

Overview of Australia's trade with the Middle East and North Africa

- 2.1 This chapter provides an overview of Australia's trade and investment relationships with the Middle East and North Africa (MENA) region and how these countries' fast-growing and young populations are driving demand for Australian food, education, and services, including the important role of airlines to deliver this fresh produce to the Middle East. It outlines the exports and imports of merchandise goods, and also the growing trade in services, the interest in Australia's education sector, and the areas of interest for investment funds. Trade profiles of all Australia's MENA trading partners are provided at Appendix F.

Regional overview

- 2.2 According to the Department of Foreign Affairs and Trade (DFAT), Australia's trade with MENA region is diverse and growing rapidly, in particular with the Gulf state countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).
- 2.3 In 2015, two-way merchandise trade with the region was worth \$14.7 billion, a slight increase on \$14.5 billion from the previous year. More than \$12.3 billion of that trade in 2015 was with the Gulf state countries.¹ In 2013, two-way merchandise trade with the region was worth \$16.2 billion.² In 2014, Australia imported \$2.4 billion in crude petroleum from MENA down from \$4.25 billion in 2013.³ Agricultural produce, passenger motor

1 Department of Foreign Affairs and Trade, *Australia's Merchandise Exports and Imports*.

2 Department of Foreign Affairs and Trade, *Submission 9*, p. 2.

3 Department of Foreign Affairs and Trade country/economy fact sheet for UAE, viewed 16 March 2016, <<http://dfat.gov.au/trade/resources/Documents/uaem.pdf>>.

- vehicles and alumina dominate Australia's exports to the Middle East region.⁴
- 2.4 By 2014-15 two-way merchandise trade with Australia's largest regional partner, the UAE, was \$6.4 billion, a nearly 8 per cent increase on 2013-14. Australian exports to UAE in 2014-15 increased 21 per cent to \$3.3 billion. In 2014-15, Australia received \$3.1 billion worth of imports from UAE, including more than \$2 billion in crude petroleum.
- 2.5 Trade with the region fluctuates with a nearly 4 per cent drop in two-way merchandise trade of \$2.5 billion in 2014-15 from the previous year with Australia's other major regional trading partner, Saudi Arabia. Australian exports to Saudi Arabia in 2014-15 decreased 6 per cent to \$2.1 billion and Australia imported \$386 million from Saudi Arabia, comprised mostly of fertilisers. Australian-made passenger motor vehicles worth \$778 million and \$355 million in beef and sheep meat dominated Australian exports to Saudi Arabia in 2014-15.⁵
- 2.6 The Gulf states have four of the 10 largest sovereign wealth funds in the world, managing assets worth more than \$2 trillion. Investment in Australia from the Middle East in 2013 was estimated by the Australian Bureau of Statistics (ABS) to be worth \$21.9 billion.⁶
- 2.7 Australia's trade, investment and community engagement with the Middle East has been enhanced by growing aviation links and the presence of more than 350 Australian companies in the region. The aviation partnerships between Qantas and Emirates, and Virgin Australia and Etihad, in addition to flights by Qatar Airways, have resulted in more than 150 flights per week between Australia and the Gulf states:
- 2.8 Vice President of International and Public Affairs at Etihad Airways, Mr Vijay Poonoosamy, submitted that aviation has been the 'cornerstone of the bilateral trade relationship between Australia and the UAE', and today Australia-UAE trade was 'valued at close to \$7 billion'.⁷
- 2.9 Mr Poonoosamy observed that Etihad had expanded into the Australia market flying from Abu Dhabi in the UAE into Sydney and Brisbane in 2007, and Melbourne in 2009, and Perth in 2014.⁸
- 2.10 Vice President of International, Government and Environment Affairs at Emirates Airline, Mr Will Lofberg, told the Committee that Emirates flying
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4 Department of Foreign Affairs and Trade, *Submission 9*, p. 2.

5 Department of Foreign Affairs and Trade country/economy fact sheet for Saudi Arabia, viewed 16 March 2016, <<http://dfat.gov.au/trade/resources/Documents/saud.pdf>>.

6 Department of Foreign Affairs and Trade, *Submission 9*, p. 2.

7 Etihad Airways, *Submission 47*, p. 1.

8 Etihad Airways, *Submission 47*, p. 1.

between Dubai in the UAE and Australia, carried more than three and a half million passengers to and from Australia in 2013:

...we have 12 flights a day to Australia: three to the main gateways, two to Brisbane and one to Adelaide. On each one of those 777 flights we have 56 tonnes of cargo capacity and on our freighters, which we do four times a week to Sydney, there are 100 tonnes. In 2013, we carried just over 100,000 tonnes of freight from Australia.⁹

- 2.11 According to DFAT, many Australians are also living and doing business in the Middle East, which also strengthens the trade links:

Over 60,000 Australians are estimated to be living in Israel, Lebanon, Qatar and the UAE, creating community bridges that support our economic and trade links with the region.¹⁰

- 2.12 Professor Matthew Gray from the Australian National University's Centre for Arab & Islamic Studies told the Committee that as a general observation Australian Government policy towards the Middle East is 'broadly appropriate':

It does not dominate our strategic thinking the way South-East Asia and the Pacific do, but it is important. It is important for terrorism, as we see at the moment, with the deployment of ADF personnel again to the Middle East in significant numbers. It is important for global terrorism and, more importantly, geopolitically for the time being until the technology for unconventional energy improves. It is home to, depending on who you believe, between 51 and 63 per cent of the world's proven conventional oil supplies and a substantial minority of the world's proven conventional gas supplies – again, 35 to 40 per cent.¹¹

- 2.13 According to Professor Gray, three of the world's six most important shipping routes go through the Middle East – Suez Canal between the Red Sea and the Mediterranean Sea, the Strait of Hormuz between Oman and Iran, and the Bab el-Mandeb Strait between Yemen and Djibouti.¹²

9 Mr Will Lofberg, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 1.

10 Department of Foreign Affairs and Trade, *Submission 9*, p. 2.

11 Prof Matthew Gray, Australian National University, *Committee Hansard*, Canberra, 24 September 2014, p. 2.

12 Prof Matthew Gray, Australian National University, *Committee Hansard*, Canberra, 24 September 2014, p. 2.

Population

- 2.14 The MENA region has the world's most rapidly growing population after Africa. Between 2010 and 2050, the population, not including Iran, is expected to increase by about 80 per cent, from 217 million to 392 million.¹³ The Gulf states are also experiencing strong growth in population and GDP. For example, by 2020, the Gulf state countries are forecast to have a combined population of 53.5 million, a 30 per cent increase from 2000.¹⁴

Oil supply and Middle Eastern economies

- 2.15 Crude oil of Middle East origin is used to produce a wide range of refined petroleum products such as petrol, diesel and jet fuel. In 2015, Australia imported \$1.9 billion in crude petroleum, \$36 million in refined petroleum and \$131 million in liquefied propane and butane from MENA:

The Middle East is an increasingly important source of Australia's oil supply. In 2012-13, some 85 per cent of Australia's refinery inputs were imported, of which some 15 per cent was sourced from the Middle East. The vast majority of crude oil imports from the Middle East (over 98 per cent) were from the UAE...¹⁵

- 2.16 Saudi Arabia, UAE, Qatar, Kuwait, Iraq and Iran are the main oil exporting countries in the Middle East and are also members of the Organisation of Petroleum Exporting Countries (OPEC).

Delegation discussions relating to the MENA region

- 2.17 During its visit to the UAE, Saudi Arabia, Kuwait and Qatar in December 2015, the Committee delegation was briefed by Austrade Senior Trade Commissioner, Mr Gerard Seeber, on the latest developments in Australia's trade and investment relationships with the UAE, Iran, and the MENA overall. He described the region of 18 countries with an estimated population over 400 million as an \$8.5 billion market for Australia's merchandise exports, advanced services, research collaboration and technology.

13 Dearin & Associates, *Submission 17*, p. 6.

14 Department of Industry and Science, *Submission 26*, p. 2.

15 Department of Industry and Science, *Submission 26*, p. 9.

- 2.18 Agricultural commodities, currently worth \$4 billion, represent 45 per cent of Australia's exports to the region. Minerals, manufactures (of mostly motor vehicles which will be phased out by 2017), transportation services, education services, and investments into Australia. Australian services are dominated mainly by higher education, vocational education, and widespread consultancies.
- 2.19 The delegation heard about the impact of falling oil prices on the economies of the Gulf states. The countries in MENA account for 69 per cent of the world's oil reserves and 47 per cent of natural gas resources. GCC governments' budgets were highly dependent on oil exports for revenue. If the oil price persisted at current levels in the vicinity of \$50 per barrel, then Austrade expected an impact on funding for major infrastructure projects and social spending.
- 2.20 The delegation also heard that the fall in oil revenue has driven investment into non-oil sectors of Gulf economies, such as mining, rail, alternate energy sources, health, agriculture, tourism, education, hospitality and logistics. All GCC countries are also seeking to invest their oil revenue surpluses internationally via their sovereign wealth funds.
- 2.21 In the UAE, HE Sultan Ahmed Bin Sulayem, the Chairman of DP World, which is Australia's largest ports operator, told the delegation that Dubai's lack of oil compared to the neighbouring Emirate of Abu Dhabi, had meant it needed to diversify its economy into tourism, ports, aviation and other services to maintain growth and survive.

Australia's merchandise exports and imports

- 2.22 Australia's two-way merchandise trade¹⁶ with the MENA region was worth \$14.7 billion in 2015 and grew by 26 per cent in the five years since 2010. Australia exported merchandise worth over \$10 billion to MENA and imported merchandise from MENA worth \$4.6 billion in 2015. Australia's exports to MENA have grown by nearly 52 per cent since 2010 and imports have declined 7 per cent in those five years, though in 2013 MENA imports into Australia had reached a highpoint of almost \$7 billion.¹⁷

16 Merchandise trade only includes trade in goods, and excludes services, capital transfers and foreign investments.

17 Department of Foreign Affairs and Trade, *Australia's Merchandise Exports and Imports*.

Exports

- 2.23 Australia's exports to the Middle East continue to be dominated by Australian-made passenger motor vehicles, sheepmeat, beef, alumina and wheat. The top ten exports products also include sheep meat, barley, beef, oil-seeds and oleaginous fruits, vegetables, live animals, milk, cream, whey, and yoghurt. These top ten exports contributed close to \$6 billion to Australia's economy.¹⁸
- 2.24 In 2014-15, the UAE and Saudi Arabia were Australia's two largest export markets in the Middle East, with the UAE importing more than \$3.3 billion of Australian merchandise and Saudi Arabia importing over \$2.1 billion of merchandise.
- 2.25 The growth in aviation links between the Gulf states and Australia has been important for trade. Emirates Airlines Mr Lofberg described the 100,000 tonnes of goods being carried in their airliner's holds from Australia each year as being mostly dairy, fresh produce and pharmaceuticals, depending on which Australian city the flight departed from.¹⁹
- 2.26 Etihad's Mr Poonosamy stated that fresh produce and other high-value perishables already constituted over three quarters of the 30,000 tonnes cargo that Etihad Airways carried from Australia.²⁰

Alumina

- 2.27 According to DFAT, the trade in alumina from Australia to the Middle East 'constituted the bulk of the \$2.3 billion trade listed as confidential items' in 2013.²¹
- 2.28 In regards to confidential items listed in trade data, the Australian Bureau of Statistics (ABS) is required to apply country level restrictions to a number of commodities to maintain confidentiality within its monthly merchandise export and import data. This has resulted in some commodities being excluded from partner country totals:

In relation to international merchandise trade statistics, the ABS has a legal obligation to confidentialise data from an individual or organisation that is identifiable if that individual or organisation has requested that the data be suppressed. These confidentiality

18 Department of Foreign Affairs and Trade, *Submission 9*, pp. 7-8.

19 Mr Will Lofberg, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 1.

20 Etihad Airways, *Submission 47*, p. 6.

21 Department of Foreign Affairs and Trade, *Submission 9*, p. 8.

restrictions impact on the level of detailed merchandise trade data that is potentially available for release.²²

Grain

- 2.29 Eastern Australian grain handler, GrainCorp, which has a network of grain storage and logistics assets such as bulk export terminals at ports in Queensland, New South Wales and Victoria, submitted it has strong customer relationships in the Middle East. GrainCorp stated:
- Australian wheat in particular is sought after in many Middle Eastern countries due to being clean and dry and its production of a good yield of white, high-protein flour that is excellent in producing flatbreads and other traditional staples products.²³
- 2.30 GrainCorp submitted it demonstrated the importance of the Middle East region to the company, when it announced on July 2014 it had taken a 10 per cent equity stake in leading Egyptian flour miller, Five Star Flour Mills.²⁴
- 2.31 GrainCorp argued there is a strong strategic rationale for its investment in Five Star Flour Mills, as it 'consolidates the direct connection between Australian grain growers and a key user of that grain'.²⁵
- 2.32 Western Australian grain exporter, Co-operative Bulk Handling Limited (CBH), submitted that it was a 'key participant in the Middle Eastern market', holding around a 20 per cent share of Australian exports into the region.²⁶ The Middle Eastern and African markets 'typically account for around 40 per cent of Australia's wheat and barley exports'.²⁷
- 2.33 According to the CBH Group, specific markets such as Saudi Arabia, Iran, Iraq, Yemen, and Egypt have imported significant quantities of Australian wheat and feed barley. Saudi Arabia is the largest importer of feed barley in the world, importing 7.5 million tonnes annually, with Australia supplying around 20 per cent of that demand.²⁸
- 2.34 CBH Group stated that the Gulf states of UAE, Bahrain, Qatar, Kuwait and Oman continue to be lower volume markets for Australian grain. Trade

22 Department of Foreign Affairs and Trade, *Confidentiality in Australian merchandise export statistics*, p. 1, viewed 14 April, <<https://dfat.gov.au/about-us/publications/Documents/confidentiality-in-australian-merchandise-export-statistics.pdf>>.

23 GrainCorp, *Submission 42*, p. 2.

24 GrainCorp, *Submission 42*, p. 2.

25 GrainCorp, *Submission 42*, p. 2.

26 CBH Group, *Submission 24*, p. 4.

27 CBH Group, *Submission 24*, p. 3.

28 CBH Group, *Submission 24*, p. 3.

into these countries is well established and is operated under a structured Government tender system.²⁹

2.35 CBH Group's Head of Trading Mr Trevor Lucas told the *The Weekly Times* in 2015 that armed conflicts in Iraq and Yemen had led to a decrease in exports of wheat to those two markets. He stated that the CBH Group only exported about 150,000 tonnes of wheat to Iraq, whereas Iraq usually buys from 700,000 to 1 million tonnes. During the 2013-14 harvest, Australia exported 842,616 tonnes of wheat to Iraq and 700,369 tonnes to Yemen.³⁰

2.36 According to the Department of Agriculture, MENA remains an important export destination for Australian wheat and barley exports, accounting for 26 per cent and 37 per cent of the total volume of Australian exports in 2012-13, respectively, but grain exports fluctuate significantly year to year:

In 2012-13, Iraq and Iran were the largest export destinations for Australian wheat in the region, receiving 1.8 million and 1.3 million tonnes respectively. However, Australian shipments vary significantly from year to year, with exports to both countries more than 1 million tonnes lower in 2011-12.³¹

2.37 Saudi Arabia is the largest export destination for Australian barley, accounting for around 70 per cent of Australian exports to the region.³²

Processed foods

2.38 According to the Chief Executive Officer of the Australian Food and Grocery Council (AFGC), Mr Gary Dawson, food exports to the Middle East increased from around \$700 million to \$2.9 billion from 2005 to 2014:

That is about a 15 per cent annual growth rate, which is significant. And then, within that, for the more processed foods, the growth rate has been even greater – often a smaller base...in 2005, less than five per cent of Australia's total food exports went to the Middle East. In 2014, it was around 11 per cent. The proportion of our food exports going to the Middle East has more than doubled over that 10-year period. It is a growing market.³³

2.39 Mr Dawson advised there were similar drivers of growth in exports of Australian processed food into the Middle East as had been seen in Asia:

29 CBH Group, *Submission 24*, p. 3.

30 Emma Field, *Wars in Iraq and Yemen dramatically reduces Australian wheat exports to region*, *The Weekly Times*, 30 October 2015, viewed 5 April 2016, <<http://www.weeklytimesnow.com.au>>.

31 Department of Agriculture, *Submission 27*, p. 5.

32 Department of Agriculture, *Submission 27*, p. 5.

33 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 2.

You have got a growing middle class, so a growing disposable income, a growing preference for imported food as disposable incomes grow, and a change in diets – so greater exposure to a greater range of food stuffs. They have been the drivers for our food exports.³⁴

2.40 The arrival of large Western supermarkets chains into the Middle East was another factor, according to Mr Dawson:

...you have retailers – like Tesco and Carrefour and so on – who are increasingly visible in cities in the Middle East. That creates a greater level of interest beyond traditional food shopping – which, in turn, drives greater interest in imported product... it all helps drive that shift and attraction to imported products.³⁵

Red meat

2.41 According to the Department of Agriculture, the Middle East region is an important and growing export destination for Australian red meat, particularly sheep meat.³⁶

2.42 In 2014-15, the major destinations for Australian sheep meat and beef were Saudi Arabia (\$201 million in beef and \$154 million in sheep meat); UAE (\$199 million in sheep meat); Jordan (\$108 million in sheep meat and \$24 million in beef); Qatar (\$89 million in sheep meat and \$32 million in beef); Kuwait (\$63 million in sheep meat); Bahrain (\$60 million in sheep meat); and Oman (\$34 million in sheep meat).³⁷

2.43 According to the Department of Agriculture, Saudi Arabia imported 32,214 tonnes of Australian beef in 2014 (see Table 2.1) and UAE imported 8,777 tonnes.

2.44 The growth in meat exports is highlighted in the 2012–13 data when Australia exported \$489 million of sheep meat to the region (around 30 per cent of the value of total Australian sheep meat exports). The major destinations then were the UAE (\$131 million), Saudi Arabia (\$70 million), Jordan (\$61 million), Bahrain (\$55 million) and Iran (\$50 million). Lamb, rather than mutton, was the main product exported to most of these

34 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 2.

35 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 3.

36 Department of Agriculture, *Submission 27*, p. 6.

37 Meat & Livestock Australia, Market information for 2014 and 2015, viewed 4 April 2016, <www.mla.com.au>.

markets (see Table 2.2), and accounted for around 54 per cent of total sheep meat exported there.³⁸

2.45 In 2012–13, Australia exported \$251 million of beef and veal to the region (around 5 per cent of the value of total Australian beef and veal exports). In that same year, the major destinations for beef and veal were Saudi Arabia (\$88 million), the UAE (\$57 million), Iran (\$22 million) and Jordan (\$20 million).³⁹

2.46 Chairman of the Australian Processor Council of the Australian Meat Industry Council (AMIC), David Larkin, told the Committee:

It is important to underline that the Middle East is Australia's biggest sheep and lamb export market and has been that way for a very long period of time. It certainly does underpin agriculture, regional agricultural towns and the sheep-meat industry in general. It is a very important and growing market for Australian beef.⁴⁰

2.47 A representative of Fletcher International Exports and member of the AMIC, Graham Lyon, argued that red meat exports, especially in sheep and lamb meat, underpin the prices Australian farmers receive at the farm gate and have done so for many years:

The positive news today is that this has accelerated in the Middle East at an astonishing rate in the past 10 years. Market forces; higher incomes; investment from petro dollars; higher population growth – the average age is around 26 years of age – urbanisation; and Westernisation have seen year upon year double-digit growth in the last 10 years. During this short time Fletcher International itself has trebled its business to the region both in volume and in revenue.⁴¹

2.48 Mr Lyon said in the past 10 years the sheep, lamb (see Table 2.2) and beef industries have experienced strong growth in the chilled meat market. In 2003, 1,877 tonnes of chilled beef entered the Middle East. In 2013, 17,618 tonnes entered the region from Australia. Sheep and lamb showed similar growth with 4,693 tonnes of chilled lamb and sheep meat exported in 2003 and growing to 49,571 tonnes in 2013:

38 Department of Agriculture, *Submission 27*, p. 6.

39 Department of Agriculture, *Submission 27*, p. 6.

40 Mr David Larkin, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 13.

41 Mr Graham Lyon, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 13.

Australian red meat is now not only accepted but demanded, right through from whole fresh lamb carcasses, from Kuwaiti housewives, to supermarkets and hotels in every GCC country, right through to first and business class plates on the major airlines of that region. Demand will now spread through North Africa. Middle Eastern airlines are going to play a major role in opening up these markets to the Australian farmers.⁴²

Table 2.1 Australian beef exports to the Middle East 2012-14 (tonnes swt)

Year	Middle East	Saudi Arabia	UAE	Jordan	Kuwait	Egypt	Qatar	Iran	Lebanon	other Middle East
2012	31,351	5,241	7,640	6,012	2,263	3,167	2,118	3,421	803	686
2013	61,230	31,126	7,987	8,113	4,812	2,114	2,587	2,985	553	953
2014	59,803	32,213	8,777	5,499	4,894	4,347	2,444	0	564	1,063

Source Department of Agriculture

2.49 Vice President of the Sheepmeat Council of Australia, Jeffrey Murray, told the Committee that the sheepmeat industry has invested in developing the Middle East market 'over a long period of time, right back to the seventies when we were first exporting sheep into the MENA region':

Things have improved a great deal since then. We have spent a lot of time and money improving the facilities that handle live exports and the likes through the Middle East. I think we have become trusted partners for our boxed meat and chilled product. Currently we are struggling to keep up with the demand into the Middle East.⁴³

Table 2.2 Australian chilled lamb export values to the Middle East 2012-14 (million A\$)

Year	Middle East	Bahrain	Iran	Israel	Jordan	Kuwait	Qatar	Saudi Arabia	UAE	other Middle East
2012	161.395	12.423	6.340	0.000	30.425	9.391	27.820	11.314	63.086	0.595
2013	264.366	69.081	12.429	0.000	44.203	18.090	27.918	16.324	75.577	0.745
2014	317.798	74.022	0.000	0.000	55.972	14.942	52.126	23.402	96.144	1.190

Source Global Trade Atlas & MLA market information

Live animal exports

2.50 In 2015, Australia's live sheep exports to Middle Eastern markets were estimated be worth more than \$237 million with Kuwait the largest

42 Mr Graham Lyon, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 13.

43 Mr Jeffrey Murray, Sheepmeat Council of Australia, *Committee Hansard*, Sydney, 9 September 2014, p. 39.

importer shipping in 576,350 sheep from Australia.⁴⁴ Israel was the largest live cattle market in the Middle East for Australia in 2015.⁴⁵

- 2.51 Issues associated with live animal exports and the Exporter Supply Chain Assurance System (ESCAS) are further examined in Chapter 5.

Dairy

- 2.52 The Australian dairy industry representing 6,400 dairy farmers, producing more than 9.2 billion litres of milk, considers the Middle East a valuable market. A Board Member of Australian Dairy Farmers, Mr Chris Griffin, told the committee that Australia exported over 72,000 tonnes of dairy product valued in excess of \$330 million to countries in the Middle East region in 2013-14. This equated to over 10 per cent of total dairy exports from Australia. Mr Griffin added:

The value and volume is down since 2011-12, when over 90,000 tonnes were exported, due to factors such as increased competition from other suppliers – the EU and the USA – and political instability within the Middle East region. The most significant markets within the region for Australia in value and volume are the United Arab Emirates and Saudi Arabia, while Kuwait has been the fastest growing market in recent years.⁴⁶

Horticulture

- 2.53 Australia is counter-seasonal to northern hemisphere production and can supply fresh fruit and vegetables into the Middle East region during the northern hemisphere 'off season'.
- 2.54 The largest export markets for Australian vegetables in MENA are Egypt, the UAE and Saudi Arabia. Australia exported approximately \$246 million of vegetables into the region in 2012-13. By 2014-15, Egypt alone imported \$121 million of Australian fresh, chilled and frozen vegetables. According to AusVeg, the horticultural body representing growers, the UAE's demand for Australian vegetables has increased by 24 per cent from 2013-14.⁴⁷ The majority of vegetables exported to these countries are pulses such

44 LiveCorp, Sheep statistics, Australian live sheep exports by destination for 2014 and 2015, <www.livecorp.com.au>.

45 LiveCorp, Goat statistics, Australian live goat exports by destination for 2015, <www.livecorp.com.au>.

46 Mr Chris Griffin, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, p. 22.

47 AusVeg, *Australian vegetable exports grow*, 17 August 2015, <<http://www.ausveg.com.au/media-release/australian-vegetable-exports-grow>>.

as broad beans, chickpeas and lentils with some quantities of fresh vegetables including carrots, onions and potatoes.⁴⁸

- 2.55 The UAE receives the majority of Australia's fruit and tree nut exports to the region, accounting for almost 81 per cent of fruit exports and around 53 per cent of tree nut exports. The value of Australia's fruit exports to the UAE in 2012-13 was \$36 million (mainly grapes, citrus, stonefruit and melons) while the value of tree nut exports (mainly almonds and some macadamia exports) was \$15 million:⁴⁹

The UAE market is especially important for Australian horticulture produce. The UAE, particularly Dubai, is used as a trans-shipment point for other Middle Eastern markets, especially Gulf Cooperation Council (GCC) countries.⁵⁰

Rice

- 2.56 Rice is one of the most important food products in the Middle East with average per capita consumption about four times higher than the average consumption in Australia. Consumers in the region have a 'strong emotional attachment to rice products as rice forms a critical element of the household daily meal'.⁵¹
- 2.57 Ricegrowers' Limited, trading as 'SunRice', is one of the world's largest suppliers of rice throughout the region, with export sales in excess of \$100 million annually to markets in Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Bahrain, the UAE and Iraq and also Syria, Yemen, and Libya.⁵²
- 2.58 The company which is based in the Riverina, NSW, has operated a Middle East regional office in Jordan since 2000, and is also in partnership with a Jordan-based rice processing and packing plant. Together with its partner, SunRice employs close to 40 staff in the region, with more than 500 others across its distribution and supply network.⁵³

Shipbuilding

- 2.59 Australian shipbuilder Austal is a global defence prime contractor, designer, and manufacturer of defence and commercial ships with a presence in the Middle East. For more than 25 years, Austal has been involved in the design, construction, and maintenance of 250 mostly high

48 Department of Agriculture, *Submission 27*, p. 7.

49 Department of Agriculture, *Submission 27*, p. 7.

50 Department of Agriculture, *Submission 27*, p. 7.

51 SunRice, *Submission 31*, p. 8.

52 SunRice, *Submission 31*, p. 3.

53 SunRice, *Submission 31*, p. 8.

performance aluminium ships for governments, navies and ferry operators around the world.⁵⁴

- 2.60 Defence vessels designed and built by Austal include multi-mission combatants, such as the Littoral Combat Ship (LCS) for the United States Navy, and military high-speed vessels for transport and humanitarian relief, such as the Joint High Speed Vessel (JHSV) for the US Navy and High Speed Support Vessel (HSSV) for the Royal Navy of Oman. Austal designs, constructs, integrates, and maintains an extensive range of patrol and auxiliary vessels for government agencies globally. Austal has also been at the forefront of the high-speed ferry market with market leading designs of high performance aluminium vessels.⁵⁵
- 2.61 Austal has delivered, or has under contract vessels for the following countries in the Middle East:
- Oman – two 72m High Speed Support Vessels for Royal Navy of Oman for delivery in 2016, and two 65m High Speed Vehicle-Passenger Ferries for the National Ferries Company delivered in 2008;
 - UAE – two 45m High Speed Catamaran Ferries for the Abu Dhabi National Oil Company delivered in 2015;
 - Saudi Arabia – two 69m High Speed Vehicle-Passenger Catamaran Ferries delivered in 2009; and two 88m High Speed Vehicle-Passenger Catamaran Ferries delivered in 2008;
 - Yemen – ten 38m Patrol Boats in 2005 for the Ministry of Defence;
 - Kuwait - three 22m Patrol Boats for the Kuwait Government delivered in 2004; and
 - Egypt – one 56m High Speed Catamaran Ferry for the El Salam Maritime and Transport Company delivered in 2002.⁵⁶
- 2.62 Austal opened its regional representative office in Dubai in the UAE in 2010, and relocated to Abu Dhabi during 2014. Austal has also been delivering maintenance and repair services to government-owned aluminium high speed vessels in the Sultanate of Oman since 2009.⁵⁷

Imports

- 2.63 In terms of merchandise imports, Australia imported \$2.38 billion of crude petroleum from the Middle East in 2014, down from the \$4.2 billion of crude petroleum Australia imported from the Middle East in 2013. The
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54 Austal, *Submission 23*, p. 4.

55 Austal, *Submission 23*, p. 4.

56 Austal, *Submission 23*, p. 5.

57 Austal, *Submission 23*, p. 5.

remaining top ten imports by value in 2013 included fertilisers (\$546 million), confidential items that DFAT submitted are believed to be chemicals and fertilisers (\$472 million) and liquefied propane and butane worth (\$361 million).⁵⁸

- 2.64 Australia's agricultural imports from MENA in 2012-13 were dominated by \$47 million in horticulture, mostly in tea and dried dates, and also \$19 million in seafood, largely consisting of \$17 million in marine fats and oils from Israel.⁵⁹
- 2.65 In relation to horticulture, the four major import sources were UAE (principally tea - \$10 million); Israel (principally fruit and vegetable juices - \$2.5 million; prepared horticultural products - \$2.3 million; and fresh or dried fruit - \$1.9 million); Iran (principally dried dates - \$3 million; and sultanas - \$2.9 million); and Lebanon (principally prepared horticultural products - \$3 million).⁶⁰
- 2.66 There is also interest amongst a number of MENA countries in the export to Australia of fresh dates – currently all dates from this region must be dried (ie 30 per cent or less moisture content) because of concerns over pests such as fruit fly.⁶¹

Services trade

- 2.67 Total services trade between Australia and the MENA region was worth more than \$4.7 billion in 2014-15. This represents 3.5 per cent of Australia's services trade with the world in 2014-15, which was worth \$135 billion.⁶² In the statistics available from DFAT for 2014-15, Australia's major services two-way trade partners were: the UAE (\$2.8 billion), Qatar (\$549 million), Saudi Arabia (\$399 million), Lebanon (\$183 million) and Israel (\$140 million). (see Tables 2.3 and 2.4)
- 2.68 According to DFAT, the most reliable data on services is for travel and transportation services, which is dominated by the Middle Eastern airlines such as Emirates and Etihad operating out of the UAE. For this reason, the balance of services trade appears to be skewed in the favour of the Gulf countries and Israel. However, over 350 Australian companies operate in the Gulf, including major providers of construction, financial and professional services (such as the Habtoor Leighton Group, SMEC, GHD,

58 Department of Foreign Affairs and Trade, *Submission 9*, p. 8.

59 Department of Agriculture, *Submission 27*, p. 7.

60 Department of Agriculture, *Submission 27*, p. 7.

61 Department of Agriculture, *Submission 27*, p. 7.

62 Department of Foreign Affairs and Trade's trade statistics.

ANZ and Woods Bagot). If more data on construction services and other business services was available to the ABS, then DFAT expects the data would reflect a more balanced two-way services trade between Australia and the Middle East.⁶³

2.69 DFAT also noted the limitations of the data on services published by the ABS, which has access to reliable data from only 35 countries, and that the level of detail is also affected by confidentiality requirements.⁶⁴

Table 2.3 Australia's total services trade with the MENA

Current price - balance of payments basis								
Country (a)	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m	2014-15 % share of total	% growth 2013-14 to 2014-15	5 year trend
Algeria	6	6	7	8	6	0.0	-25.0	0.7
Bahrain	25	17	13	16	19	0.0	18.8	-5.8
Egypt	174	132	124	103	112	0.1	8.7	-12.9
Iran	161	187	205	210	205	0.2	-2.4	7.8
Iraq	52	73	73	75	80	0.1	6.7	12.4
Israel	178	168	162	164	130	0.1	-20.7	-5.7
Jordan	50	55	52	55	57	0.0	3.6	3.8
Kuwait	71	66	72	64	61	0.0	-4.7	-0.2
Lebanon	236	232	193	163	183	0.1	12.3	-8.0
Libya	35	32	30	18	10	0.0	-44.4	-16.3
Morocco	28	26	27	31	24	0.0	-22.6	4.4
Oman	38	38	45	34	40	0.0	17.6	-1.2
Qatar	140	270	324	384	549	0.4	43.0	47.4
Saudi Arabia	336	399	399	396	399	0.3	0.8	0.4
Syria	33	17	10	3	5	0.0	66.7	-39.3
Tunisia	3	3	4	3	3	0.0	0.0	6.8
United Arab Emirates	2,468	2,691	2,981	2,693	2,853	2.1	5.9	3.8
Yemen	1	2	2	1	1	0.0	0.0	-14.5
Total services trade MENA	4,035	4,414	4,723	4,421	4,737	3.5%	7.1%	3.7%
Total services trade	109,415	113,747	120,940	129,002	134,809	100.0	4.5	5.4

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

63 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

64 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

Table 2.4 Australia's services trade balance with the MENA

Current price - balance of payments basis					
Country (a)	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m
Algeria	-2	-4	-3	-2	-2
Bahrain	1	7	5	8	13
Egypt	-84	-44	-30	-35	-44
Iran	71	81	91	84	77
Iraq	-6	-13	-23	-9	16
Israel	-38	-46	-54	-56	-48
Jordan	-8	-13	-2	1	5
Kuwait	51	44	52	48	45
Lebanon	-142	-144	-111	-77	-89
Libya	31	30	28	18	10
Morocco	-18	-18	-19	-23	-16
Oman	14	18	21	18	20
Qatar	-78	-112	-176	-204	-297
Saudi Arabia	272	305	309	316	311
Syria	-21	-5	-2	1	-1
Tunisia	-1	-1	-2	1	1
United Arab Emirates	-1,508	-1,813	-2,043	-1,587	-1,587
Yemen	1	0	0	1	1
Total MENA	-1,465	-1,728	-1,959	-1,497	-1,585

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

Exports of services

2.70 In 2014-15, Australia exported \$633 million of services to the UAE of which \$430 million was for transport; \$355 million to Saudi Arabia of which \$262 million was for education-related travel; \$141 million to Iran; \$126 million to Qatar; \$53 million to Kuwait; \$48 million to Iraq; \$47 million to Lebanon; \$41 million to Israel; \$34 million to Egypt; \$31 million to Jordan; \$30 million to Oman; and \$16 million to Bahrain⁶⁵ (see Table 2.5).

2.71 The major Australian services exported to these countries in 2012-13 included transportation (\$330 million), including passenger and freight transport by air and sea; travel services (\$625 million), which includes expenditure by travellers visiting Australia; other business services (\$152 million), including professional management and consultancy, research and development services, and technical and trade services; intellectual property (\$23 million); government services (\$12 million); and financial services (\$4 million).⁶⁶

2.72 According to the Links Group, which is a company-formation specialist operating in the UAE and Qatar with the endorsement of relevant

65 Department of Foreign Affairs and Trade, country/economy fact sheets, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

66 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

government authorities, the UAE has emerged as the business hub of the region.⁶⁷

- 2.73 The Links Group advises corporations and individuals on how to establish a commercial onshore presence in the UAE and Qatar. Its services assisting with the company formation process include legal structures; trade licences; visas; labour and immigration services; management of regulatory approvals; nominee local partner services; payroll services; and fiduciary services to protect shareholdings. More than 300 companies have been established by the Links Group.⁶⁸
- 2.74 Links Group consultant, Mr David Mitford-Burgess, told the committee that 'diversification remains a top priority for the UAE and Qatar economies' to lessen their governments' reliance on oil revenues:
- Aligning Australian expertise and high potential businesses to the priority growth sectors of each market will be important as the UAE and Qatar governments look abroad for know-how, skills and labour.⁶⁹
- 2.75 Aspen Medical, an Australian-owned global provider of customised healthcare services, is example of successful services company operating in the Middle East. Aspen Medical entered the UAE's health care market by establishing the new National Ambulance service in Abu Dhabi in 2011 in partnership with the Abu Dhabi Police Department. The National Ambulance has expanded to over 600 staff and 200 dedicated emergency vehicles. The National Ambulance also provides Helicopter Emergency Medical Services (HEMS) to each of the 14 Abu Dhabi National Oil Company (ADNOC) subsidiary companies.⁷⁰
- 2.76 Aspen Medical delivers internationally accredited Combat First Aid Training to the UAE military, including 20,000 military trainees recruited under the newly introduced National Military Service Program. Aspen Medical has also provided advanced clinical trauma training for approximately 650 UAE military personnel prior to their deployment on combat operations in Yemen.⁷¹

67 Mr David Mitford-Burgess, The Links Group, *Committee Hansard*, Sydney, 9 September 2014, p. 27.

68 Mr David Mitford-Burgess, The Links Group, *Committee Hansard*, Sydney, 9 September 2014, p. 27.

69 Mr David Mitford-Burgess, The Links Group, *Committee Hansard*, Sydney, 9 September 2014, p. 27.

70 Aspen Medical, *Submission 56*, p. 1.

71 Aspen Medical, *Submission 56*, p. 2.

Table 2.5 Australia's services exports to the MENA

Current price - balance of payments basis								
Country	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m	2014-15 % share of total	% growth 2013-14 to 2014-15	5 year trend
Algeria	2	1	2	3	2	0.0	-33.3	5.6
Bahrain	13	12	9	12	16	0.0	33.3	0.4
Egypt	45	44	47	34	34	0.1	0.0	-9.4
Iran	116	134	148	147	141	0.2	-4.1	7.2
Iraq	23	30	25	33	48	0.1	45.5	15.5
Israel	70	61	54	54	41	0.1	-24.1	-10.2
Jordan	21	21	25	28	31	0.0	10.7	8.9
Kuwait	61	55	62	56	53	0.1	-5.4	2.3
Lebanon	47	44	41	43	47	0.1	9.3	-0.3
Libya	33	31	29	18	10	0.0	-44.4	-14.8
Morocco	5	4	4	4	4	0.0	0.0	2.2
Oman	26	28	33	26	30	0.0	15.4	2.0
Qatar	31	79	74	90	126	0.2	40.0	24.8
Saudi Arabia	304	352	354	356	355	0.6	-0.3	-0.1
Syria	6	6	4	2	2	0.0	0.0	-23.1
Tunisia	1	1	1	2	2	0.0	0.0	..
United Arab Emirates	480	439	469	553	633	1.0	14.5	3.3
Yemen	1	1	1	1	1	0.0	0.0	-9.4
Total MENA	1,285	1,343	1,382	1,462	1,576	2.5%	7.8%	1.8%
Total services exports	51,046	51,558	53,394	57,370	63,084	100.0	10.0	4.4

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

Imports of services

- 2.77 In 2014-15, Australia imported \$3.2 billion in services from the Middle East, including \$2.22 billion of services from the UAE. Nearly \$1.9 billion of the \$2.22 billion from the UAE was for transport services, \$423 million from Qatar, \$136 million from Lebanon, \$89 million from Israel, \$78 million from Egypt, \$64 million from Iran and \$44 million from Saudi Arabia (see Table 2.6).
- 2.78 Based on the available data in DFAT's submission, Australia's major services imports from the Gulf states and Israel in 2012-13 were transportation (\$2.25 billion), travel (\$397 million), other business services (\$53 million), and government services (\$16 million):

Of these figures, the standout figure is that of over \$2 billion worth of transportation services purchased from the UAE. This reflects the substantial number of passenger flights between Australia and the UAE operated by Emirates and Etihad, as well as Emirates' dedicated freight services between Australia and the UAE.⁷²

72 Department of Foreign Affairs and Trade, *Submission 9*, p. 14.

Table 2.6 Australia's services imports from the MENA

Current price - balance of payments basis								
Country	2010-11 A\$m	2011-12 A\$m	2012-13 A\$m	2013-14 A\$m	2014-15 A\$m	2014-15 % share of total	% growth 2013-14 to 2014- 15	5 year trend
Algeria	4	5	5	5	4	0.0	-20.0	-1.3
Bahrain	12	5	4	4	3	0.0	-25.0	-19.9
Egypt	129	88	77	69	78	0.1	13.0	-14.3
Iran	45	53	57	63	64	0.1	1.6	9.2
Iraq	29	43	48	42	32	0.0	-23.8	8.6
Israel	108	107	108	110	89	0.1	-19.1	-3.1
Jordan	29	34	27	27	26	0.0	-3.7	-0.7
Kuwait	10	11	10	8	8	0.0	0.0	-10.6
Lebanon	189	188	152	120	136	0.2	13.3	-10.0
Libya	2	1	1	0	0	0.0
Morocco	23	22	23	27	20	0.0	-25.9	4.8
Oman	12	10	12	8	10	0.0	25.0	-8.4
Qatar	109	191	250	294	423	0.6	43.9	70.9
Saudi Arabia	32	47	45	40	44	0.1	10.0	5.6
Syria	27	11	6	1	3	0.0	200.0	-46.4
Tunisia	2	2	3	1	1	0.0	0.0	-13.7
UAE	1,988	2,252	2,512	2,140	2,220	3.1	3.7	4.0
Yemen	0	1	1	0	0	0.0
Total MENA services imports	2,750	3,071	3,341	2,959	3,161	4.4%	6.8%	4.7%
Total services imports	58,369	62,189	67,546	71,632	71,725	100.0	0.1	6.2

Source Parliamentary Library, DFAT's trade statistics & ABS catalogue 5368.0.55.003.

Education

- 2.79 Higher education represents an important component of trade between Australia and the Middle East. International student enrolments in Australia from the Middle East have increased from 5,000 in 2003 to over 20,000 in 2013. In the 10 years to 2012-13, the value of education exports grew ten-fold, from \$71 million to almost \$700 million.⁷³
- 2.80 The Department of Immigration and Border Protection submitted that in 2014-15 it issued 13,759 student visas for students from countries in the Middle East and North Africa region, up from 13,624 students in 2013-14 (see Table 2.7). The largest intakes of Middle Eastern students on student visas in 2014-15 were from Saudi Arabia (8,739), and Iran (1,612).
- 2.81 Compared to other source countries for international students studying in Australia, Saudi Arabia is the only Middle Eastern country in the top 10 in 2013 for higher education at 4,114 students compared to China, the largest source at 76,840 students.⁷⁴

73 Department of Foreign Affairs and Trade, *Submission 9*, p. 15.

74 Universities Australia, *Submission 21*, p. 5.

2.82 The University of Sydney's engagement in the Middle East is focused on the six countries of the GCC - Bahrain, Kuwait, Oman, Saudi Arabia, Qatar and the UAE, with some interest in Iran in relation to the recruitment of high quality research students. The University of Sydney's activities are centred on building stronger people-to-people links between Australia and the region by promoting the university and Australia as a high quality educational destination and source of research expertise.⁷⁵

2.83 According to DFAT, this strong growth in student numbers has not been uniformly experienced across the Middle East:

...enrolments from the Middle East as a whole have declined by around 15 per cent since 2010 due to competition from other countries, the strong Australian dollar, and domestic education policies that have encouraged students to attend branch campuses of foreign universities in their own countries, rather than study abroad. Middle East Embassies have also commented that they consider Australia's visa processes more onerous than those of other education providers.⁷⁶

Table 2.7 Number of Student visas (subclasses 570-576) granted to MENA nationals

Travel Document Country	2013-14	2014-15
Algeria	15	4
Bahrain	60	33
Egypt	246	201
Iran	1,521	1,612
Iraq	1042	870
Israel	148	171
Jordan	363	420
Kuwait	293	262
Lebanon	354	383
Libya	446	140
Morocco	27	37
Oman	504	536
Palestinian Authority	43	43
Qatar	29	14
Saudi Arabia	8,164	8,739
Syrian Arab Republic	28	22
Tunisia	20	11
United Arab Emirates	290	235
Yemen	31	26
TOTAL Student visa (subclasses 570-576) grants to MENA nationals	13,624	13,759

Source Department of Immigration and Border Protection, *Answers to Question on Notice*.

75 University of Sydney, *Submission 11*, p. 1.

76 Department of Foreign Affairs and Trade, *Submission 9*, p. 15.

- 2.84 As a region, the Middle East is a significant market for Victorian universities, accounting for over 5,000 international enrolments. Almost half (49 per cent) of these enrolments are from Saudi Arabia, while Iran and Kuwait account for a further 30 per cent. Higher education has been the dominant sector, with over half of the Middle Eastern students in Victoria doing undergraduate or postgraduate studies.⁷⁷
- 2.85 The region is an important source of post graduate students for Victorian universities, with an undergraduate to postgraduate ratio of 1:1. Many of these students are supported by GCC government scholarships, suggesting there is a perception of a high quality offering.⁷⁸
- 2.86 The number of students from the Middle East attending the University of Wollongong (UOW) in Australia has more than quadrupled over the last decade, with 519 onshore students in 2014. This represents approximately five per cent of the university's total international student population. The largest proportion of Middle Eastern students at UOW are from Iran and Saudi Arabia.⁷⁹
- 2.87 Victorian education exporters are supported by the presence of a Victorian Government Education Services Manager based in Dubai, UAE. Activities to promote international education exports have included:
- Hosting higher education institutes and VET and TAFE institutes on Victoria's Super Trade Missions.
 - The establishment of connections with different ministries in Saudi Arabia and Oman.
 - Supporting in bound missions for Saudi Government officials to Australia.
 - Supporting Alumni events in Oman and Saudi Arabia to further develop relations with our graduates.
 - Assisting universities in developing research agreements and exchange programs with counterparts in the Middle East.⁸⁰
- 2.88 A number of Victorian universities have partnerships in the Middle East, including Deakin University, Monash University and The University of Melbourne. Mostly agreements centre on student and teacher exchange or research collaboration as well as curriculum delivery.
- 2.89 Victorian vocational education providers are also active in the Middle East including the Chisholm Institute, the William Angliss Institute, the
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77 Victorian Government, *Answers to Question on Notice*, No. 6, p. 4.

78 Victorian Government, *Answers to Question on Notice*, No. 6, p. 4.

79 University of Wollongong, *Submission 45*, p. 2.

80 Victorian Government, *Answers to Question on Notice*, No. 6, p. 4.

Holmesglen Institute and the Box Hill Institute. Partnerships involve vocational teacher training delivery and industry specific training. Vocational education initiatives such as Saudi Arabia's Colleges of Excellence present 'growing opportunities for Victorian education providers to deliver offshore services and partners with institutions in-country'.⁸¹

Delegation discussions relating to education

- 2.90 During its visit to Saudi Arabia, the Committee delegation had the opportunity meet with the Saudi Ministry of Education, deputy ministers and members of the Shura Council. Discussions included the difficulties, from a Saudi Arabian perspective, associated with the complexity of applying for student visas to Australia, that the visas are despatched from the UAE, the visas for the students' families, and other problems experienced by Saudi students.
- 2.91 In separate discussions with the delegation, the ministers and the parliamentarians queried why the Australian visas are issued from the UAE and not Riyadh. They also raised the inconvenience when visas expire and requiring the student or accompanying family member to leave Australia to get the visa re-issued.
- 2.92 At a meeting with the Ministry of Education, the Ambassador of Saudi Arabia to Australia, HE Mr Nabil Mohammed A. Al Saleh, raised concerns about the issuing of visas from Dubai, not Riyadh. The Australian Ambassador to Saudi Arabia, Dr Ralph King, clarified that the visas for Saudis are largely processed online before being issued from the Department of Immigration and Border Protection's central processing office in the UAE. The Ambassador HE Mr Al Saleh also requested if the visa forms could be made available in Arabic, asking how Saudi students wanting to learn English in Australia can answer so many questions in English.
- 2.93 The problems experienced by Saudi students applying for visas were raised again at a meeting with the Vice Speaker of the Shura Council, HE Dr Mohammed Amin Jefri, followed by a roundtable with the Saudi-Australia Friendship Committee. Dr Amin Jefri told the delegation that he had received correspondence from students unhappy with the visa process. He warned of the negative impact on the students, who are likely to become promoters of Australia after their studies.

81 Victorian Government, *Answers to Question on Notice*, No. 6, pp. 5 - 6.

- 2.94 On the issue of Saudi students and their families renewing their visas without the cost of having to leave Australia, the Ambassador HE Mr Al Saleh, told the Committee delegation of a possible solution to the visa expiry issue he had already raised with the Department of Immigration and Border Protection. He requested that the Department notify the Royal Embassy of Saudi Arabia three months in advance of a Saudi student's visa expiring so the Embassy can organise having the visa reissued. At the time of this discussion, the Ambassador was waiting upon a response.

Tourism and travel services

- 2.95 According to Tourism Australia, the countries of the Middle East make up a small but growing inbound tourism market, which the agency estimates to be one of five markets with the potential to be worth over \$1 billion by 2020. By comparison, three of Tourism Australia's key markets such as China are expected to be worth more than \$5 billion and four markets are expected to be worth more than \$2.5 billion.⁸²
- 2.96 In the Middle East, Tourism Australia's focus is on the UAE and Saudi Arabia, and its target customer is the high-spending Gulf national, aged 35-54 years old, travelling with family and friends, who resides in Abu Dhabi or Dubai in the UAE or in Riyadh, Saudi Arabia.⁸³
- 2.97 In the 12 months ending December 2014, the Australian Bureau of Statistics' (ABS) Overseas Arrivals and Departures Survey showed there were a total of 104,600 visitors from the broader Middle East and North African region, including 35,900 from the United Arab Emirates (UAE) and 11,300 from Israel.⁸⁴
- 2.98 The Department of Immigration and Border Protection told the Committee there has been a slight increase in visitor visa numbers from the Middle East with 37,215 visitor tourist visas issued MENA nationals in 2014-15, up from 33,728 visitor tourist visas issued in 2013-14 (see Table 2.8).⁸⁵

82 Tourism Australia, *Submission 53*, p. 2.

83 Tourism Australia, *Submission 53*, p. 3.

84 Tourism Australia, *Submission 53*, p. 2.

85 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

Table 2.8 Number of Visitor visas (subclass 600) - Tourist stream granted to MENA nationals⁸⁶

Travel Document Country	2013-14	2014-15
Algeria	77	85
Bahrain	366	329
Egypt	2,128	2,141
Iran	5,750	7,509
Iraq	519	508
Israel	5,259	5,318
Jordan	1,052	1,146
Kuwait	2,101	2,177
Lebanon	4,487	4,810
Libya	60	53
Morocco	277	256
Oman	577	801
Palestinian Authority	102	106
Qatar	913	1,012
Saudi Arabia	5,954	6,954
Syrian Arab Republic	157	166
Tunisia	91	99
United Arab Emirates	3,792	3,682
Yemen	66	63
TOTAL Subclass 600 tourist stream grants to MENA nationals	33,728	37,215

Source Department of Immigration and Border Protection, *Answers to Question on Notice*.

- 2.99 There was also an additional 4,573 visitors, including 1,023 from Israel and 775 from Saudi Arabia, who entered Australia on the business stream visitor visa in 2014-15. (see Table 2.9)⁸⁷ The visa application charge for a tourist from the GCC is \$135 for a visitor visa (subclass 600) tourist stream, lodged by an applicant who is outside of Australia.⁸⁸
- 2.100 The largest visitor numbers of MENA nationals in 2014-15 came from Iran (7,509), Saudi Arabia, (6,954), Israel (5,318), Lebanon (4,810), United Arab Emirates (3,682), Egypt (2,141), Kuwait (2,177), and Jordan (1,146).⁸⁹

86 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

87 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 19.

88 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 16.

89 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 9.

Table 2.9 Number of Visitor visas (subclass 600) – Business visa granted to MENA nationals⁹⁰

Travel Document Country	2013-14	2014-15
Algeria	116	56
Bahrain	67	71
Egypt	618	515
Iran	483	542
Iraq	177	123
Israel	953	1,023
Jordan	294	276
Kuwait	71	52
Lebanon	248	337
Libya	54	4
Morocco	107	99
Oman	172	125
Palestinian Authority	44	30
Qatar	71	71
Saudi Arabia	470	775
Syrian Arab Republic	70	49
Tunisia	122	80
United Arab Emirates	435	326
Yemen	19	19
TOTAL Subclass 600 business stream grants to MENA nationals	4,591	4,573

Source Department of Immigration and Border Protection, *Answers to Question on Notice*.

2.101 Tourism Australia, which does not have a representative office in the Middle East with its nearest Tourism Australian office in Mumbai, India, submitted that the Middle East is a relatively small market compared to China, UK or the USA.

In the context of the total inbound visitors of over 6.9 million in the same period, the number of visitors from the Middle East and North Africa (which includes visitors from Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, the UAE and Yemen) was small, accounting for just 1.5 per cent of total inbound visitors to Australia. During the same period China accounted for 839,500 (12.2 per cent) visitors, the UK 652,100 (9.5 per cent) and the USA 553,000 (8.1 per cent).⁹¹

⁹⁰ Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 19.

⁹¹ Tourism Australia, *Submission 53*, p. 2.

Cost of trade finance

- 2.102 The Export Finance and Insurance Corporation (EFIC) is Australia's export credit agency assisting to finance Australian companies that have 'viable export opportunities and growth opportunities in international markets but are unable to raise finance from the private market'.⁹²
- 2.103 EFIC stated it has been supporting Australian businesses in the Middle East and at 30 June 2015, EFIC's exposure on its Commercial Account to the Middle East was around \$150 million, which represented around 8 per cent of EFIC's total credit portfolio.
- 2.104 Over the last five years EFIC has provided an estimated \$25 million worth of facilities to small businesses who are exporting to the Middle East:
- Our current SME portfolio in the Middle East—just to put it in perspective—represents just a little under five per cent of our portfolio. Today we have in the SME space exposures of about \$7.8 million, so recognising that exposures run off... That represents 17 exporters. Whilst it is not a substantial number, that represents the fact that we have only in the last two years shifted our focus towards small businesses where previously we were a lot more focused on helping large projects.⁹³
- 2.105 As an example, EFIC explained how it helped finance DownUnder Geosolutions (DUG) from Western Australia which develops specialised software for oil and gas exploration expand into the Middle East market. The company had just won a contract to install hardware and DUG's software onto a fleet of six seismic vessels in Dubai to enable the detection of oil and gas deposits which other technologies in the market cannot identify:
- They have no collateral that the banks would recognise as being of any value in an enforcement scenario. All of their assets, their intellectual property, their code—it is not something that the banks can get their foot on and sell in an enforcement scenario.⁹⁴
- 2.106 To allow DUG to fulfil the contract, EFIC provided its bank with a US\$5.8 million guarantee enabling it to increase its funding to support this contract and fund upgrades to its overseas offices to better position the company for overseas sales.⁹⁵

92 Mr Andrew Watson, EFIC, *Committee Hansard*, Canberra, 25 November 2015, p. 1.

93 Mr Andrew Watson, EFIC, *Committee Hansard*, Canberra, 25 November 2015, p. 1.

94 Mr Andrew Watson, EFIC, *Committee Hansard*, Canberra, 25 November 2015, p. 2.

95 EFIC, *Submission 55*, p. 4.

- 2.107 EFIC is no longer supporting DUG and the company now receives all of their funding from the private market.
- 2.108 Other examples of Australian companies helped by EFIC in Middle Eastern markets include:
- Boost Media Holdings - Boost is a NSW SME that provides strategic revenue solutions for print, TV, internet and radio sales and advisory services. The provision of \$1.5 million of working capital from EFIC has assisted Boost to provide services to UAE's Arabian Radio Network.
 - AOM Group - AOM is a Queensland SME that exports organic beef to the Middle East. In order for AOM to meet its growing export orders, EFIC provided AOM's bank with an \$500K guarantee, needed for the purchasing, processing and packaging of its meat.
 - Fibre King - Queensland-based engineering SME, Fibre King, specialises in the design and manufacture of packaging machinery. They won a large contract for the supply and installation of seven case packing machines and end of line palletisers for two new factories in Dubai. Under the contract, Fibre King needed to provide more than \$US1 million in advance payment bonds, as security for upfront payments from the purchaser – EFIC provided the bonds.⁹⁶
- 2.109 In the last 5 years, EFIC has not been involved in any capital works projects to build roads in the Middle East. However, EFIC has assisted companies involved in other types of construction in the region, including:
- Bothar Boring and Tunnelling Pty Ltd - Specialist SME in underground trenchless pipeline construction and tunnelling and has offices in Brisbane, Sydney, Abu Dhabi and Kuwait.
 - JML Engineering Facades Pty Ltd - Specialist SME in building façade design, engineering and construction.⁹⁷

Investment profile of the Middle East

- 2.110 According to ABS data, in 2014 total investment from the United Arab Emirates (UAE) in Australia was estimated at \$26 billion, Saudi Arabia invested \$4.7 billion in Australia and Kuwait invested \$3.6 billion in Australia.⁹⁸

96 EFIC, *Submission 55*, p. 4.

97 EFIC, *Answers to Question on Notice*, No. 11, p. 2.

98 Department of Foreign Affairs and Trade country/economy fact sheets for UAE, Saudi Arabia and Kuwait, viewed 16 March 2016, <<http://dfat.gov.au/geo/pages/countries-and-regions.aspx>>.

- 2.111 According to Australia's Foreign Investment Review Board (FIRB) Annual Report 2014-15, the UAE was ranked 12th internationally in the number of FIRB approvals by country. The FIRB approved 38 separate investments by the UAE worth \$1.8 billion across a range of sectors. Approvals were given for the UAE to invest \$184 million in the financial and insurance sector, \$547 million in manufacturing, \$427 million in real estate, and \$667 million in services.⁹⁹ The previous FIRB Annual Report 2013-14 recorded the 33 approvals for investments worth \$2.5 billion from the UAE. It also recorded 11 investment approvals from Kuwait worth \$2.6 billion including \$1.75 billion in investments for mineral exploration.¹⁰⁰
- 2.112 In 2014, Australia's investment in the UAE was \$2.4 billion.¹⁰¹ The Abu Dhabi Investment Authority (ADIA), the world's second largest sovereign wealth fund, became Australia's largest hotel owner in late 2013, acquiring 31 Accor-branded hotels. The ADIA has also invested in ports and the Queensland Motorway project. Other UAE sovereign wealth funds also have assets in Australia and are looking for other investment opportunities in Australia.¹⁰²

99 Foreign Investment Review Board, *Annual Report 2014-15*, p. 35.

100 Foreign Investment Review Board, *Annual Report 2013-14*, p. 31.

101 Department of Foreign Affairs and Trade country/economy fact sheet for UAE, viewed 16 March 2016, <<http://dfat.gov.au/trade/resources/Documents/uaem.pdf>>.

102 Department of Foreign Affairs and Trade, *Submission 9*, p. 53.



The Committee delegation visited Sheikh Zayed Grand Mosque in Abu Dhabi



Emirates CEO HH Sheikh Ahmed bin Saeed Al Maktoum with the delegation in Dubai



Committee delegation members at Emirates HQ overlooking Dubai International Airport



The Hon Dr Sharman Stone MP meets the Foreign Affairs Minister of the United Arab Emirates, HE Dr Anwar Gargash



Delegation meet UAE's Foreign Affairs Minister, HE Dr Anwar Gargash. Also present are Australia's Deputy Head of Mission Ms Kim Debenham and Austrade's Mr Gerard Seeber



Delegation members meet the Chairman of DP World, HE Sultan Ahmed Bin Sulayem, and Vice Chair, Mr Jamal Majid Bin Thaniah, in Dubai



Delegation members with UAE's Minister of Economy, HE Sultan bin Saeed Almansoori, and the then Australian Ambassador HE Mr Pablo Kang (far left)



The Hon Teresa Gambaro MP and Ms Maria Vamvakinou MP meet the Deputy Speaker of UAE's Federal National Council, HE Mr Marwan Ahmad bin Ghalita



The delegation meet Jones the Grocer Managing Director, Mr Yunib Siddiqui, in the UAE



National Ambulance CEO, Mr Robert Ball, meets the delegation in Abu Dhabi



Delegation at Etihad Innovation Centre with Etihad's Mr Vijay Poonosamy and staff



Australian Alumni Dr Shaikha Al Maskari of Johnson Controls & Global discusses her time at an Australian university with the Hon Dr Sharman Stone MP

