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Mr Andrew Dawson
Committee Secretary
Trade Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra 2600
Email: _____

15 May 2014

Dear Mr Dawson,

Re: Inquiry into Australia's trade and investment relationships with countries of the Middle East

Dearin & Associates welcomes the opportunity to contribute to the parliamentary inquiry into Australia's trade and investment relationships with the countries of the Middle East being conducted by the Joint Standing Committee on Foreign Affairs, Defence and Trade.

This submission addresses four particular terms of reference in relation to Australia's trade and investment relationships with the countries of the Middle East:

1. The nature of Australia's trade and investment relationships with the countries of the region.
2. Emerging and possible future trends in these relationships.
3. Barriers and impediments to trade and investment with Middle Eastern countries.
4. The role of government, including DFAT and Austrade, in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the Middle East.

This submission examines the trade and investment relationship between Australia and the countries of the Middle East, highlighting the fact that despite longstanding ties between the two regions, the trade and investment relationship is relatively weak when compared with Australia's trade relationships with other regions. We highlight a number of key trends sweeping the Middle East & North Africa (MENA) region and explain how these may affect Australia's trade relationships with the MENA countries. Our submission is that these trends have the potential to generate enormous commercial opportunities for Australian companies and that Australia should be engaging closely with the MENA region now, rather than waiting for a future state of political and social equilibrium, if those opportunities are not to be missed. The submission concludes by providing recommendations as to how government could best assist Australian companies in the MENA markets, particularly in light of feedback from contacts in MENA governments. Appendices 1 and 2 contain a list of countries included in the MENA region and a brief description of some of Australia's key relationships.

Yours sincerely,

Cynthia Dearin
Managing Director

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The nature of Australia's trade and investment relationships with the MENA countries

Australia has longstanding relationships including trade and investment ties with countries throughout the Middle East & North Africa (MENA) region, dating back to the late nineteenth century when traffic between Europe and Australia passed through Egypt's Suez Canal. Appendix 1 lists the countries of the MENA region and Appendix 2 outlines some of our key relationships with MENA region partners.

These longstanding ties between Australia and the countries of the MENA region provide a strong foundation on which to build, and Australia has significant and promising relationships with a number of Middle Eastern states including the UAE, Qatar and Saudi Arabia. Nonetheless, Australia's overall trade and investment relationship with the MENA region remains underdeveloped when compared to its strong relationships with traditional trading partners such as Europe or the United States, or newer Asian trading partners like China, Japan and South Korea. In 2012, total trade with the entire region (including the North African countries) was worth about \$14.7 billion, whereas total trade with our top three trade partners, China, Japan and the US was worth \$128 billion, \$76 billion and \$57 billion respectively. The United Arab Emirates is the only country in the MENA region that ranks as one of Australia's top 20 trading partners, currently sitting at fifteenth place. None of the other MENA states account for more than 0.5% of Australia's total trade.

	Total		Rank
Country	A\$'000	% Share	
United Arab Emirates	6,395,382	1.3	15
Saudi Arabia	2,459,103	0.5	26
Qatar	1,226,379	0.2	37
Kuwait	1,020,600	0.2	39
Libya	773,277	0.2	47
Bahrain	740,791	0.1	49
Iraq	596,328	0.1	51
Egypt	494,741	0.1	55
Oman	468,343	0.1	56
Jordan	216,447	0	68
Algeria	85,531	0	85
Morocco	62,480	0	88
Lebanon	54,244	-	93
Tunisia	24,722	-	116
Mauritania	22,949	-	124
Djibouti	3,497	-	168
Syria	2,559	-	176
Comoros	305	-	206
South Sudan	233	-	209

Table 1.0: Australian total trade with countries of the Arab League. Source: European Commission Directorate-General for Trade.

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Meantime, a survey of the top trading partners of key Arab countries illustrates that Australia's key trading partners including the United States and China are focusing their trade efforts toward the MENA region.

Country	Top trading partner	Total Trade Value
United Arab Emirates	India	58,351 (Mio €)
Saudi Arabia	United States	56075 (Mio €)
Qatar	United States	484,228 (Mio €)
Kuwait	South Korea	14,303 (Mio €)
Egypt	China	5593 (Mio €)
Morocco	United States	2953 (Mio €)

Table 2.0: Top trading partners of several key Arab states, 2012-2013.

Source: European Commission Directorate-General for Trade.

A comprehensive analysis of the reasons for the relatively low levels of trade and investment between Australia and the MENA region is beyond the scope of this submission, but the following section highlights some of the key barriers and impediments to trade and investment.

Barriers and impediments to trade and investment with MENA countries

The trade and investment relationship between Australia and the MENA countries is plagued by a number of impediments, both real and perceived. These include:

- **A lack of knowledge about commercial opportunities in the MENA region amongst the majority of Australian businesses.** Most Australian businesses are only dimly aware, if at all, that the MENA region is a potential market for their goods and services and as a result only small numbers of Australian companies ever consider expanding their operations into the MENA region. The same is true of businesspeople from the MENA markets.
- **A lack of accurate, balanced information about the MENA region in Australia.** Even when Australian companies are aware of the commercial opportunities on offer in the MENA region, they often believe that doing business in the region is 'just too hard', a perspective which has been created and perpetuated primarily by negative media reporting focused on the conflict zones of the MENA region. Both Australian and MENA businesspeople also tend to believe that the other market is too far away to be truly accessible, despite the fact that it takes as long to fly from Canberra to Beijing - the capital of Australia's largest trading partner - as it does to Dubai.

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- ***A lack of cultural understanding and broad-based cultural exchange between the MENA and Australia*** leaves businesspeople from both regions ill-prepared to negotiate each other's commercial environments successfully. Cultural misconceptions abound - Australian businesspeople frequently believe that women cannot do business in the MENA region, despite ample evidence to the contrary.
- ***The status of the MENA countries as emerging or frontier markets*** often deters Australian companies, many of which are conservative in their outlook, from exploring opportunities in the region.
- ***Traditional barriers to entry*** deter many Australian entrepreneurs from expanding their operations to the MENA. The MENA markets suffer from trade barriers similar to those found in other emerging markets, including lack of transparency, bureaucratic red tape, weak rule of law, corruption, and differences in business cultures. These same trade barriers exist in a number of key markets for Australia including China, where their presence does not have the same dampening effect on trade.
- ***The focus of successive Federal governments on Asia as the most important trading region for Australia*** has been at the expense of other regions, including the MENA. As a result, Australian companies seeking to expand into emerging markets are often preoccupied with Asian markets, believing that this is where the most important opportunities lie.
- ***The failure to conclude a free trade agreement (FTA) with either the Gulf Cooperation Council*** or any of the countries of the region means that the MENA is one of the few regions of the world where Australia has no special status as a trade and investment partner.

Despite the current relatively low levels of trade between Australia and the MENA countries, the region is a strategic, rapidly emerging market which should rank as a priority on Australia's trade and investment agenda. This is particularly true when the trends sweeping the region are taken into account.

Emerging and possible future trends in Australia-MENA relationships

A number of trends are currently sweeping the MENA region, having an impact on multiple facets of its societies. The importance of each trend differs greatly from country to country, but all of them are relevant to the region as a whole and have the potential to influence Australia's trade and investment relationship with the region. Some of the trends outlined below have the potential to generate enormous commercial opportunities for Australian companies. Others suggest that Australia should be engaging closely with the MENA region now, rather than waiting for a future state of political and social equilibrium, if those opportunities are not to be missed.

A region characterized by growth

The MENA region has the world's most rapidly growing population after Africa. Between 2010 and 2050, the population is expected to increase by about 80%, from 217 million to 392 million.¹ If neighbouring Turkey and Iran were included in the definition of the MENA region, its population would approach 600 million people by 2050.

The rapid expansion of populations across the MENA region is expected lead to rapid growth in the size of major cities, especially in countries with large populations and relatively low urbanization rates, such as Egypt, Syria and Yemen. This will place increasing strain on infrastructure including roads, electricity supply, schools and hospitals and create growing markets in many product and service sectors including electricity, construction, transport, education and health care.

The MENA's population explosion will also place increasing pressure on scarce natural resources, particularly water, which is set to become the 'next oil' in terms of strategic importance as a resource. Pressure on food prices and supply has already created a focus on food security across the region. Many of the MENA countries, particularly the GCC states, cannot grow enough food to feed their populations and are actively seeking to secure their food supply by sourcing from foreign markets or acquiring land in other countries. Given that Australia already exports between 50% and 60% of the food it produces and that Australian companies lead the world in fields such as water technology, agricultural technology and plant genetics, Australia is well placed to capitalize on the region's need for food and water security.

The MENA region is one of the most youthful markets in the world, with more than half of its population aged less than 25 years old. Most other key Australian markets cannot boast the same ratio of young consumers.² The MENA's middle class is also burgeoning, driven by increasingly high levels of education in most countries across the region. This rapid expansion of the middle classes is correlated with rapidly expanding consumer markets, as millions of young, educated people clamour for the same standard of goods and services as those on offer to their peers in developed markets. This trend is already providing

¹ *The Emerging Markets of the Middle East*, loc 155 of 2679, Kindle edition.

² India comes close, with 48% of the population under twenty-five years old, but only 34% of both the Chinese and United States populations are under age 25. *The Arab World Unbound: Tapping the Power of 350 Million Consumers*, location 2232, Kindle edition.

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opportunities for companies which specialize in consumer goods and services and will continue to do so for the foreseeable future.

Because of the youthful age profile of MENA populations, the most rapid population growth in coming decades will be in the working age segment, as youth enter the workforce in unprecedented numbers. These young people will demand meaningful jobs and sufficient income to be able to start families of their own, and the number of people entering the labour market will quickly outstrip the jobs on offer in the MENA public sector. Consequently, the growth of the private sector and individual entrepreneurship will be increasingly important in maintaining both economic growth and social stability. There are significant opportunities available to Australian companies in this space, particularly given Australia's recognized expertise in the field of vocational education and training.

Energy resources underpin growth

Demographic growth and correlated increased spending across a range of sectors in the MENA region will be underpinned by the energy sector. Oil and gas play a critical role in the economies of the MENA region and will continue to do so for the foreseeable future. The MENA countries control 45% of the world's proven oil reserves and 26% of global gas reserves. If Iran is included within the definition of the MENA market, the figures rise to 55% and 42% respectively. At current production rates, Saudi Arabia's oil reserves are projected to last for about another 70 years and reserves in the UAE for about another 90 years, though in practice, oil and gas reserves throughout the region have remained stable or increased over the last 25 years, as new finds and new techniques have compensated for production.

Oil and gas revenues enable the energy-producing countries of the region - such as Saudi Arabia, Kuwait, the UAE and Qatar - to keep public budgets and trade balances consistently in surplus, and provide funds which can be used to invest in infrastructure, provide opportunities for young and growing populations, and ensure the existence of a social safety net. The re-investment of oil wealth within the domestic economies of the MENA states will assist these countries to maintain political stability. It will also ensure that projects that generate enormous commercial opportunity for the private sector - the development of region-wide rail systems, urban transport systems, national education and health upgrades, are funded.

The region's oil and gas reserves will also provide strong support for a range of industries including the energy sector and other energy-intensive industries such as chemicals, aluminium and steel, which are being promoted by energy producers such as Saudi Arabia and Abu Dhabi as vehicles of economic diversification. The combination of energy availability, cheap labour and low taxes make the region highly attractive for this kind of investment. According to the management consulting firm McKinsey³, the Gulf states have a 30% cost advantage over Europe and China in the production of aluminium, even before taking tax advantages into account. As a result of the growth in these energy-intensive industries, several sectors supplying to these industries will also benefit, including logistics, construction and various business services.

³ *The Emerging Markets of the Middle East*, location 392 of 2679, Kindle Edition.

The rise of women

Although it is not yet well recognised in the West, the professional position of women is improving steadily throughout the MENA region as workforce participation and education levels rise. Women now make up the majority of university student populations in nearly all MENA countries for which data is available, including Jordan, Kuwait, Lebanon, the Palestinian Territories, Qatar, Saudi Arabia and the UAE. While at school or university, the educational achievements of women are on a par with or better than those of men.⁴ Although women remain vastly underrepresented in the MENA workforce there has been some improvement, with women's participation rising from 22.6% in 2000 to 24.8% in 2009, while the global average female labour participation rate rose from 52.1% to 52.7% during the same period.

The trend towards higher education levels amongst women and more women in the workforce and in senior leadership positions means that women increasingly control their own expenditure. Accordingly, their purchasing power as a group is growing, creating new commercial opportunities in sectors such as wealth management for women, health and wellness, beauty and fashion. As more women play the dual role of mother and professional, demand for childcare, domestic support and other services to support working mothers is also growing. Many of these services such as after-school care, which are common in the West, do not yet exist in the MENA region, and here again there are opportunities aplenty for companies that have the wherewithal to capitalize on them.

Value-based consumption

As traditional and social media increasingly gives consumers access to information about corporate behaviour as it relates to the environment, ethical trade and other relevant topics, MENA consumers are increasingly purchasing goods and services that are in line with their values and beliefs. This trend is illustrated by the growth in Islamic banking, which is expanding throughout the region and beyond. In 2011, Ernst and Young reported that Islamic banking assets in the MENA region had doubled during the period 2005-2010 to \$416 billion and were expected to double again between 2010 and 2015. Islamic banking assets now represent some 14% of the banking market in the MENA region overall and 26% in the GCC countries. The markets for Islamic finance and insurance will continue to grow strongly and various countries from the MENA region and Asia will compete to become knowledge centres for the emerging field of Islamic finance. Banks and multinationals from the MENA region will target countries with large Muslim populations and/or regulatory frameworks conducive to Islamic financing structures for their international expansion and investment. Australia will have an opportunity to capitalise on this trend, provided that it makes the necessary taxation reforms so that consumers and purveyors of Islamic finance will not be disadvantaged under Australia's tax system.

Although starting from a low base, environmental awareness is also growing quickly. Pressure to comply with international environmental standards will result in the rapid growth of environmentally sustainable industries, such as waste recycling and alternative energy. This trend is supported by the supply side of the equation, particularly the scarcity of water and enduring electricity supply problems, even in countries with ample energy reserves. These supply-side issues are encouraging governments to

⁴ *The Emerging Markets of the Middle East: Strategies for Entry and Growth*, location 397 of 2679, Kindle Edition.

favour sustainable production and consumption, creating opportunities for companies in the recycling, waste management and environmental solutions sectors.

The Middle East turns East

The countries of the MENA region have historically played a role as the bridge between Europe and Asia. In the wake of the GFC, as the economies of China, India and other Asian states expand rapidly and those of Europe and the United States continue to languish, the MENA states are increasingly looking eastwards to build commercial links. A driving force behind this trend is the massive growth in oil demand from China and India, leading to an exponential increase in oil exports from the MENA producers into Asia. Simultaneously, the MENA has increasingly turned eastward to purchase manufactured goods and Asia now represents more than half the region's merchandise imports. China has overtaken the US as the largest exporter to the region and total trade between the MENA countries and the rest of Asia grew more than fivefold during the first decade of the twenty-first century.

On the investment front, the two regions are increasingly investing in each other in a diverse range of industry sectors including petrochemicals, construction, property, transport, energy and infrastructure. These business links are now underpinned by increased political cooperation, cultural exchanges and tourism.

Consequently, trade and investment between the Middle East and Asia will continue to grow in importance, specifically in the fields of energy, logistics, consumer goods, tourism and travel. Australian companies who are not already seriously considering the MENA as a market for their products are at risk of losing the early-mover advantage enjoyed by companies that are already there. Australian companies established in the Middle East can expect to face tough competition from Asian players who continue to invest in the region, particularly where they have not partnered with local firms.

Political instability and improving business regulations

The MENA region has historically been a politically volatile place and the last decade has been no exception. The US-led invasion of Iraq, the toppling of the Ghadafi regime in Libya, the ongoing Israeli-Palestinian conflict, tensions over Iran's nuclear program, the popular uprisings of the Arab Spring that swept the region in 2011 and, most recently, the escalating civil war in Syria have dominated the headlines for the last ten years or more. An increased level of instability is expected to persist for years to come in a number of countries.

At the same time however, there has been a dramatic improvement in regulatory frameworks and commercial environments across the region, as the MENA countries have begun to open up to investors as part of economic diversification efforts. Since 2000, Oman, Jordan and Saudi Arabia have entered the World Trade Organisation (WTO), joining Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates who have been members since the 1990s. WTO membership has meant that each of these countries has been obliged to implement a rule-based framework for the conduct of international trade and investment.

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Simultaneously, a number of the MENA countries have concluded free trade agreements (FTAs) with key trading partners like the United States, which has agreements with Bahrain, Jordan Morocco and Oman. Although the FTA between the GCC and the European Union has still not been finalised,⁵ tariff structures between the two regions have been simplified. Other bilateral trade and investment treaties are continuously being negotiated and implemented, as the successful conclusion of the Doha round of WTO negotiations becomes ever less likely.

As the MENA countries have begun to compete for FDI, business regulation has improved and restrictions on foreign ownership have been relaxed in many countries and industry sectors, either through legislation which affects the whole country or through the establishment of free trade zones. These developments have led to increased levels of foreign direct investment (FDI) in countries like Saudi Arabia, which experienced a huge spike in FDI after joining the WTO in 2005. They have also been beneficial for small and medium-sized foreign and local investors in a variety of sectors.

In summary, the MENA region is likely to be simultaneously characterised by continuing political turmoil and an improving business environment. Therefore, companies considering entry into MENA markets should not wait for a theoretical political *end game* to materialise before taking action. Although putting plans on hold makes sense if volatility becomes extreme, investors waiting for Western-style stability throughout the region will be waiting a very long time. Local and foreign companies including many of the world's best-known brands operate successfully in the MENA region despite overall political instability. They recognise and manage the specific risks they face in individual markets and retain strategic flexibility as well as a long-term commitment.

Each of the trends outlined above applies to a greater or lesser extent to all of the countries in the MENA region. At a macro level, these trends point towards significant growth in many markets including housing, education, health, consumer goods, telecommunications, financial service, leisure and travel. Australian companies, particularly our largest firms would do well to capitalize on these opportunities by making investing in the MENA region part of their international strategy.

⁵ The EU-GCC FTA negotiations began in 1991 and were suspended in 2008.

The role of government, including DFAT and Austrade, in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the Middle East

The low level of awareness among the Australian business community about the MENA region and the commercial opportunities on offer there mean that government - including the Department of Foreign Affairs and Trade and Austrade - has a key role to play in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the region. Most businesses, especially those in the SME group do not have the capacity to enter foreign markets without significant government support, especially markets like those in the MENA region which are not particularly transparent and have many layers of complexity.

Australia provides relatively modest support for its exporters compared to the trade promotion support offered to exporters in key competitor nations such as Germany, the United Kingdom and the United States. Without increased trade support, Australian companies can expect to fall further and further behind in the race to capture new markets, with the exception of those very large companies with sufficient resources to spend on understanding and successfully penetrating new markets. As it formulates trade advocacy strategies Australia would do well to emulate its key trade competitors, many of whom provide comprehensive services to companies expanding into new markets. In particular, we recommend that when programs like Austrade's recent MENA Unlimited mission to the UAE, Saudi Arabia and Turkey take place, priority is given to involving a business delegation with the mission, in order to capitalize on the presence of senior government representatives such as the Trade Minister and facilitate access for Australian products and services.

Feedback from senior government contacts in the MENA region suggests that:

- Stronger trade relationships between Australia and the MENA countries require greater ministerial engagement at the Federal level, including more frequent visits to the region, a strategy that has been deployed with some success by Australia's key competitors including France and the United Kingdom.
- State-based trade missions to the MENA region are not very effective, because MENA governments perceive them to be less important than Federal representation and treat them accordingly. In order to make a significant impact and ensure that Australian products and services are taken seriously, trade missions need to be lead by a senior Federal minister, ideally the Prime Minister.
- The Federal Government needs to be more aggressive and creative about food security and attracting inward investment. The perception in countries like the UAE is that Australia is "not hungry enough" for investment from the Gulf, a belief which is subtly, yet negatively affecting the trade and investment relationship.

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- Pressure from unions and the high cost of labour in Australia is increasingly an issue for the UAE and other Gulf States.

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Dearin & Associates - Company Profile

Dearin & Associates is a boutique consulting firm based in Sydney, Australia. We specialize in international market entry with a focus on the Middle East & North Africa. , Our services include export strategy, negotiation support, cross-cultural management and training for expatriate managers and employees and strategic business connections.

Dearin & Associates was established by Cynthia Dearin in 2009. A lawyer by training, Cynthia began her career after law school as a junior diploma for the Department of Foreign Affairs and Trade. Never one to avoid a challenge, Cynthia accepted an initial posting to Cairo, Egypt where she completed the two-year Arabic language program at the American University, Cairo—achieving fluency in only one year of study, and spurring an abiding love for the Arab world. Later, as a diplomat posted to the United Arab Emirates, Cynthia took a leading role in drafting regional free trade agreements.

After completing a master's degree in Middle Eastern politics at the University of London's prestigious School of Asian and African Studies (SOAS), Cynthia crossed over to the private sector. She has completed consulting engagements with Adam Smith International, BearingPoint (KPMG consulting) and Grant Thornton in the UK, The United States, Iraq, Pakistan, the UAE, Jordan and her native Australia.

Most recently, Cynthia served as the first female CEO of the Australia Arab Chamber of Commerce and Industry, a peak level trade organization in Australia, where she lead a complete branding and strategic reorganization — ultimately realizing a 50% increase in chamber revenues. In this capacity she organized the first and second annual Arab Australia Forum and Expo events, held in Melbourne and Sydney respectively.

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Appendix 1

The term MENA, for "Middle East and North Africa", is an acronym often used in academic, military planning, disaster relief, and business writing. The term covers an extensive region, extending from Morocco to Iran, including the majority of both the Middle Eastern and Maghreb countries. The term is roughly synonymous with the term the Greater Middle East. MENA has no standardized definition; different organizations define the region as consisting of different territories. The following is a list of commonly included countries and territories, as used by the World Bank.

Bahrain	Israel	United Arab Emirates	Qatar
Egypt	Jordan	Libya	Saudi Arabia
Iran	Kuwait	Morocco	Syria
Iraq	Lebanon	Oman	Tunisia
	Yemen	Palestine	Algeria
			Qatar

Appendix 2

Egypt

Australia and Egypt established formal diplomatic relations in 1950, Australia opened its first embassy in the Arab world, in Cairo. Australian troops were stationed in Egypt during World War I, and nearly four hundred Australians lie dead or are commemorated in 15 war cemeteries throughout Egypt. Egypt remained critical to Australia's links with the rest of the world for many years, as Cairo was the main air link between Australia and the UK.

Today, Egypt and Australia share important interests in food security. Egypt is the world's biggest importer of wheat and a net agricultural importer. Food security is a critical issue for it, particularly in following the Arab Spring uprisings that began in January 2011.⁶ Ongoing political unrest has resulted in an increased demand for high quality wheat and livestock. Australia is one of Egypt's perennial suppliers of wheat, and with a population forecast of 120 million by 2050 Egypt is looking to increase its wheat imports in order to maintain political and social stability.⁷ Australia and Egypt also have strong mining industry connections.

United Arab Emirates

Australia's wide-ranging relationship with the United Arab Emirates, our largest trading partner in the Middle East is foremost among our regional relationships. Since the late 1990s, strong growth in direct air links between the two countries has increased people-to-people connections, with about 126 flights operating between the UAE and Australia each week. By the end of the decade, Australia will supply uranium for use in UAE's civil nuclear power program and co-operate in nuclear-related activities (such as nuclear safeguards, security, safety, and nuclear science) under the Nuclear Co-operation Agreement signed between the parties in 2012. This is the first time that Australia will supply uranium to the Middle East and marks the Australia-UAE relationship as an extremely significant one.

⁶ 'The 60th Anniversary of the Establishment of Australia-Egypt Diplomatic Relations', *Department of Foreign Affairs and Trade*, 10 December, 2010. . http://www.foreignminister.gov.au/speeches/Pages/2010/kr_sp_101211.aspx?ministerid=2. Accessed 14 May, 2014.

⁷ Tyson Cattle, 'Egypt talks wheat, live export', *Farm Weekly*, 28 August, 2013. <http://www.farmweekly.com.au/news/agriculture/agribusiness/general-news/egypt-talks-wheat-live-export/2669359.aspx>. Accessed 14 May, 2014.

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Approximately 16,000 Australians live and work in the UAE and in 2012, over 1,000 Emirati students were enrolled to study in Australia.⁸ The UAE is also Australia's largest market for lamb exports in the Middle East, with 15,724 tonnes shipped in 2013.⁹

Saudi Arabia

Australia has a significant and growing bilateral relationship with the Kingdom of Saudi Arabia, the economic and cultural leader of the Gulf Cooperation Council (GCC) states. Meat exports have played a central role in the Australia-Saudi Arabia trade relationship, particularly since the ban on Brazilian meat exports in 2012. Nonetheless Saudi Arabia's refusal to comply with the Australian government's Exporter Supply Chain Assurance System (ESCAS) has created significant difficulties at the bi-lateral level and for Australian exporters. Saudi Arabia has not imported live animals from Australia since ESCAS was introduced in 2011, taking Australian meat instead and sourcing live sheep from other markets. Saudi Arabia was once one of Australia's biggest markets, but produce from competitively-priced markets such as Africa and Pakistan has displaced Australian meat, particularly since the introduction of the ESCAS. In view of the fact that sales of live sheep alone could generate in excess of \$100 million annually for Australian exporters, The Hon Barnaby Joyce MP, Federal Minister for Agriculture Minister has recently advocated reopening live exports to Saudi Arabia.¹⁰

The 11,122 Saudi students enrolled in Australian educational institutions in 2012 make Saudi Arabians the largest contingent of students from the Middle East. Most of these come to study under the King Abdullah Scholarship Program (KASP), which sponsors highly-qualified Saudi students to study at universities in Australia. The \$5 billion program was launched in 2005, and funds over 130,000 young Saudis to undertake tertiary studies abroad. KASP has recently been renewed for another five years to 2019.¹¹

In March 2013 a Memorandum of Understanding to establish the Saudi-Australia Joint Business Council was signed at during the ninth meeting of the Saudi Arabia-Australia Joint Ministerial Commission (JMC) in Canberra. The Saudi-Australia Joint Business Council is an important step in facilitating greater private sector engagement between the two countries to expand the economic relationship.¹²

⁸ 'United Arab Emirates country brief', *Department of Foreign Affairs and Trade*, September 2013.

⁸ http://www.dfat.gov.au/geo/uae/uae_country_brief.html. Accessed 14 May, 2014.

⁹ 'Sheepmeat', *Meat and Livestock Australia*, 2014. <http://www.mla.com.au/Prices-and-markets/Overseas-markets/Middle-East-and-Northern-Africa/Sheepmeat>. Accessed 14 May, 2014.

¹⁰ 'Saudi live export trade push', *The Land*, 28 April, 2014. <http://www.theland.com.au/news/agriculture/sheep/meat/saudi-live-export-trade-push/2696714.aspx>. Accessed 14 May, 2014.

¹¹ 'Saudi Arabia country brief', *Department of Foreign Affairs and Trade*, September 2013.

¹¹ https://www.dfat.gov.au/geo/saudi_arabia/saudi_brief.html. Accessed 14 May, 2014.

¹² 'Saudi Arabia-Australia Joint Ministerial Commission', *Department of Foreign Affairs and Trade*, 25 March, 2013. http://trademinister.gov.au/releases/2013/ce_mr_130325.html. Accessed 14 May, 2014.

Iraq

Contemporary Australian-Iraqi relations have been shaped by Australia's involvement in the 2003 invasion, subsequent occupation, and support for the newly formed Iraqi government in the form of military assistance, training and aid. Key issues in the Australia-Iraq trade relationship relate to Iraq's import of Australian wheat and the finding of the Volcker and Cole Inquiries into the Australian Wheat Board's (AWB) breaches of the United Nations oil-for-food programme under the Saddam Hussein regime.¹³

The trade relationship – which was almost entirely based around the import of Australian wheat – was further complicated by Iraqi allegations of contaminations in Australian wheat and the 2006 shooting of security personnel belonging to Iraq trade minister by the Baghdad based Australian security detachment. Much diplomatic negotiation has taken place since these events to restore both the diplomatic and trading relationship. Australia has won several lucrative wheat contracts, and the National Investment Commission of Iraq has made several visits to Australia seeking investment cooperation.¹⁴

Lebanon

Australia has strong civil relations with Lebanon through the diaspora community which has established itself through three successive waves. The first wave took place from around 1880 to the 1920s, the second from 1947 to 1975, and the third from 1976, which marked the beginning of the civil war in Lebanon, to the present. The period following the civil war has seen a reduction in Lebanese migration to Australia and a significant rise in the number of short-term return visits to Lebanon.¹⁵ Aside from community links, Australia has a small trading relationship with Lebanon, exporting beef, vegetable and dairy products, and importing mostly fruit, vegetables and other food products.¹⁶

Kuwait

Australia has a strong standing in Kuwait, with strong defence links in recent years building upon a history of steadily expanding trade and diplomatic relations. In 1990, Australia's prompt condemnation of Iraq's invasion of Kuwait and commitment of military forces to the Gulf War was appreciated and is warmly remembered by many Kuwaitis. Australia is also highly regarded for its commitment of forces in enforcing the United Nations Special Commission (UNSCOM) mandate to rid Iraq of its weapons of mass destruction following the end of the Gulf War; in supporting the Multinational Interception Force

¹³ 'Australia-Iraqi relations', *Nautilus Institute*. <http://nautilus.org/passwordprotected/iraq/context/australian-iraqi-relations/#ixzz31eg8bY4T>. Accessed 14 May, 2014.

¹⁴ 'Australian wheat export and Iraq', *Nautilus Institute*. <http://nautilus.org/passwordprotected/iraq/context/australian-wheat-export-and-iraq/#ixzz31ehEgOaA>. Accessed 14 May, 2014.

¹⁵ Dr Trevor Batrouney, 'Lebanese in Australia: Facts and Figures', Consulate-General of Lebanon in Melbourne, 10 August, 2001. <http://www.lebaneseconsulate.com.au/lebanonOverview/facts.shtml>. Accessed 14 May, 2014.

¹⁶ 'Lebanon country brief, *Department of Foreign Affairs and Trade*, March 2013. http://www.dfat.gov.au/geo/lebanon/country_brief.html. Accessed 14 May, 2014.'

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enforcing United Nations economic sanctions against Iraq; and in assisting in the defence of Kuwait. Australia and Kuwait have also established reciprocal military education and training links, with Kuwaiti military personnel attending some courses of instruction in Australia.¹⁷

The defence relationship complements growing trade and diplomatic links between the two nations. Two-way merchandise trade amounted to over A\$976 million in 2012. Australia's principal exports to Kuwait are motor vehicles, wheat, live animals and dairy products. The Kuwait Liaison Office based in Canberra was upgraded to an embassy in January 2002 and Kuwait's first Ambassador, His Excellency Mr Nasir Ibrahim Al-Mazian, presented his credentials to the Governor General on 31 January 2002.¹⁸ The Kuwait-Australia relationship continues to develop at a measured pace, with agricultural and other trade links being enhanced by a growing defence relationship. The Kuwaiti Government retains a strong interest in developing closer links with Australian defence training, education and equipment suppliers.

¹⁷ Joint Standing Committee on Foreign Affairs, Defence and Trade, 'Kuwait', *Visit to Australian Forces Deployed to the International Coalition Against Terrorism*, 2001.
http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Completed_Inquiries/jfad/Terrorism/report/VisitIndex. Accessed 14 May, 2014.

¹⁸ 'Kuwait country brief', *Department of Foreign Affairs and Trade*, September 2013.
https://www.dfat.gov.au/geo/kuwait/country_brief.html. Accessed 14 May, 2013.