

## Committee's visit report

### Introduction

- 4.1 In November 2005 the trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade visited five north African countries; Algeria, Egypt, Libya, Morocco and Tunisia, to review trade and investment opportunities for Australian countries (See Appendix C for details).

Figure 4.1 The Sub-Committee's first regional meeting, Rabat, Morocco



The Hon Bruce Baird MP (Chair), Mrs Patricia Draper MP, Mr Barry Haase MP, The Hon Geoffrey Prosser MP with Mr Abdelwahed Radi (President, Morocco House of Representatives)

- 4.2 This chapter records the committee' observations on each country in the region and summarises the current trade and investment environment.

## **MOROCCO: 13-15 November 2005**

### **Committee visit**

- 4.3 The committee visited Rabat and met the Prime Minister, HE Driss Jettou, the Minister for Agriculture, Rural Development, and Sea Fisheries and the Secretary-General of the Ministry of Foreign Affairs and Cooperation. It also met with senior officials and business people.<sup>1</sup>
- 4.4 The Prime Minister has an intensive business background and puts a strong emphasis on economic reforms. He spoke of the need for further reform and to provide incentives for further investment and ensuring that the country has strong attractiveness for western countries for trade and investment.

### **Committee overview**

- 4.5 Arabic and French are the main languages spoken, while English is spoken by approximately 50% of the business community.
- 4.6 Orientation is very much related to France – it is their target trading partner, largest investor, and the most important source of tourists.
- 4.7 The Foreign Affairs Director General sees Morocco as an open, free market country which has chosen to work with the west.
- 4.8 Morocco is proud of its economic reforms and, despite the lack of oil and natural gas reserves has successfully managed its transition to a free market economy.
- 4.9 Morocco has enthusiastically embraced the free market and reformed its tariff structure, privatised much of its government owned organisations and negotiated Free Trade Agreements with the USA, Turkey, Egypt and Jordan. It also has preferential trade deals with the EU. Europe dominates its trade, both exports and imports and it

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1 See Appendix C for details.

is clear that its orientation is European-focussed. Currently 70% of Morocco's trade is with the EU.

- 4.10 The country has a moderate approach to their Islamic faith and there was much emphasis in discussions with officials on Morocco's peaceful co-existence with Christians and Jews. In fact there are 800,000 Moroccan Jews, many of whom now live in Israel but still maintain their Moroccan citizenship. The former Prime Minister of Israel was received officially by the King of Morocco and the last Pope (John Paul II) travelled to Morocco and was welcomed by 100,000 people.
- 4.11 Women have a more liberated position in Morocco than many other Arab countries. Increasing numbers of women hold key positions in university, business, Parliament and there is optional wearing of Islamic dress.
- 4.12 The Moroccans are very happy to play a pragmatic role with African countries and agree with the Cairns group on most issues. They believe that Morocco offers:
- stability – both social and political;
  - an effective legal framework guaranteeing investment, avoiding double taxation;
  - the most liberal economic regime in the area;
  - FTAs with the USA, Turkey, Egypt, Jordan and Tunisia and a preferential trade agreement with the EU

## Summary

- 4.13 Morocco is unique in North Africa in terms of its zeal for economic reform and the free market, its pro-western approach and its moderate approach to religion.

## Current trade and investment

### Trade

- 4.14 Clearance of containers in Morocco takes three days, which compares favourably with the 23 days required in Algeria and 20 in Egypt.
- 4.15 Australian trade with Morocco currently consists mainly of wheat, particularly durum for pasta productions, some lamb and dairy products, and olive trees.

- 4.16 Potential threats to the wheat trade come from the newly negotiated FTA with the USA, which gives preferential treatment to its wheat. Canada is also a major supplier of wheat to Morocco.
- 4.17 Morocco is currently 80% self-sufficient in dairy products, which are subject to a 220% tariff barrier. The Moroccans stated that they will continue to reform their tariffs and that Australia should negotiate a bilateral agreement with Morocco with a view to reducing tariffs.
- 4.18 Australia is currently bidding for a lamb contract with the Moroccan military. However, it would appear the New Zealand producers are Australia's main competitors and, at the time of the committee's visit, Australia had not won a contract in 18 months.<sup>2</sup>
- 4.19 Australian beef is more expensive into the Moroccan market than that from South America and therefore the market has not developed for Australia.
- 4.20 Education export opportunities are limited for Australia, with most students travelling to France or the USA. Australia also has very strict entry requirements for entry by potential students from Morocco.

## Investment

- 4.21 The nominal corporate tax rate is 35%, but if funds are reinvested in the company the real rate is 22%. The maximum personal tax rate is 44% and the average is 30%.

## Summary

- 4.22 Morocco can be seen as an open, free market and reform-oriented economy with infrastructure plans for the future. Its pro-western stand will increase and it will continue to attract investment and trade.
- 4.23 Morocco's proximity to Europe means that European importers dominate, particularly France. Opportunities exist in certain segments, but European competition and transportation costs mean that Morocco will not represent a major market from Australia.

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2 Indications were that Australian lamb was 10-15% lower in price.

## Algeria: 16-17 November 2005

### Committee visit

4.24 The committee visited Algeria for two days during which it met the Deputy Speaker of the National Assembly and the Ministers for Energy and Mines; and for Privatisation and Investment Promotion. The committee also had briefings with the President of the State Oil Company; the Secretary-General of the Ministry of Commerce; and BHP-Billiton.<sup>3</sup>

### Committee overview

- 4.25 Algeria is a resource-rich country approximately the size of Western Australia, which has a population of 33 million, of which 99% is Sunni Muslim.
- 4.26 There have been security problems preventing investment. Some success has been achieved by the Government in reducing terrorism. 100,000 have been killed in the struggles. The Government advised the committee that it believes it is winning the war on terrorism, following significant negotiations with the rebel forces.
- 4.27 Algeria was a French colony until 1962, and its number one source of imports is France so French is spoken as much as Arabic. Nevertheless, 50% of the business community speaks English.
- 4.28 The oil and gas sector is fundamental to Algeria's economy. In terms of oil and gas reserves/production, Algeria is first in Africa. It is third in the world in natural gas resource/production. Reserves are 38 billion Barrels of Oil Equivalent [BOE]. Natural gas represents 60% of reserves and crude oil 29%.
- 4.29 Sales turnover is \$US31.6 billion. There have been 68 wells drilled and nine discoveries in recent years.
- 4.30 Oil and gas represent a major source of income, and with the increases in oil prices the government is planning large infrastructure projects in line with increased wealth.
- 4.31 Budgets are in surplus and the overall debt is under control. Debt servicing ratio is currently (2005) 16% of GDP and the trade balance is moving towards a surplus.
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3 See Appendix C for details.

- 4.32 Also linked with increased oil and gas prices is stricter management of public spending. In the beginning of the 1990s, according to one government minister, the fiscal situation was almost catastrophic. In 1994 Algeria was required to undertake economic restructuring by the World Bank. In 1994 the overseas debt repayment was 100% of exports; in 2005 it was 16%. Also in that time Algeria has reformed trade regulations.
- 4.33 The Minister for Privatisation stated that while Algeria was previously a centrally planned economy, it is now more free market. The Minister for Privatisation indicated to the committee that the government's objective was to create a "liberal" economy, as opposed to a "market" one.
- 4.34 Bidding for projects is open and transparent and bids for exploration rights are submitted on the one day and opened for all to see with the lowest bid (not necessarily the best bid) winning. The tax royalty varies according to the region.
- 4.35 Western-educated ministers in big economic portfolios have started significant economic reforms of privatisation, lower tariffs and taxation levels.
- 4.36 The corporate tax rate is 30% but there are other social charges on business for welfare.
- 4.37 There remains significant red tape. Banks are State owned and Government departments are very bureaucratic. It takes 23 days to clear containers (in Morocco it takes three days).
- 4.38 The Government is now downsizing Government enterprises by 500,000 people. On the whole, key public enterprises are not being privatised, but some 1,200 government-owned companies are. They include both small and big – 80% of which are reported to be successful. Much in the agriculture, services or commercial sector has been privatised; 70% of construction and 50% industry. The changes are being financed by international as well as local consortia from Italy, France, Spain and Portugal.
- 4.39 The average official unemployment level is 22.5%, The Minister for Privatisation told the committee that unemployment was 30% but is now 17%.
- 4.40 There is now an effort to diversify investment into areas other than oil and gas to insure that there is not an over-reliance on that sector for employment.

## Summary

- 4.41 The liberalisation of the economy will mean continued growth and increased oil finds will assist in a highly ambitious infrastructure development program.

## Current trade and investment

- 4.42 Approximately half of Algeria's trade is with the EU. Trade growth in 2004 was about 6%. In 2004, the latest year for which data are available, Algeria had US\$32.3 billion worth of exports and US\$18.2 billion worth of imports.<sup>4</sup> Seventy percent of all imports are handled by the private sector.
- 4.43 In Algeria now all sectors are open to international investment and there is a competition commission. They are making reforms with the prospect of joining the WTO. Algeria also has an association agreement with the EU until September 2010.
- 4.44 In expenditure program on infrastructure the government spent \$5 billion in 2004/5, but plans to spend \$60 billion 2005-2009.

## Trade

- 4.45 Half of Algeria's trade is with the EU. The French Government is putting money into improving infrastructure.
- 4.46 There have been some Australian lamb and dairy exports into Algeria, but the figures are relatively small, totalling \$71million.

## Investment

- 4.47 BHP Billiton, Santos, and Woodside have all been active in the market, with BHP Billiton the most successful in winning contracts.
- 4.48 BHP has been involved in Algeria since 1989. They are producing 250,000 barrels of oil per day and, together with gas, output the equivalent of 1.3 million barrels/day. For BHP, Algeria is their most important country after the Gulf of Mexico and Australia.
- 4.49 BHP Billiton is now also involved in major oil and gas exploration activities in several locations in Algeria. Total investment to date is \$900m but, if successful, investment in Algeria would escalate into the

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4 World Trade Organisation, *International trade statistics 2005*, p. 83.  
[http://www.wto.org/english/res\\_e/statis\\_e/its2005\\_e/its05\\_byregion\\_e.pdf](http://www.wto.org/english/res_e/statis_e/its2005_e/its05_byregion_e.pdf)

billions. The company is also interested in an iron ore project and possibly an aluminium smelter.

- 4.50 The Hydrocarbon Bill has transformed the oil and gas sector<sup>5</sup> to make it very attractive to Australian investment.

## Summary

- 4.51 The committee considered that, as the economy becomes more market driven, Australian companies will find increasing opportunities for consumer and manufactured items.

## Tunisia: 16-18 November 2005

### Committee visit

- 4.52 During the time that the committee visited Tripoli, two of the committee visited Tunisia to attend the United Nations-sponsored World Summit on the Information Society (WSIS) held in Tunis on 16 – 18 November 2005.<sup>6</sup>
- 4.53 The Summit was convened by the United Nations to decide on the future of global governance for Internet connectivity within the information society. The first phase of the World Summit was held two years ago in Geneva and articulated a vision of an open and inclusive information society.
- 4.54 WSIS 2005 in Tunis was attended by approximately 23,000 participants, representing 177 countries, in addition to 50 heads of states and governments as well as NGO's, civil society and the private sector. Many of the world's leading IT companies were also represented, such as Nokia, Intel, Microsoft, Alcatel and Vivendi.
- 4.55 The theme for the Summit was "Regulation in the broad-band world: key instruments to build an information society". Seamless global networks, based on the Internet Protocol and related digital standards make international cooperation more important than ever for public policy, which is why Internet governance is of such interest to all countries.

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5 The Minister responsible for the oil and gas sector was with the World Bank for 20 years.

6 The Hon Geoffrey Prosser MP and Mr Barry Haase MP attended.



- 4.56 The discussions contributed to reinforcing the information society concept in which telecommunications play an important role, taking into account the need to harmonize policies, regulations, networks and services.
- 4.57 The Summit had a positive impact on the continued development of an open, accessible, secure and dynamic Internet.
- 4.58 Several important and timely issues in the world of telecommunications were debated, including the benefits of broadband technologies and IP voice regulation among others.
- 4.59 The Summit called for renewed efforts to tackle issues of Internet use and misuse like spam, phishing, spyware, viruses, cybersecurity, cybercrime, cyber-terrorism, privacy and consumer protection is of real concern to everyday Internet users. This was another Australian priority at the Summit.
- 4.60 The Summit also concentrated on the need to bridge the growing digital gap between rich and poor countries. Talks focussed on information and communications technologies being used in new ways, to bring new benefits to all social classes. The aim also intended to generate new momentum towards developing the economies and societies of poor countries and transforming the lives of poor people.
- 4.61 Currently the Internet is administered mainly by the Internet Corporation for Assigned Names and Numbers (ICANN), a California-based independent body which is awarded the task by the US Government on a renewable tender.
- 4.62 ICANN was set up in California in 1998 when the internet boom was largely focussed on the US. The group is anxious to avoid regulation of the internet. However, the exponential growth of the internet connections worldwide and the web's growing economic and social importance have prompted opposition to the US monopoly.
- 4.63 The United Nations offered assistance to help member states and all stakeholders to implement Internet governance, striving to protect and strengthen the Internet and to ensure that its benefits are available to all.
- 4.64 Consistent with Australia's position, the Summit concluded that the existing multi-stakeholder arrangements for Internet governance, which give the private sector the leading role in day-to-day Internet

operations, has made the Internet a highly robust, dynamic, open medium, with global reach.

## Outcomes

- 4.65 The Summit endorsed the current framework for Internet governance but recognised the need for a responsive process and an ongoing evolution of these arrangements. Australia's active engagement in this process has ensured that our interest in preserving an operationally stable, secure and innovation-orientated Internet has been met.
- 4.66 The Summit also endorsed the convening in 2006 of a new multi-stakeholder forum, the Internet Governance Forum (IGF). The IGF will be a neutral, non-duplicative and non-binding process to identify and explore Internet-related issues and to build commitment to action where required. Importantly, consistent with the Summit's endorsement of the current Internet governance framework, the IGF will have no oversight function.

## **Libya: 17-22 November 2005**

### Committee visit

- 4.67 During its period in Tripoli, the committee met with the General Secretaries (ie Ministers) of Foreign Affairs; Tourism; Economy and Commerce, Agriculture; the National Oil Company; Higher Education; and NASCO - the state food processing company.<sup>7</sup>

### Committee overview

- 4.68 There is a positive attitude towards Australia but at an official level there is some resentment at Australia's break in international relations in 1978. It was emphasised that they were looking forward to a strong relationship in the future and at most meetings the tone was positive, constructive and friendly.

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7 See Appendix C for details.

- 4.69 One of the most asked questions during our recent visit was when the Australian Embassy will open. There is high expectation that a full Embassy will open shortly.
- 4.70 Libya's oil reserves place it seventh in the world's oil reserves. Currently oil production is 1.7 million barrels per day, with the intention of lifting production to 2 million barrels per day by the end of 2006 and to 3 million barrels per day by 2010. This will be achieved through significantly increased exploration activity and improved technology which would further exploit existing reserves.
- 4.71 The significant oil reserves and increased oil prices have meant that the Libyan GDP per capita is the highest in Africa.
- 4.72 Libya's total population is 52 million. Current GDP growth expectations for 2005 exceed 5% and increases in oil prices have buoyed the economy. Unemployment remains high with official figures being 17% but unofficial figures being 30-40%. However, average family size is 6.5 children and as a result youth unemployment is very high.
- 4.73 The average income is AUS\$500-700 per month for more senior employees and AUS\$300 per month for junior positions.
- 4.74 The Libyans are keen to join the WTO but will need to undertake restructuring of subsidy programs and further dismantling of protection.
- 4.75 The Libyan Government emphasised its move to economic reforms. It guarantees repatriation of capital and ensures that investment cannot be nationalised. Companies can also negotiate arrangements for their own tax-free zone. There is a progressive corporate tax rate up to 30%.
- 4.76 The Libyan currency has not been floated but is fixed according to a basket of currencies.
- 4.77 The country has started a privatisation program of electricity, manufacturing, services and agriculture.
- 4.78 The Foreign Ministry have indicated that they would like to have a formal agreement with Australia. They do not see a separation between economic and political policies.
- 4.79 Despite some moves for economic reform, Libya remains a centrally planned economy. All staple food items such as wheat, sugar, flour, oil, tea, etc are bought through a central agency and subsidised by the

government. Bread is the cheapest in the world at 1-2 cents Australian.

## Summary

4.80 Libya, with the highest GDP per capita in Africa, has much potential.

## Current trade and investment

### Trade

4.81 Libya has imported AUS\$18m worth of Australian frozen meat, mainly for the military but there is further potential.

4.82 The Libyans have signed an MOU with the Western Australian Government which covers the following:

- vegetation cover and the sharing of information on desertification;
- invitations to Australian companies to farm an area in Libya;
- exchange of information on technology and soil control and quarantine;
- MFN status for meat imports;
- exports of potatoes, dates, onions and citrus fruit to Western Australia from Libya;
- artificial insemination;
- exchange of information on animal health and fish disease;
- education and training.

4.83 The Western Australian Government has assisted five Libyans to inspect agriculture and hold discussions.

### Investment

4.84 In the oil sector only 39% of potential reserve areas have currently been explored and Australian companies Woodside, BHP-Billiton and Santos have expressed interest in oil exploration in Libya.

4.85 Woodside went to Libya in 1979 and signed its first deal in 2003, and its second in 2005. They are carrying out 60,000 km of seismic surveys. They had 1,000 employees in late 2005 (50 of whom are Australians) and would shift to 1,300 within 12 months.

- 4.86 Woodside commended the Libyan government for the professional way they handle bids for oil exploration. The system is very transparent.
- 4.87 Woodside each year sends 20 post-graduate students to Australia, ten of which are funded by Woodside and 10 by the Libyan Government.<sup>8</sup> This program has worked very successfully and graduates return very pro-Australian. They are also involved in research programs, professional and academic exchanges, short courses and conference sponsorship.

## Summary

- 4.88 Opportunities exist as economic reform and the opening of Libya to the international community continues. However, there will be difficulties and the opening of the Trade office in Tripoli will do much to assist export effort and the development of the Australia-Libya relationship.

## Egypt: 23-24 November 2005

### Committee visit

- 4.89 In Cairo the committee met the Ministers for International Cooperation, for Supply and Domestic Trade, and for Agriculture and Land Reclamation, as well as senior personnel from the Government's finance and investment sectors.<sup>9</sup> The committee also held talks with executives from maritime and transport firms and with Australian companies in the wheat importation and mineral industries.
- 4.90 The committee also met with the Australian Embassy and the Deputy Speaker of the People's Assembly.

### Committee overview

- 4.91 Egypt is a land of great contrasts, a country which is moving forward with significant economic reform measures and accelerating GDP growth rate.

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<sup>8</sup> Murdoch and Curtin Universities, Woodside Energy Ltd, *Submission No. 12*, p. 14.

<sup>9</sup> See Appendix C for details.

- 4.92 Egypt moved up nine places in 2005 (from 62 in 2004 to 53) in ranking in terms of the growth competitiveness table world figures.<sup>10</sup>
- 4.93 The GDP growth was expected to be 5.3% in 2005. Nevertheless, Egypt's total GDP of \$90 billion is dwarfed by the combined GDP of the Gulf States and Saudi Arabia of \$450 billion. There is a view by some that, despite Egypt's traditional links to the west, Egypt has "missed the boat" and has lost its way over the past 20 years. By contrast, places such as the UAE have captured much of the foreign investment in the region. There is apparently much comment in the Egyptian media on the comparison of the Egyptian economy and that of the UAE.
- 4.94 Tourism is the largest source of foreign income for Egypt. It increased in 2005 by 40%, to be more than 8 million visitors (from 5.5 million the previous year), with tourists from Britain alone totalling 900,000 people. In addition, receipts from the Suez Canal have increased strongly.
- 4.95 But Egypt is also a country where much of the population lives on incomes of less than US\$100 a month. Fewer than 10 million of the 36 million Egyptians have bank accounts and there is a wide gulf between the 1 million rich and the middle class of approximately 8 million people and the remainder of the population. The literacy rate overall is apparently 60% and for women 50%. Education is poor and many simply can't afford the cost of education. The official unemployment figure is 10.3%, but the unofficial figure is much higher. Fifty percent of the population is under 35.
- 4.96 Per capita income has been declining over the last few years. This is a result of past protectionist policies and the fact that Egypt has one of the highest fertility rates in the world.
- 4.97 Food and power subsidies represent a major proportion of the annual budget. Two thirds of the State budget (40 million Pounds) goes on food and energy subsidy. Much emphasis is being given to greater targeting of the program in the future.
- 4.98 The Egyptian Pound was floated in 2003, leading to strong inflationary pressure. This has since stabilised and the benefits in

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10 Finland ranked 1, USA 2, Australia 10, and Algeria 78. No other North African countries were listed. . World Economic Forum, *Growth Competitiveness Index rankings 2005 and 2004 comparisons*,  
<http://www.weforum.org/site/homepublic.nsf/Content/Growth+Competitiveness+Index+rankings+2005+and+2004+comparisons>

terms of the competitiveness of its exports are beginning to be felt. Egypt has a current account surplus despite a significant increase in imports of heavy machinery.

- 4.99 Tax levels have been slashed and the corporate tax rate had been reduced from 35% to a flat tax of 20%. In addition, the maximum personal tax has been cut from a maximum of 43% to a progressive tax of 10%, 18% and 20%. Tariffs also have been reduced from an average of 14% to 9.1%.
- 4.100 FDI has increased substantially to US\$3.9 billion in the Egyptian economy, growing by just over 40% in the last year in the main oil and gas sectors. (\$408 million to \$1.3 billion). Much of the investment has been in manufacturing (40%) and residential, commercial and tourism property development. Raw materials, cheap labour and a highly trainable workforce are seen as being key to the significant increase in FDI.
- 4.101 The mortgage market does not exist and most land titles in Cairo are not registered. Nevertheless there is a zeal for reform from some of the key agencies. Of the four major Government-owned banks, two have been amalgamated and one of them (the bank of Alexandria) is being privatised. The Government announced during the elections that 20% of the government-owned Telco is to be privatised.
- 4.102 Egypt has one of the largest bureaucracies in the world. Each year 700,000 new employees join the Egyptian bureaucracy. This, combined with low incomes, has meant that corruption is a factor in operating in the Egyptian economy. The Egyptian Government is, however, attempting to address the issue.
- 4.103 In the recent elections in 2005 the Islamic Party won 87 seats out of a total of 454<sup>11</sup> and there are concerns as to what the impact of this Party's improved political position will be.
- 4.104 In July 2005 a reformist Cabinet was sworn in and there appears to be a cohesive effort to undertake reform following recommendations from the World Bank. The big problem apparently is inflation. Inflation was 14.3% and is now 3.6%.

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11 The banned Muslim Brotherhood, whose candidates stood as independents, gained a record 87 seats in the People's Assembly, nearly six times its previous number. *Summary of the 2005 Election Results*  
[http://en.wikipedia.org/wiki/Egyptian\\_parliamentary\\_election,\\_2005](http://en.wikipedia.org/wiki/Egyptian_parliamentary_election,_2005)

- 4.105 The reform program began seriously in 2004. The stock market has responded positively and has been doubling in value in the last two years.
- 4.106 The reasons why the economic reform program has been successful to date was seen as follows:
- there is considerable co-ordination, co-operation and focus between the key economic ministries
  - there has been a serious assessment as to the strengths and weaknesses of the Egyptian economy;
  - a series of investor surveys showed that key reforms required were:
    - ⇒ Tax;
    - ⇒ Customs/tariff; and
    - ⇒ Dispute settlement.
- 4.107 Future reforms will include:
- deeper reforms of bureaucracies which implement change;
  - changes to the tax collection systems and changing to electronic payment;
  - further consolidation of the banking system and the reduction in numbers of non-performing loans;
  - establishment of an investment dispute centre for arbitration outside of the judicial system.
  - reducing the price of land and establishment costs; and
  - providing assistance with the training of staff.

## Summary

- 4.108 While there are significant structural problems in the economy, nevertheless the economic reform programs which have been put in place in the last two or three years mean potential greater import demand from Australia.
- 4.109 The key question is whether the reform program will stall under political pressure from those disadvantaged by greater liberation of the economy.



- 4.110 Egypt nevertheless provides opportunities for a wide range of agricultural and consumer products and represents a favourable location for Australian investment.

## Current trade and investment

### Trade

- 4.111 Egypt has FTAs with 22 foreign countries and partnership arrangements with the European Union.
- 4.112 Egypt is the biggest wheat importer in the world and the average consumption of wheat is 195 kilograms/capita. The record shipment of wheat from Australia was 2.77 million tonnes.<sup>12</sup>
- 4.113 Most of the imports are handled by the Government agency (GASC) with the private sector importing two million tonnes per year (and were importing four million tonnes per year).
- 4.114 Of course, wheat remains our biggest export<sup>13</sup> with 10% of Australia's wheat crop worth approximately \$500m<sup>14</sup> currently going to Egypt.
- 4.115 Australia's trade in wheat has been operating for some 40 years.
- 4.116 There is currently a race to the bottom in terms of quality and price. Russia is very competitive with small vessels and low prices. Discounts are \$70 to \$170 per tonne. Russia now has the major share of the Egyptian wheat market.
- 4.117 Other product areas experiencing success are:
- consumer products – food and wine;
  - hospitality sector/tourism products;
  - frozen meat and salmon for the hotel sector;
  - sugar;
  - veterinary instruments;

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12 In 2003-04, Australian Wheat Board, *International Sales and Marketing*, p. 11.  
<http://www.awb.com.au/NR/rdonlyres/72B3A39C-9F7C-4E03-9CDC-20498669C7E8/0/SalesandMarketingandRiskManagement.pdf>

13 Egypt accounts for 97% of Australia's wheat exports to the region. Dr. M O'Flynn, Acting Executive Manager, International Division, DAFF, *Evidence*, Tuesday, 2/8/05, p. 3.

14 Mr P Foley, Assistant Secretary, Middle East and Africa Branch, DFAT. *Evidence*, 1/8/05, p. 8; Mr A Wallace, Acting Manager, Field Crops, Food and Agriculture Division, DAFF, *Evidence*, 2/8/05, p. 10.

- entertainers/ musicians for hotels;
- ICT; and
- environmental products and consultancies.

4.118 In 2005, 300 Egyptian students will come to Australia, an increase of 40%.

### Investment

4.119 Company establishment used to take 140 days, now it is three days.

4.120 Australia's 40% equity in Five Star Flour Mills is performing well because they are targeting the premium market.

4.121 It is hoped by Egyptian authorities that investment in mining will be targeted to value-added infrastructure projects.

### Summary

4.122 The situation for selling into the Egyptian market is more favourable than it has been for five years.

### Looking to the future

4.123 The committee's insights gained in discussions in the region led it to a number of conclusions about the trade and investment prospects for Australian enterprises in the region.

4.124 Its conclusions and recommendations are laid out in the next chapter in the context of information provided to it in each country and through submissions and evidence provided to it in Australia.