of the inquiry
  - To provide opportunities for Australia's official representatives in subject countries to meet with and lobby high level officials, politicians and parliamentarians in those countries.
  - To facilitate high level contacts between Australian parliamentarians and overseas officials, politicians, parliamentarians, business leaders journalists and others for the purposes of the inquiry.
- 1.9 This particular visit was deemed by the government to be important for Australia and Australia's engagement with the region in the terms laid out above.

- 1.10 The visit report aims to capture the vast range of information and impressions gained during the visit, while they are fresh in the minds of the committee. The inquiry report will be a broader and more thorough account of all evidence obtained during the course of the inquiry. This visit report will be an important though subsidiary supplement to the report of the inquiry due to be published in late 2004.
- 1.11 This report will contain some recommendations based mainly on information and impressions gained during the visit.



## **Trade and investment issues in the Gulf States**

### **Drivers of growth and development in the region**

- 2.1 Upon arrival in the region one is immediately struck by a range of impressions which provide some insight into the economies of the region.
- 2.2 The strongest impression is of the extraordinary level of construction. Dubai, for example, is a construction site of breathtaking proportions. Subsequent impressions might include the large number of luxury cars on the road – many more, it seems, than you would see on Australian roads. One might also notice the large number of expatriate workers in the Gulf countries (as high as 80% of the population in UAE). And Australians would be likely to notice the large number of Australian cars on the roads (Holden Caprices, Toyota Camrys and in lesser numbers Mitsubishi Magnas).
- 2.3 Iran is the exception in some ways particularly in terms of construction. The US boycott on Iran has clearly affected the level of investment into Iran. The committee believes however that Iran still provides significant prospects.
- 2.4 The overall impression is that the Gulf region is a region on the move.

- 2.5 Although the level of construction, vibrancy and wealth differ in degrees across the region, the strong momentum towards development is consistent.
- 2.6 The Gulf is a region on the move for a range of reasons discussed below and the next few years is a good time for Australian businesses to look to the region.

## **The twin drivers of Gulf States development**

- 2.7 The economies of the Gulf States are all on the 'fast track' to growth and development. The world economy and the demographics of the Gulf States have placed the region in a unique position. The so called 'youth bulges' in these countries, large majorities of the population under 30 years of age, have compelled governments to commit to rapid development. Rapid growth and development is the chosen response to the youth employment challenge. Governments in the region hope it will provide jobs for the young and therefore stability – a familiar development strategy. Unlike many other developing countries however, Gulf States also tend to have the financial means to fully fund such rapid development.
- 2.8 The twin driver of rapidly growing young populations and substantial natural wealth is the key to understanding the region. It explains the vigour with which Gulf economies are seeking to diversify and develop their economies and 'fast track' development programs they are pursuing.
- 2.9 Peter Linford, Senior Trade Commissioner in Dubai listed the characteristics of the Gulf economies in the following terms. They are cash rich markets. They are heavily reliant on imported goods. They are on the whole liberal economies with no major limitations. There is generally strong government support for the private sector. There is a positive perception of Australia business. They are large and growing consumer markets and the regional population is large and growing.<sup>1</sup>

## **Window of opportunity**

- 2.10 An additional important point made on several occasions to the delegation was the fact that several Gulf countries were trying to

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1 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.s

broaden their import base away from traditional suppliers such as the US, UK and Europe, especially in terms of where they study and holiday.

- 2.11 Australia was seen to be well placed to provide the diversity that the Gulf States are currently seeking in their trading and investment relationships. This window of opportunity is open now and may only last for the next few years.

## **Dubai as regional hub**

- 2.12 Another important point about the region is Dubai's growing role as a trading hub for the region.
- 2.13 Dubai has modelled itself on Singapore and accordingly plans to be the regional services hub. Clearly Dubai has been very successful in this regard to date, having developed a range of key services industries such as Internet City, the Knowledge Village, and the Dubai International Financial Centre and Dubailand which are currently under construction.
- 2.14 The committee believes Australian companies looking to the region should be aware of this and utilize the array of facilities, services and links in place in Dubai to develop their activities in the region.

## **Scale of growth and development in the region**

- 2.15 Before discussing the range of specific opportunities for Australia in terms of trade and investment, two economic measures are reproduced below to highlight, in brief, figures on the level of potential in the region.
- 2.16 The first Table 2.1 highlights the dramatic growth in Australian trade with the relevant Gulf States. In many cases Australia's exports have more than doubled over this period as imports have moderately increased. Australia's balance of merchandise trade has nearly doubled over the five year period below.
- 2.17 In terms of growth in the region, it is clear there is a strong growth trend especially in Iran, UAE and Qatar. Concurrent dips in several

countries suggest that growth is to some degree dependent on oil prices.

**Table 2.1 Total Australian exports to the Gulf States (AUD 000s)**

	1998	1999	2000	2001	2002
<b>Saudi Arabia</b>	942,154	1,063,826	1,586,145	2,629,319	2,371,252
<b>UAE</b>	935,846	809,117	1,010,568	1,271,495	1,277,373
<b>Iran</b>	388,836	446,155	604,129	752,434	614,211
<b>Kuwait</b>	239,262	293,592	321,694	483,237	527,922
<b>Qatar</b>	71,909	63,263	80,439	118,347	84,102
<b>TOTAL</b>	2,578,007	2,675,953	3,602,975	5,254,832	4,874,860

Source DFAT – Composition of Australian trade 2002

**Table 2.2 Balance of merchandise trade with Australia (AUD 000s)**

	1998	1999	2000	2001	2002
<b>Saudi Arabia</b>	418,635	404,013	136,532	1,354,632	1,167,044
<b>UAE</b>	597,475	520,745	70,275	341,333	881,176
<b>Iran</b>	365,969	418,486	573,639	726,046	576,392
<b>Kuwait</b>	151,395	216,287	161,400	361,276	368,950
<b>Qatar</b>	-72,569	-78,860	-32,728	-266,614	-113,646
<b>TOTAL</b>	1,460,905	1,480,671	909,118	2,516,673	2,879,916

Source DFAT – Composition of Australian trade 2002

2.18 This growth in combination with the region's strong desire to diversify its import sources are the main reasons the committee is strongly optimistic about Australia's opportunities in the region.

## Areas of outstanding opportunity

2.19 Bearing the above factors in mind there is an array of opportunities from which Australia is well placed to take advantage. Over the course of the visit the committee spoke to more than 60 representatives of various industry and government organisations in five countries and found several areas which had substantial potential for Australian involvement.

2.20 The need to accommodate the growing majorities of young people in terms of jobs has focused the minds of policy makers in the Gulf States on the need for economic growth.



2.21 All Gulf governments have therefore pragmatically begun to address this problem broadly, through building and liberalisation programs. Building and liberalisation programs require a range of skills and inputs. Australia, after enjoying a long period of growth based on a long period of liberalising reform, is well placed to respond.

Table 2.3 Recent and forecast growth (% change YOY)

	1998 <sup>a</sup>	1999 <sup>a</sup>	2000 <sup>a</sup>	2001 <sup>a</sup>	2002 <sup>a</sup>	2003 <sup>b</sup>	2004 <sup>b</sup>	2005 <sup>b</sup>
<b>Saudi Arabia</b>	2.8	-0.8	4.9	1.2	0.7	6.4	0.3	1.6
<b>UAE</b>	1.4	4.4	12.3	3.5	1.8	6	4.3	4.9
<b>Iran</b>	3.8	2	5.3	5.8	7.6	6.2	4.2	3.9
<b>Kuwait</b>	3.2	-1.6	3.9	-1	-2	4.8	0.9	1.1
<b>Qatar</b>		5.3	11.6	7.2	4.6	7.1	5.5	7
<b>AVERAGE</b>	2.8	1.86	7.6	3.34	2.54	6.1	3.04	3.7

Source <sup>a</sup> DFAT country factsheets, <sup>b</sup> EIU 2004-05 Forecast summary

2.22 This array of opportunities is broadly grouped under the following headings:

- Building and construction
- Engineering and consulting
- Healthcare and pharmaceutical services
- Education and training
- Tourism and tourism training
- Consumables
- Agriculture (including food and beverages)
- ICT products and services
- Financial services

2.23 This is not an exhaustive list of perceived opportunities but a range of opportunities which emerged frequently through discussions with business leaders, officials, parliamentarians, chambers of commerce and others during the visit.

## Building and construction

2.24 Building and construction is a good starting point because it is inevitably the first thing that strikes people visiting the region, especially Dubai. In each city we visited there was either substantial

construction underway or plans in place for substantial construction. Dubai again is the standout and the section on UAE in Chapter 3 will provide more examples.

**Sheikh Zayed Road in Dubai in 1990 (left) and 2003 (right)**



*Source* Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

- 2.25 For some idea of the scale of construction underway or planned it is worthwhile look at Dubai. The size of the UAE construction market has grown 25% to US\$30 billion over the last year. This includes the ambitious Dubailand project which is a USD 5 billion project covering 18,500 hectares<sup>2</sup> (The Homebush Bay Olympic site covered just 660 hectares).
- 2.26 Australian building and construction firms are already heavily involved in the region. Multiplex signs were common features at building sites.
- 2.27 The Palm Island project (see picture below) has 3,000 workers, 14 barges, 11 tugs, 4 dredges & 10 vessels working around the clock to move 30 billion cubic metres of sand and 2 billion cubic metres of rocks.<sup>3</sup>
- 2.28 Qatar has plans to spend AUD 7.03 billion<sup>4</sup> on infrastructure projects over the next 6 years. This includes AUD 3.2 billion on roads, AUD 1.98 billion on buildings, AUD 684 million on sewerage facilities and \$1.14 billion on health and education facilities.<sup>5</sup>

2 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

3 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

4 Exchange rate taken from Oanda (<http://www.oanda.com/convert/classic>) on 7 May 2004.

5 *Speech by Qatari Minister of Municipal Affairs and Agriculture* to MEED conference on major projects and investment opportunities in Qatar, January 2004.

## Engineering and consulting

- 2.29 Building on Australia's strengths and heavy involvement in the region's construction industry, the committee felt that Australia's related strength in engineering consulting would also in great demand in the region.
- 2.30 The committee heard of several examples of projects to which Australian engineering expertise had had some direct or indirect input, including the landmark Burj Al-Arab Hotel in Dubai.
- 2.31 Australian firm GHD Consulting was active in Doha and various people met by the committee emphasized the opportunities that were available for proactive firms in the region.

## Healthcare and pharmaceutical services

- 2.32 In a similar vein the region's desire to develop the traditional lack of infrastructure means healthcare is not of the standard of developed nations across the sector.
- 2.33 There are therefore opportunities for Australian healthcare providers to service healthcare needs both in Australia and in the region. Once again this opportunity is twofold. Australian organisations could deliver healthcare services both in Australia and the region but also, as with tourism, provide the education and training services which will underpin healthcare services in the region in the future.
- 2.34 Australia already has a large number of health professionals working in the region. The committee took evidence from three professional placement firms before the trip. Australian healthcare is already used by Gulf tourists to Australia and the Gold Coast area is already benefiting from the growing 'health tourism' sector.
- 2.35 Australia is well placed to increase its profile both as a health tourism destination (that is combining a holiday with a health service such as an elective treatment or cosmetic service), and as a provider of skilled health staff and health training professionals.
- 2.36 In contrast to the area of tourism, the Australian government has no representative in the region to seek out opportunities for itself and Australian healthcare services providers. The committee knows that the HIC has been successful in other regions exporting Australian expertise and training in the health sector. The committee feels the government should consider further investigating potential opportunities in this area.

## Education and training

- 2.37 The more developed an economy the more it relies on the skills and knowledge of its members – its knowledge capital. Education, from primary school to postgraduate training, must underpin all efforts to develop an economy. This is true for the Gulf States.
- 2.38 Australia already being a major education exporter is well placed to act on this. Demand for Australian student visas is already growing at 30% per annum from Dubai.<sup>6</sup> Almost all the countries visited were interested in more streamlined application procedures in the student visa process for Australia, suggesting growing demand to which Australia has not yet fully responded.

Palm Island Project model (left) and Dubai Marina development (right) overlooking Palm Island construction site



- 2.39 There are a few reasons why Australia is well positioned to penetrate the education market. Firstly Australia is a quality though comparably cheaper option than the US and UK for higher education. This fact does not seem to be well known.
- 2.40 Increased frequency of direct flights by Emirates, Gulf Air and possibly Qatar Airways in the future has diminished the perceived distance between Australia and the region. Sydney is only 13 hours flight away from Dubai and Perth is only 10 ½ hours away. Emirates' recent establishment of daily direct flights to Perth, Melbourne, Sydney and Brisbane has increased the flow of people and goods in both directions. Further, flights from Sydney and Melbourne fly twice daily and Emirates' has recently introduced non-stop services.

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6 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

- 2.41 Education providers and others should be able to capitalise on this change.
- 2.42 The other factor working in favour of Australian education exporters is that Australia is seen as an alternative to the US and UK in terms services imports. The US and UK traditionally provided education services for people from the region, as destinations for people seeking prestigious degrees. The region's growing sensitivity to economic vulnerabilities has prompted them to seek new sources of imports including education services. Australia is seen in the region as a potential alternative.
- 2.43 One additional area of potential for Australia is in military education and training. When meeting with the defence minister of Kuwait, delegation members formed the view that the Australian defence suppliers had the opportunity to develop this market. This might include the provision of military training (see chapter 3). An example of military related export potential is the recent sale of Australian patrol boats to the Yemen worth AUD 100 million.

## **Tourism and tourism training**

- 2.44 Another opportunity in the services sector is tourism and tourism training.
- 2.45 The Gold Coast of Australia is already a popular destination for holidaying Gulf nationals. It is perceived as safe and welcoming, and again its profile in the region has been growing due partly to increased frequency of direct flights to Australia and the regions enthusiasm for diversifying their economies. The abundance of apartments on the Gold Coast was also attractive to Gulf families where average family size is approximately six.
- 2.46 The committee acknowledges the timeliness of the Australian Tourist Commission's appointment of a representative to the region. As mentioned above much of the region is cash rich and looking for safe and friendly alternatives to Europe and the US.
- 2.47 Additionally several people pointed out that Gulf Arabs tend to holiday in family groups for longer periods such as a several weeks or a month.
- 2.48 On the other side of the coin, Gulf countries are interested in developing tourism industries in their own countries. In all of the countries visited hospitality service standards were being raised. This

opens another opportunity for Australian organizations involved in tourism training. Either in Australia or offshore in the region, Australian hospitality expertise would find substantial demand in helping bring Gulf hospitality standards to world best practice.

- 2.49 The massive Dubailand project mentioned above aims to make Dubai the tourism hub for the region. There are few indigenous hospitality training institutions and a relatively undeveloped industry, in contrast to Australia's long established and highly developed industry.
- 2.50 Similarly Qatar would like to develop Doha as a tourist hub in the region. It has long term plans for massive tourist development, both in desert resorts but also seaside resorts. Again Qatar has the financial resources to do this but none of the indigenous skills or trained personnel. Clearly Australia could develop and/or provide these capabilities.

## Consumables

- 2.51 As one would expect in wealthy countries there is a strong demand for a range of consumables. Everything from cars, to leisure boats, sporting equipment, jewellery, electronic goods, clothing – all things not produced and unlikely to be produced locally.
- 2.52 Any sector of consumer goods in which Australia is successful would be well positioned to capitalise on demand in the region for such goods.

## Cars, parts and after market accessories

- 2.53 Australia has experienced impressive recent success in the sale of cars into the region. In the early 1990s there were virtually no Australian cars sold into the region. Currently one in five cars in the Middle East is Australian built.<sup>7</sup> The main models sold are the Holden Caprice (badged as a Chevrolet Lumina) and the Toyota Camry. The Mitsubishi Magna also has significant sales into the region.
- 2.54 The committee noted that three of the four major Australian car producers were selling into the region. It would like to encourage other Australian car manufacturers to look to the region and take up the considerable opportunities available to it.

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7 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

- 2.55 This success opens a range of other opportunities for Australia producers. As the number of Australian cars on the road in the region grows, the market for car parts will grow.
- 2.56 Similarly Australia's mature market in after-market accessories will also be able to push into the region's equivalent market which is still quite undeveloped. There is also likely to be opportunities for such accessories manufacturers to develop new accessories appropriate to the harsh driving conditions in the region.

## Leisure

- 2.57 As the economy of the region modernizes, work and leisure patterns are likely to converge to some degree with those of other developed nations, as they are doing in Dubai. Accordingly leisure activities are likely to increase. Such a trend is already evidenced by the intensity of development along the coastal areas in UAE, Qatar and Kuwait. Maritime leisure activities such as beach swimming, boating (including jetskiing), fishing, waterskiing, sailing etc are likely to grow.
- 2.58 All these areas are ones in which Australia has a long history and a strong comparative advantage.

## Agriculture

### Food and beverage

- 2.59 Two main factors suggest that opportunities for Australia food and beverage producers in the region are likely to be strong and growing.
- 2.60 The first is the growing wealth of the region. As countries in the region liberalise, a growing demand for a wider range of quality food products is likely.
- 2.61 Australia is known as one of the highest quality sources of agricultural produce across the board. This knowledge and the well established trading links position Australia well for expansion in this sector.
- 2.62 AWB is a good example of a long trading organization with strong links to the region providing premium quality grains. It has, for example, over time built a strong relationship with Kuwait Flour Mills & Bakeries and is currently the sole supplier for Kuwait. All Kuwaiti breads are made with Australian grain. Such trading

relationships are based on long terms efforts and are invaluable in terms of reputation for Australian producers.

- 2.63 The second factor, which applies most to fresh produce, is the growth in number and frequency of direct flights to the region. Emirates and Gulf Air (and soon Qatar Airways) have many direct flights to the region opening up opportunities for fresh produce exports to the region.
- 2.64 As discussed above Emirates' recently established daily direct flights to Perth, Melbourne, Sydney and Brisbane and double daily flights from Sydney and Melbourne which are non-stop services.
- 2.65 This growth in direct flights and frequency of flights makes fresh food and beverage trade much easier. For example, the committee spoke to representatives of Emirates Resorts who buy a substantial proportion of their fresh fruit and vegetables from Australia.
- 2.66 Opportunities for other fresh produce have also been made possible by these flights. Fresh flowers are another example. Emirates airlines told the committee that Dubai plans to create a fresh flower market for the region which will be comparable to the renowned flower market in Amsterdam.
- 2.67 Australia's 'clean and green' image in this field is a tremendous asset and there is no reason why a range of other fresh products such as flowers could not also be exported in a similar way using available transport capacity.

#### **Import dependence in UAE, Qatar and Kuwait**

- 2.68 These opportunities were greatest in countries which had no specific capability or ambitions in the area of agriculture. UAE, Qatar and Kuwait have limited food production capacity and accordingly they provide the greatest opportunity for Australian exporters in this field.
- 2.69 The countries which either have some agricultural capability or are ambitious in the area are Saudi Arabia and Iran.
- 2.70 Although Saudi Arabia intends to scrap some of its agricultural production capabilities, it still does retain some strategic agricultural industries. An area of potential for Australia likely to resume shortly is the export to Saudi Arabia of live animals.
- 2.71 In light of recent difficulties with Australian live animal exports, the committee took soundings at various meetings on the potential for live animals to be sold into a secondary market and then on-sold to



other Gulf countries. The Abu Dhabi Chamber of Commerce and Industry responded very positively to the idea.

- 2.72 Iran, on the other hand, has a strong agricultural sector and therefore is likely not to provide as many opportunities for Australian exporters in this sector. Iran may however provide opportunities in terms of exports of Australian agricultural technology and expertise. This is discussed further in Chapter 3.

### **Equine industry and associated products**

- 2.73 Australia's strong reputation in breeding endurance horses might also provide export opportunities. An Australian horse won a major UAE endurance race during the visit and a number of Australian jockeys are already working in the region.
- 2.74 Complementary exports of expertise and technologies related to the health of animals such as veterinarians, farriers and trainers might also find a market in the region. The committee would encourage people and firms in the field to investigate these opportunities.

### **ICT products and services**

- 2.75 Internet City and Knowledge Village in Dubai also held much promise for exports of Australian expertise. The region, especially Dubai, wants to develop this sector quickly and accordingly offered a range of incentives to companies willing to invest in Dubai. These included very business friendly packages involving: cheap premises, 'ready to go' office configurations, tax breaks, and visa and immigration support.
- 2.76 The committee feels that Australian companies strong in this sector would find Dubai a reasonably easy market to enter. It provides great opportunities and also provides a stepping stone to other markets in the region.

### **Financial services**

- 2.77 The growing sophistication of the Gulf economies is also likely to provide opportunities for Australian companies and individuals in the financial sector.
- 2.78 Laurence Elms, CEO of the Dubai International Finance Centre (an Australian expatriate), told of the many Australians in his organization. There had not been much Australian interest in

investing in the DIFC to date, but that investors would come in time. He believed Macquarie Bank was interested in the region and if they did invest he believes it might prompt others to follow to capitalise on the growing opportunities.

## Challenges in the region

### Security

- 2.79 The region does face a few challenges to its prosperity and development which should be borne in mind when considering trading or investing in the region.
- 2.80 The ever-present challenge is the same as that for the rest of the world – the threat of transnational terrorism.
- 2.81 In terms of Australia’s official travel advice, all countries visited except Saudi Arabia had the same general travel warning.<sup>8</sup> Saudi Arabia was seen as a higher risk destination with the DFAT travel advice suggesting ‘Australians should defer non-essential travel to Saudi Arabia’.<sup>9</sup>

### Population

- 2.82 As alluded to above the youthful and growing populations in the region are a source of great potential for Australia business. The growth of population is also a potential risk in the medium to long term.
- 2.83 With 50% of the population in the region under 25 years of age,<sup>10</sup> failure to nurture substantial growth in economy and jobs could result in social problems in the future.
- 2.84 This challenge will clearly not be resolved quickly or easily but all the organisations and people the committee met with during the visit were seized of this challenge and acting on it. These efforts were

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8 In view of continuing tensions in the Middle East and the ongoing risk of terrorist attacks against Western interests, Australians in Qatar should exercise a high degree of caution and maintain a high level of personal security awareness. Particular care should be exercised in commercial and public areas known to be frequented by foreigners.

9 [http://www.dfat.gov.au/zw-cgi/view/Advice/Saudi\\_Arabia](http://www.dfat.gov.au/zw-cgi/view/Advice/Saudi_Arabia). 7 May 2004.

10 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

reflected in the government programs to liberalise their economies, 'localise' the private sector (encourage the involvement of nationals in the private sector) and diversify their economies away from oil and/or gas into complex manufactures, services and so on.

### **Oil and economic stability**

- 2.85 Another major problem is the problem of oil/gas dependency in the Gulf state economies. Regardless of their efforts to date, all of the countries visited still depend heavily on their oil and/or gas exports. This generally means that years in which oil prices are up are boom years and years in which oil prices are down are slow years.
- 2.86 Sustained poor oil prices or long term failure to diversify economies in the region would threaten stability in the region and should be borne in mind.
- 2.87 As of the moment however, these issues do not pose a great threat. The developed world's demand for oil is consistently growing, and demand coming from the rapidly developing countries of China and India is likely to only grow.



## **Opportunities in the Gulf**

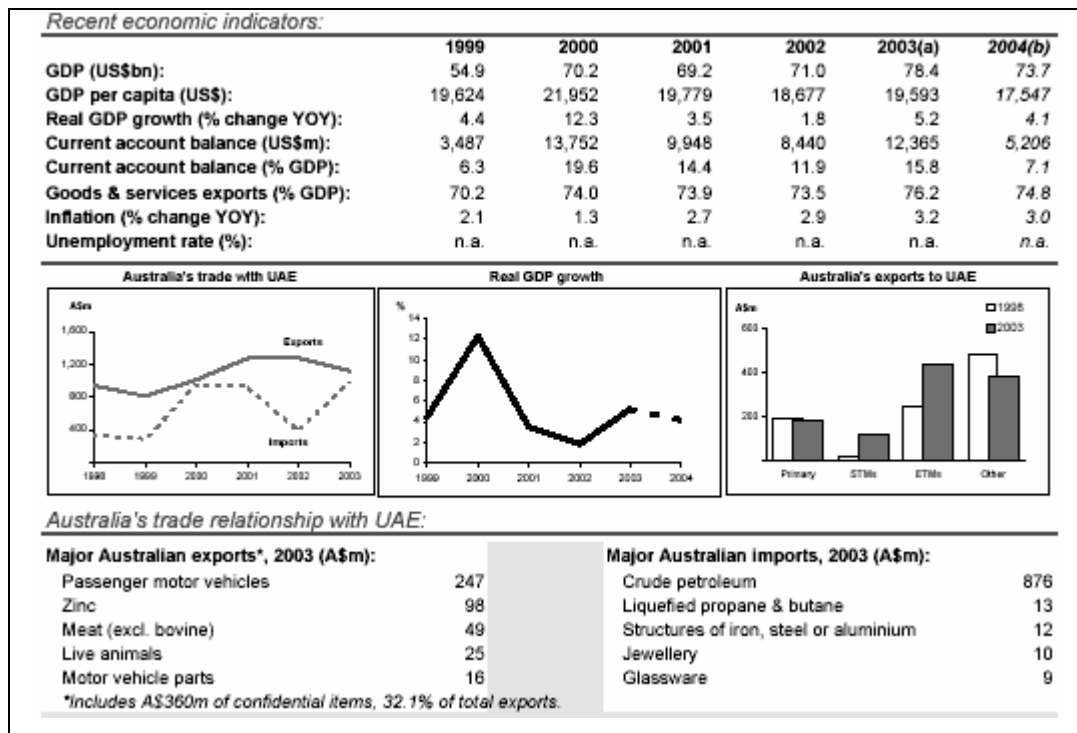
- 3.1 Throughout the range of meetings the committee held, members were provided with a plethora of suggestions and recommendations from a range of perspectives. Although some were clearly more valid than others in terms of their potential for Australian trade, Chapter 3 will provide a 'quick glance' over the issues covered and suggestions made.
- 3.2 As with previous chapters this chapter will only cover the countries visited. The other countries of the inquiry will be covered in the forthcoming inquiry report.

## Meeting with Members of the Kuwait National Assembly



## United Arab Emirates

### Economic Overview



## Opportunities

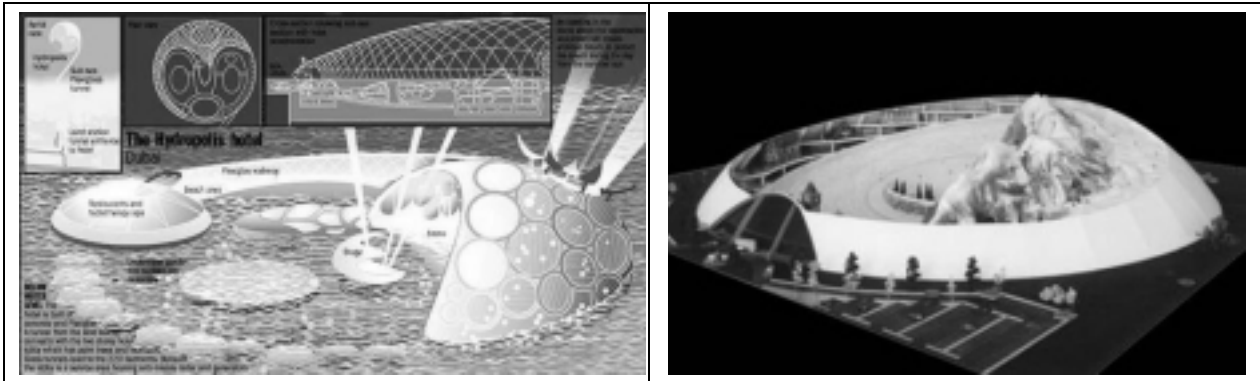
- 3.3 The region provides extensive opportunities for Australian exporters and investors. Growth in GDP in the Gulf region is currently running at 5% per annum.<sup>1</sup> Growth for Dubai was 6.2% in 2003 and at a similar level for Abu Dhabi.
- 3.4 Dubai is also working to establish itself as the regional services centre, modelling itself as the Singapore of the Middle East. To achieve this it is moving quickly to develop all the necessary infrastructure, which drives many of the development projects underway. There are also three free trade zones in the UAE: one in Abu Dhabi, one in Dubai and one in the eastern region.
- 3.5 As of the visit to the region by the committee, 622 multi-storey buildings were under construction in Dubai. Retail space is to increase four fold by 2010 making Dubai the most densely 'shopped' in the world. Emirates Mall which is currently under construction will be the largest shopping centre in the world outside the USA at 225 000 square metres.
- 3.6 On top of the impressive construction facts for Dubai mentioned earlier, fifty five star hotels are currently under construction and hotel occupancy rates are running at more than 90%. Dubai in 2002 sold 4.26 million hotel room nights<sup>2</sup> in 1996, which represented 146% growth since 1996.
- 3.7 In terms of traffic through Dubai in 2002, 18 million passengers passed through Dubai airport, as compared to approximately 25 million through all Australian airports per annum. With a doubling of flight and terminal capacity, this figure for Dubai is likely to double by 2012.
- 3.8 With Palm Island I nearing completion and having been sold out within weeks, Palm Island II is under construction as well as a third, larger project with an island complex in the shape of the globe. There is also an underwater hotel under construction and a year round ski complex.

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1 Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

2 One room-night is one hotel room rented for one night

Planned underwater hotel (left) and planned indoor skil centre (right)



Source Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

- 3.9 Dubai is also working to develop a number of high value commercial and services 'clusters'. Among them are the Dubai International Financial Centre, Internet City, Knowledge Village, Healthcare City and Dubailand. As mentioned Dubailand is a US\$5 billion project which will cover 185 million square metres of land (which would cover an area 13km by 13km)<sup>3</sup> and incorporate numerous theme parks, zoos, health resorts, schools, hotels, skiing, film production facilities, sports facilities (including a formula one racing track), cinema complex, museums, art gallery and other attractions.

## Conclusions

- 3.10 The UAE was clearly the standout in terms of the level of development of a modern economy and society. It clearly had the best and most modern infrastructure of the region and operated as a very business friendly environment. It also provides a relaxed environment for business people servicing the region.
- 3.11 The ambition and vision of the government of UAE is breathtaking and the results of their efforts to date have been extremely impressive. Dubai clearly is the hub for the region and the committee would encourage Australian exporters and investors to use it as such. Using Dubai as an entry point or basing Middle East operations in Dubai appears to be a prudent step into the market and is clearly the entry point of choice for international business.
- 3.12 The committee would also suggest that Austrade strengthen further its resources in Dubai to encourage Australian businesses to explore opportunities in the region and use Dubai as a hub.

<sup>3</sup> Peter Linford, Austrade STC Dubai, *Briefing to committee*, 12 April 2004.

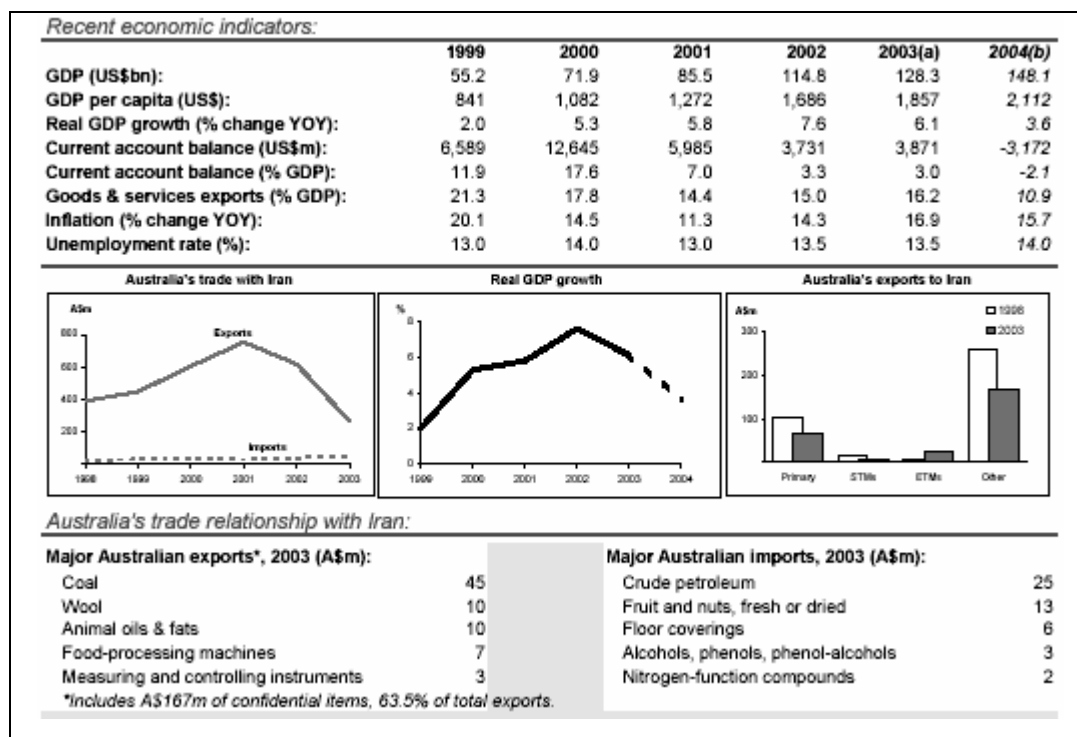


Delegation members touring Zabeel Stables in Dubai



## Islamic Republic of Iran

### Economic overview



- 3.13 With GDP growth levels in the 5-7% range, a population of 65 million and a economic reformist momentum in the country, Iran is believed to have significant long term potential.
- 3.14 The meetings held in Iran confirmed that there is a degree of consensus on the need for economic reform. Like most other countries in the region, Iran has a large number of young people, with 70% of the population being under 30 years of age. All sources acknowledged the challenge this poses and the consensus on economic reform is the broad response.
- 3.15 In terms of economic performance Iran has done well in recent years. 2004, the last year of the 3<sup>rd</sup> Economic Development Plan saw growth reaching 7.4%. The Central Bank expects 2005 to deliver a more modest but still commendable 6.5% growth.

- 3.16 Inflation which has been a problem through the 1990s has been reduced to 15% and the Central Bank hopes to have down to less than 10% within the next couple of years.
- 3.17 In terms of economic liberalisation Iran plans to reduce the corporate tax rate from 60% to a more competitive 25%. It has a tax holiday arrangement for industrial and manufacturing investors. It has recently introduced new laws of foreign direct investment. Iran has also expressed interest in WTO membership.
- 3.18 The banking sector, like most sectors in Iran, is either heavily regulated or owned by government. Some efforts have been made to partially privatise some banks and the first licenses for private banks have been issued. The 4<sup>th</sup> Economic Development Plan has also given more independence to the Central Bank.

## Opportunities

- 3.19 The potential size of the market is an attractive aspect of Iran. If its current growth levels are maintained there will be substantial opportunities for Australia. The difference between Iran and the other Gulf countries however, is that trading or investing in Iran would require longer term efforts. High levels of regulation and reasonably restrictive investment conditions mean that efforts to invest or trade require a degree of effort and commitment that would not be needed in the more open economies such as UAE.

The delegation meeting with representatives of the Iran-Australia Chamber of Commerce and Industry



- 3.20 Some of the significant areas of potential economic cooperation appeared to be in agriculture and agricultural technology. Strong similarities between the climates and Australia's perceived technological lead in this area prompted the Iranian Deputy Minister for Agricultural Jihad make numerous suggestions for cooperation in this area. CSIRO is a good example. It has undertaken a number of consultancies in Iran, contributing to Australia's reputation and profile and positioning itself well for future commercial opportunities.
- 3.21 Throughout discussions three main areas of interest emerged in terms of increased cooperation. These were:
- Agricultural knowledge transfer – Australia is viewed as a leader and Iran wishes to develop its agriculture and draw on Australia's expertise through some mutually beneficial cooperative arrangements.
  - Post harvest technology – Australia is again viewed as a leader in the field and Iran wants to improve dramatically on its 30% spoilage rates for fresh produce.
  - Vocational training in agriculture – in line with the above suggestions it was believed that Australia could assist in vocational agricultural education through some cooperative arrangements.
- 3.22 Iran was also keen to invest heavily in exploiting its enormous oil and gas reserves. Massive investment is required to do this and all meetings suggested that Iran is keen to attract Australian investment and expertise. BHP unfortunately, after trying for several years to build an enterprise in Iran, curtailed its efforts in late 2001.
- 3.23 Clearly Australia's traditional strengths in such primary industries, places it well in regards to develop such opportunities.
- 3.24 A very important aspect of the 4<sup>th</sup> Economic Development Plan in Iran is the development of manufacturing industries. Accordingly foreign investors in manufacturing are obliged to take a local partner. They then in turn receive a range of benefits mainly in the form of tax exemptions. A range of Japanese, South Koreans and European firms have taken up these opportunities to locally produce cars, whitegoods and other manufactures.

- 3.25 The Deputy Minister for International and Economic Affairs pointed out that 52 joint industrial projects had been approved in 2003 valued at around USD 200 billion.<sup>4</sup>
- 3.26 Another opportunity raised by the Iran Chamber of Commerce and Industry is the expected demand for cheap housing and building materials. The demographic challenge mentioned previously and the high growth rate mean the emerging middle class will need to be housed. Accordingly representatives of the chamber believed that housing materials will be in great demand in the future.
- 3.27 The committee feels that Australia is strong in this field, especially in the provision of cheap housing (such as kit homes) and could find export opportunities in Iran.
- 3.28 The Chamber believes opportunities also exist for trade in a range of other areas including:
- mining and energy
  - agricultural technology (especially in post harvest technology)
  - raw materials for building (such as masonry)
  - English language training
  - tourism training
- 3.29 One issue of concern which was raised several times was the inability of Iranian firms to provide credit card facilities. The US embargo on Iran meant major credit card operators were unable to work in Iran and accordingly the committee felt that this would disadvantage in Iran in some sectors such as tourism.
- 3.30 Australia's strong track record in construction both at home and in the region also places it well to pursue major infrastructure projects as they arise in Iran.
- 3.31 The committee believes there are facilitative steps the Australian government should take to enable opportunities to be pursued. The main one is an investment protection agreement between Iran and Australia. The committee believes such an agreement should be expedited.

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4 Meeting notes.

**Recommendation 1**

**The committee recommends that the government expedite an investment protection agreement between Australia and Iran**

- 3.32 As incomes rise in Iran and the economy opens, the demand for higher quality health and education services is likely to grow. The committee believes Australian strengths in these areas will position it well.

**Agriculture**

- 3.33 As pointed out in Chapter 2, there are two categories of agricultural opportunities for Australian firms in the region: food and beverage products to those Gulf countries without agriculture, and agricultural technology and expertise to those that do have agriculture.
- 3.34 Iran fits into the second category, having worked to develop its agriculture over past five year plans. The industry has many problems however, and the similarity between Iran's and Australia's climates mean Australian agriculture has a lot to offer Iran in terms of technology and expertise. Unfortunately this also means that Australia is unlikely to be able to easily export food and beverage products into Iran.
- 3.35 One suggestion raised by Deputy Minister Dr Emadi from the Ministry of Agriculture, who undertook his doctoral studies in Australia, was that Iran and Australia jointly host and fund a major symposium to discover areas of potential technical cooperation and mutual gain. The symposium should have three components, reflecting areas of greatest perceived potential:
- Mining
  - Agriculture and agricultural (including dry land farming, forestry and vocational agricultural training)
  - Post harvest technology

Delegation meeting with the Deputy Minister from the Ministry of Agriculture, Dr Emadi (a research alumnus of the University of Western Sydney)



3.36 The committee feels that such a symposium should be structured so as to complement the Joint Ministerial Commission process.

### **Recommendation 2**

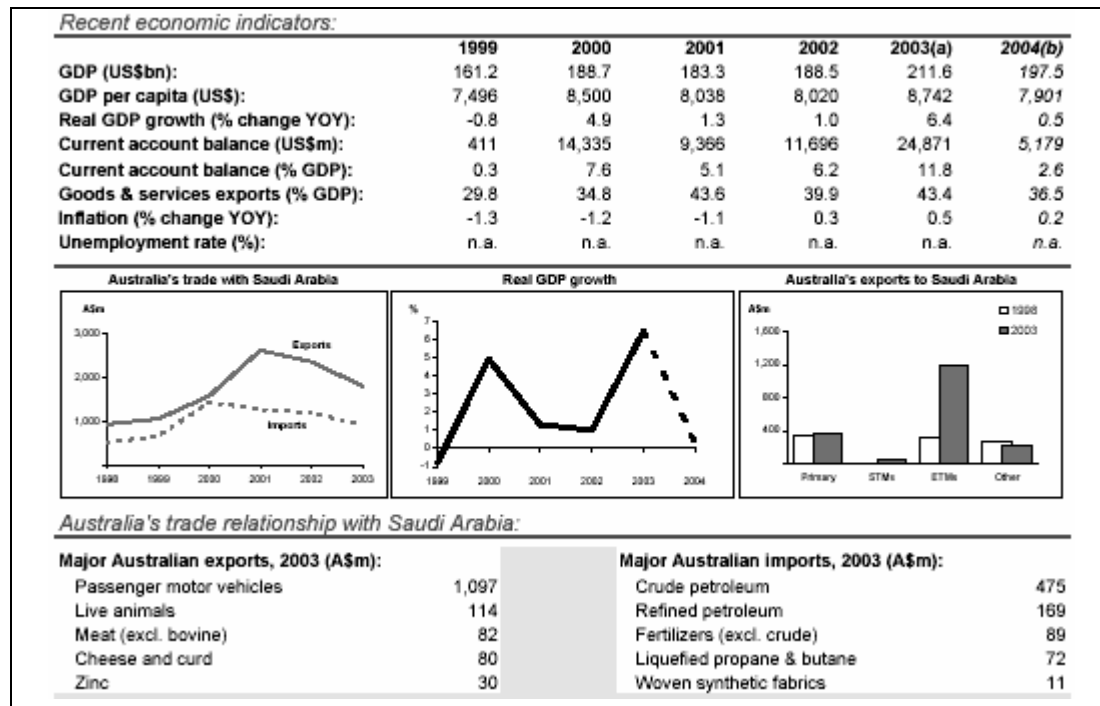
**The committee recommends the Australian government jointly host a symposium to investigate areas of potential technical cooperation between Australia and Iran. The symposium should include the following three components:**

- **Mining**
- **Agriculture and agricultural training (including dry-land farming, forestry and vocational agricultural training)**
- **Post harvest technology**

3.37 The Iran Chamber of Commerce also informed the committee that a trade delegation comprising 42 of its members will be travelling to Australia in the near future.

## Saudi Arabia

### Economic overview



- 3.38 Saudi Arabia has the second largest population and the largest economy in the region. It is therefore a major part of the GCC economy and a key market in the region.
- 3.39 As is clear above the bulk of Australia's exports to Saudi Arabia are cars and agricultural produce. Also as evidenced by figures in Table 2.1 Australian exports to Saudi Arabia have almost tripled since 1998.
- 3.40 Saudi Arabia has similar characteristics to other Gulf States. It has similar challenges as other Gulf States such as a high proportion of youth in the population, a lack of job opportunities and a heavily oil dependent economy.
- 3.41 It too is trying to diversify and liberalise the economy so as to create the growth that will create jobs for the young population.
- 3.42 Opportunities for traditional exports to Saudi Arabia such as live animals and foodstuffs remain. The live sheep export issue which arose during 2003 is currently being addressed and both Saudi Arabia and Australia are optimistic for a successful outcome.



## Opportunities

- 3.43 The most obvious new opportunity for Australian exports stemming from the success in exporting cars to Saudi Arabia is the potential for the sale of more cars and after market car accessories. Toyota recently celebrated the 300,000th Australian built Camry to be delivered to the Middle East,<sup>5</sup> the bulk of which have gone to Saudi Arabia.
- 3.44 Automotive exports have clearly been a magnificent success for Australia and the longer the success is sustained the bigger the market for accessories will become.
- 3.45 In trying to develop and diversify its economy, the government of Saudi Arabia is investing heavily in infrastructure, much like in the other Gulf States. This includes both social infrastructure (health and education) and physical infrastructure such as roads, highways, ports etc.
- 3.46 Australia is clearly very strong in both of these fields and is already established in the region in both fields in some form. Australian health professionals and trainers are common in Saudi Arabia and the region, and Australia construction firms are very well established in other parts of the Gulf especially the UAE. Saudi Arabia has plans to develop its railways and the mining sector.

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5 Sunday Times (Perth), 9 May 2004.

### The delegation meeting with the President of the Riyadh Chamber of Commerce and Industry



- 3.47 The committee believes good opportunities in Saudi Arabia are common but as the Senior Trade Commissioner to Riyadh points out, doing such business in Saudi Arabia is closely tied to personal relationships. The Senior Trade Commissioner also pointed out that Australia does well in the region when it concentrates on supplying niche markets in which Australian products are particularly good.
- 3.48 Cheap housing is an area of developing opportunity. Like other countries in the Gulf the growing and reasonably wealthy population means a growing demand for quality, affordable housing. Australia would be well placed to supply this market.
- 3.49 Another area of potential in a relatively wealthy market is in the export of leisure goods. Like in the UAE, a substantial proportion of the population is cash rich. Accordingly leisure goods and consumables are in demand. Australian exporters in these areas could benefit.
- 3.50 Following Australia's success in automotive sales, the committee feels that the market for maritime leisure craft in Saudi Arabia could be a good opportunity for Australian producers. Saudi Arabia is aware of Australia's expertise in the area but as yet there have not been many sales.

- 3.51 When asked about the potential for Saudi Arabian students to study in Australia several respondents at meetings suggested there is a perception that it is quite difficult for Saudi nationals to obtain Australian student visas.
- 3.52 Although this appears not to be the case, the paucity of DIMIA representation in the region (see Appendix B) appears to have made fast visa processing difficult at times. The committee believes that DIMIA should reconsider its representation in the region to ensure faster processing of visas for the region, bearing in mind the export potential for Australia of countries such as Saudi Arabia, Kuwait and Qatar. Associated administrative arrangements in Australia should support any representative changes overseas.

### Recommendation 3

**The committee recommends that DIMIA consider strengthening its representation across the Gulf region. This should ensure faster processing of visas for key economies in the region in light of the growing opportunities in the Gulf States.**

- 3.53 The committee heard several times during the visit that Gulf governments were looking to diversify their sources of imports, and Australia would have a window of opportunity to capitalise on this. In terms of defence procurement and training, Saudi Arabia was a massive importer of US defence hardware and services such as training.
- 3.54 The committee felt that Australia currently has an opportunity to capitalise on this in the region. Australia over the last decade has positioned itself well in education exports but the same thinking had not penetrated defence. Accordingly Australia's defence representation in the region was tiny relative to the opportunities in this area (with 2 representatives in Riyadh and 1 in Abu Dhabi).
- 3.55 The committee understands that the government is currently developing a strategy for exporting defence hardware and services to the region.
- 3.56 The committee strongly supports this process and would like to recommend that the government consider carefully the level of defence export related representation in the region, and how various representatives from different agencies will cooperate for the best

results. It would also suggest the government consider the potential long term benefits that may arise from Gulf nationals undertaking military training in Australia.

- 3.57 The recent success of Australia selling approximately AUD100 million worth of patrol boats to the Yemeni government is a good example of the potential in the region.

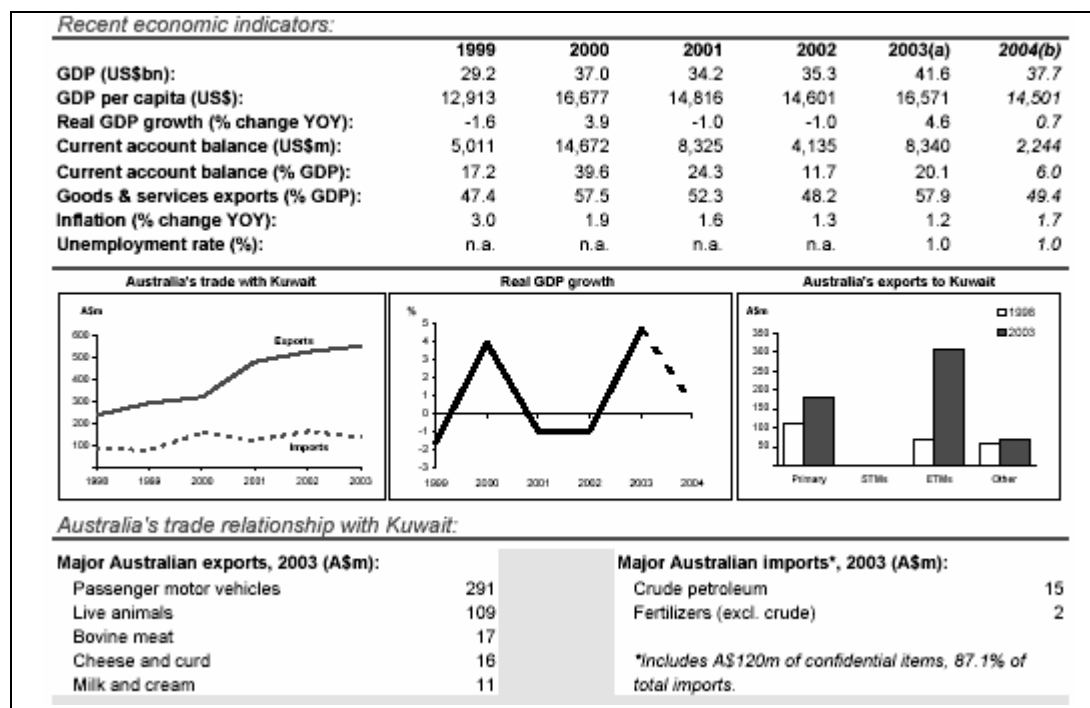
#### **Recommendation 4**

**The committee strongly supports the government's plans to develop a strategy for the export of defence related hardware and services to the region. The committee recommends the strategy consider:**

- **What specific opportunities exist for the export of defence related hardware and services**
- **How the relevant agencies should cooperate, in terms of resourcing and personnel posted to the region, to optimise defence related exports to the region**
- **The long term export opportunities which would flow from Gulf nationals undertaking military training in Australia**

## Kuwait

### Economic overview



- 3.58 Kuwait's economy is typical of the region. It is heavily oil dependent, looking to diversity both its economy and its sources of imports. It has a very young population (60% of the population under 30 years of age).
- 3.59 It is working to liberalise its economy and encourage private sector development. It is working on reforming its foreign investment laws and altering its tax regime to make it more investor friendly.

### Opportunities

- 3.60 Like in most of the other countries of the Gulf, Kuwait lacks a health system of the standard of Australia. Its health system is being developed but relies heavily on overseas health services providers. Once again Kuwait would have traditionally looked to the US and UK as sources of these services and Australia has an opportunity to target this market.

- 3.61 This would include both seeking health services in overseas destinations like Australia, but also in buying the provision of training services in Kuwait in order to train its own health workforce as the sector is developed.
- 3.62 The same is true for education services and education training. As the sector is being developed there will opportunities both to sell education services in Australia and also to provide them in Kuwait.
- 3.63 Tourism is one sector of the domestic economy the Kuwait government would like to expand. Once again its lack of training facilities and capacity provides an opportunity for Australian tourism VET.
- 3.64 Bearing in mind that Australia's Gold Coast is already a popular destination for Kuwaiti tourists, the committee felt that the packaging of tourism with healthcare services could be lucrative.
- 3.65 Kuwait also seeks to diversify its sources of imports and as with Saudi Arabia, Australia represents an alternative to dominant US military hardware and services suppliers. Accordingly the recommendation above, to do with investigating such opportunities and reconsidering the number and role of military postings in the region, applies equally to Kuwait.

**The committee meeting with CEO and President of Kuwait Flour Mills and Bakeries**



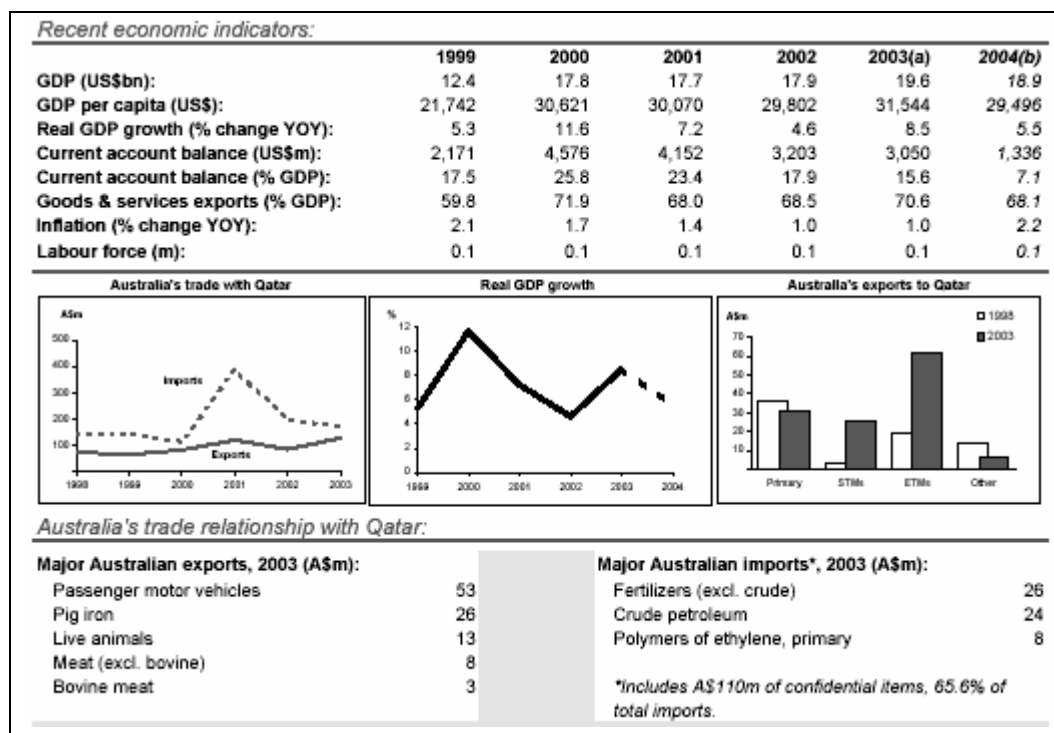
- 3.66 At the meeting with the Kuwaiti Deputy Prime Minister and Minister for Defence the issue of Australian patrol boats was raised, based on

the recent sale of Australia patrol boats to Yemen. The Deputy Prime Minister was interested in this fact and suggested his department might investigate Kuwait's needs and in the future in terms of patrol boats.

- 3.67 Suggestions were also made to the committee about the opportunities to enter the Iraq market through Kuwait. Roughly one thousand trucks a day cross from Kuwait into Iraq carrying all manner of goods according to the Kuwait Minister for Trade and Industry. Kuwait also has a free trade zone near the border with Iraq. The Kuwaitis therefore believe that the best country through which to enter the Iraq market at the moment is Kuwait, a view for which the committee has some sympathy.
- 3.68 The committee was also fortunate to meet with the CEO and President of Kuwait Flour Mills and Bakeries (KFM) Mr Salah M. Al Kulaib. KFM buys all its wheat from Australia through AWB and had done so for over 20 years. The committee was surprised to learn that it had been the first high level Australian visit to KFM over this period – an unfortunate oversight considering the loyalty showed to Australian wheat and AWB.
- 3.69 This reinforced the committee's view that the UAE received a lot of Australian official attention but neighbouring countries, some providing equally good opportunities, tended not to draw official visitors.

## Qatar

### Economic overview



- 3.70 Australia's visit to the Qatar was an unscheduled addition to the visit program. While in Dubai the committee received an invite from the CEO of Qatar Airways Mr Akbar Al-Baker for the delegation to visit Qatar. The committee accepted the offer and spent a day in Doha.
- 3.71 Unlike the other countries visited the visit to Qatar involved only one substantial meeting, a tour of a range of construction projects and a working lunch. The committee spoke at length with Mr Al-Baker, senior executives of Qatar Airways and some Qatar based expatriate Australians working in hospitality.
- 3.72 The opportunities discussed below are drawn mainly from information gained at Qatar Airways meetings and information supplied by their staff. There are however many similarities with the region allowing the committee to draw broader conclusions from the discussions in Doha.



## Opportunities

- 3.73 Qatar's GDP per capita is one of the highest in the world – higher than Australia's (see overview above) and the highest in the Gulf region. It also has one of the largest reserves of natural gas in the world, which assures Qatar of windfall revenue for the indefinite future.

### The committee meeting with the CEO of Qatar Airways and executives



- 3.74 As mentioned in Chapter 2, Qatar has plans to spend AUD 7.03 billion<sup>6</sup> on infrastructure projects over the next 6 years. This includes AUD 3.2 billion on roads, AUD 1.98 billion on buildings, AUD 684 million on sewerage facilities and \$1.14 billion on health and education facilities.<sup>7</sup>
- 3.75 As of the visit by the committee 46 major infrastructure projects were in train, worth more than AUD 390 million.

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6 Exchange rate taken from Oanda (<http://www.oanda.com/convert/classic>) on 7 May 2004.

7 *Speech by Qatari Minister of Municipal Affairs and Agriculture to MEED conference on major projects and investment opportunities in Qatar, January 2004.*

- 3.76 Such construction plans were very impressive and it was noted that some Australian companies were already involved in Qatar, such as GHD Consulting.
- 3.77 Qatar was also in the process of developing an alumina smelter worth about AUD 3.5 billion which will when finished produce 700,000 to 1 million tonnes of alumina per annum.
- 3.78 Although it was clear there were not as many Australians and Australian companies in Doha as there were in Dubai, the scale of development plans here and the staggering value of natural resources at the disposal of Qatar's government in the medium and long term, make Qatar a good long term prospect for trade and investment.
- 3.79 Qatar has similar issues as other Gulf countries – in terms population, narrowly based economies and threats to stability – but clearly there are also many opportunities.
- 3.80 Mr Al-Baker was also interested in having Qatar Airways emulate Emirate's success with daily flights to Australia. Clearly this would only ease trade flows and add to the potential for trade and investment.
- 3.81 Mr Al-Baker suggested that he would be more than happy to lend his support to a Qatar investment authority visit to Australia. The committee feels that this important offer and similar ones could be pursued by an Invest Australia presence in the region (see Recommendation 6).

## **Seizing the opportunities**

- 4.1 In addition to recommendations and issues discussed above the committee believes there are some other measures the government might consider to encourage Australia's trade and investment with the region.

### **Profile building in the region**

- 4.2 Bearing in mind the opportunities available presently and over the 'window of opportunity' period the committee believes that a concerted push over the next three years to raise Australia's profile across the region would better promote business links and benefit Australia.
- 4.3 Accordingly the committee recommends that the government give high priority to developing a 3 year strategy of high level visits to the region. These visits could take various forms including ministerial, parliamentary, business or a combination to ensure countries in the region routinely have opportunities to hear about Australian goods and services and also meet those who produce and supply them.
- 4.4 The committee would also like to stress the immediacy of these opportunities and its belief that the window of opportunity will close within a few years.

**Recommendation 5**

**The committee recommends that the government give high priority to developing a program of high level visits to the region over the next 3 years to ensure Australia's profile is substantially raised.**

**Overall Australian representation in the region**

- 4.5 The scale and ambition of several countries in the region in terms of developing tourist industries is impressive. Dubai is planning Dubailand (discussed in Chapter 2). It has 50 five star hotels currently under construction. Qatar is gearing up to challenge Dubai as the regional hub in tourism. It plans a theme park of similar proportions and will inevitably need to skill a workforce to staff it.
- 4.6 Inward tourism to Australia, especially the Gold Coast, is also growing. In light of the window of opportunity, this is likely to grow further if managed well.
- 4.7 With these issues in mind the committee applauds the government's recent appointment of a representative of the ATC to the region, and would like the government to consider strengthening this representation further.
- 4.8 The committee also visited two investment authorities. These authorities manage the investment of a proportion of the government revenues from oil and elsewhere, with the intention of providing stable, long term returns to complement the more price sensitive returns on oil exports.
- 4.9 The two authorities the committee met with, in Abu Dhabi and Dubai, managed substantial investment funds. The committee believes that Austrade or Invest Australia should investigate the value of devoting more resources to attract such investment funds to Australia.

**Recommendation 6**

**The committee recommends the government consider strengthening the resources of the Australian Tourist Commission and Invest Australia in the region, to raise their profile and capitalise on current opportunities.**

**Live animal exports**

- 4.10 Although the committee is yet to consider evidence from the Department of Agriculture, Fisheries and Forestry on the Keniry Report into the live animal trade, it believes the government should vigorously take measures to minimize the chances of a recurrence of similar problems.
- 4.11 Accordingly the committee believes the government should actively pursue memoranda of understanding with all the Gulf nations to prevent a repeat of that or similar problems.

**Recommendation 7**

**The committee recommends that the government continue to pursue memoranda of understanding with relevant Gulf nations, to avoid potential problems with the live animal trade.**





## **Appendix A – Visit Program**

### **Sunday 11 April – United Arab Emirates (UAE)**

1. Noel Campbell, Ambassador
2. Tony Williams, Vice President, Resorts and Projects, **Emirates**

### **Monday 12 April - UAE**

3. Peter Linford, Senior Trade Commissioner (Dubai), **Austrade**
4. Laurence Elms, **Dubai International Finance Centre**
5. **Dubai Development and Investment Authority (DDIA)**
  - Jawad Khan, Corporate Planning Manager, **DDIA**
  - Patricia El Adem, Business Development Administrator, **Dubai Healthcare City**
  - Manaf Afyouni, Special Project Manager, **Dubai Healthcare City**
  - Bahaa Abouhatab, Manager, Business Development, **Dubailand**
6. Adam Chevin, Executive Project Manager, **Multiplex** (walking tour of Dubai Marina)
7. Fernando Francis, Journalist, **Al Khaleej** (newspaper)
8. Function hosted by **Australian Business in the Gulf (ABIG)**

### **Tuesday 13 April - UAE**

9. Heather Smith, **Zabeel Stables**

**10. Dubai Chamber of Commerce and Industry**

- HE Obaid Humaid Al Tayer, President
- HE Abdulrahman Al Mutaiwee, Director-General

**11. Emirates**

- Maurice Flanagan, CEO
- Dermot Mannion, President, Group Support Services
- Mike Simonds, Head, Corporate Communications

**12. Saif Sultan Al Shamsi, CEO and Board Member, Jebel Ali Free Zone****13. Dubai Internet City**

- Dr Omar Bin Sulaiman, Chief Executive Officer
- Fareed Abdulrahman, Regional Sales Manager, Sales Department
- Mohamed S. M. Kahoor, Manager of Commercial Operations, Service Corp.

**14. Professor Stephen Martin, CEO, University of Wollongong in Dubai****15. Saifur Rahman, Senior Business Reporter, Gulf News (newspaper)****Wednesday 14 April - UAE****16. Abu Dhabi Investment Authority**

- Hareb Al-Darmaki, Executive Director
- Abdul Salam Aqeel Al Khouri, Senior Fund Manager
- Salem M. Al Ameri, Investment Analyst
- Abubaker Khouri, Assistant Director
- Eissa Mohamed Al Suwaidi, Executive Director, Equities Department

**17. Abu Dhabi Chamber of Commerce and Industry**

- Mohamed Omar Abdullah, Director General
- Saeed A.J. Al Fahim, Second Vice President

**18. Fernando Francis, Journalist, Al Khaleej (newspaper)**



**Thursday 15 April - UAE****19. Al Hamad Enterprises**

- Khalid Bin Ahmed Al Hamed, President and CEO
- Jawad Wehbi, Group Director of Operations

**Saturday 17 April - Iran**

20. Jeremy Newman, **Ambassador**

21. Dr M. J. Mojarrad, Vice Governor, **Central Bank of the Islamic Republic of Iran**

22. Dr J Kamboozia, Chairman, **Iran-Australia Parliamentary Friendship Group, Majlis** (parliament)

23. HE Mr M Aminzadeh, Deputy Foreign Minister, Asia-Pacific and CIS, **Ministry of Foreign Affairs**

**Sunday 18 April - Iran**

24. Mr Navvab, Deputy Minister, Economic & International Affairs, **Ministry of Industry and Mines**

25. HE Dr M H Nejad Hosseinian, Deputy Minister, International Affairs, **Ministry of Petroleum**

26. HE Dr M H Emadi, Deputy Minister, Extension & Farming Systems, **Ministry of Agriculture**

**27. Iran-Australia Chamber of Commerce and Industry**

- Asadollah Asgaroladi, President
- Shahram Khasipour, Secretary General

**Monday 19 April - Kuwait****28. Members of the Kuwait National Assembly**

- Bader Shaikhan Al-Farsi
- Ahmad A. T. Al-Melaifi

**Tuesday 20 April - Kuwait**

29. Todd Lees, Marketing Manager, Middle East, **AWB**

30. HE Abdullah Al Taweel, **Minister of Trade and Industry**

31. HE Sheikh Jaber Al Mubarak Al Sabah, **Deputy Prime Minister and Minister for Defence**

32. Salah M. Al Kulaid, Chairman and Managing Director, **Kuwait Flour Mills & Bakeries**

### **Wednesday 21 April – Saudi Arabia**

33. HE Dr Hashim Yamani, **Minister of Commerce and Industry**

34. HE Sheikh Saleh Bin Abdullah Al Hamad, **Speaker of the Shoura Council**

35. HE Abdul Aziz Al Adel, Vice Chairman, **Riyadh Chamber of Commerce and Industry**

36. Peter Forby, Senior Trade Commissioner (Saudi Arabia), **Austrade**

### **Thursday 22 April - Qatar**

37. **Qatar Airlines**

- Akbar Al-Baker, Chief Executive Officer
- Richard Forson, General Manager Finance & Administration



## **Appendix B – Australian based staff in the region**

### **DIMIA Staff in Gulf Region**

	<b>A based</b>	<b>Locally engaged</b>
<b>Dubai</b>	2	10
<b>Tehran</b>	2	7
<b>Riyadh</b>	0	0

### **Austrade Staff in Gulf Region**

	<b>A based</b>	<b>Locally engaged</b>
<b>Dubai</b>	3	10
<b>Tehran</b>	1	4
<b>Riyadh</b>	1	7

- Australian Embassy Abu Dhabi – No DIMIA staff. All visas are processed in Dubai for the whole Gulf region. The Embassy covers UAE and Qatar for Consular matters
- Australian Consulate Dubai (Austrade) – covers UAE, Qatar, Oman and Yemen for Trade matters.
- Australian Embassy Riyadh – covers Saudi Arabia, Bahrain, Kuwait, Oman, and Yemen for Consular matters
- Austrade Riyadh – covers Saudi Arabia, Bahrain and Kuwait for Trade matters.