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Inquiry into Australia's Trade and Investment relationships with countries of the Middle East

Submitted to: Joint Standing Committee on Foreign Affairs, Defense and Trade
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Date: 15th May 2014

Emerging and possible future trends in these relationships

- Within the Middle East, the UAE remains Australia's top trading partner. We expect this trend to continue as Australian companies use the UAE as their trading hub to access the rest of the region.
- Diversifying Australia's export base to the Middle East will become increasingly important, especially as growth in China slows. Opportunity exists to move beyond Australia's current top exports of meat and livestock, F&B and commodities.
- Diversification remains a top priority for the GCC economies. Aligning Australian expertise and high potential businesses to the priority growth sectors of each market will be important as governments look abroad for know-how, skills and labour. Beyond hospitality, tourism, construction and related services, the UAE has prioritised the growth of its Islamic economy, green technology and finance sectors over the next 10 years.
- Despite the diversification agenda, the GCC economies remain reliant on exports of commodities. Developing their export industries and manufacturing sectors will become increasingly important in the face of falling oil prices. However, there remains a shortage of labour with the necessary skills to progress their manufacturing sectors. In addition to improving local education, especially in the areas of science, technology, engineering and mathematics (STEM subjects), the GCC economies will need to boost labour productivity and attract more foreign direct investment to assist growth.
- More government-to-government knowledge exchange forums and events will help to deepen relationships with GCC economies. The recent uranium deal with the UAE could benefit from educational seminars on uranium usage and nuclear energy, allowing Australia to present as the authority on the subject. The UAE is particularly receptive to these collaborations. For example, the Singapore government works closely with Abu Dhabi on issues of water management and conservation.
- As the GCC economies seek more foreign investment, they are becoming increasingly receptive to public private partnerships. The UAE and Qatar has issued a number of PPPs to education providers recently.



Barriers and impediments to trade and investment with Middle Eastern countries for Australian businesses, including examination of supply chain costs

- Majority local ownership for onshore businesses incorporated in the UAE or Qatar still present as a major deterrent to Australian companies. But this does not mean giving up ownership control. It is possible, imperative in fact, when setting up a company in the UAE to protect ownership interests and identify clear succession planning. Nominee partner structures for onshore trade licenses, a model which The Links Group pioneered in partnership with Dubai FDI, do exactly that. We can also set up an offshore entity to protect the company's 49% shareholding, thereby strengthening beneficial ownership.
- The ability to enforce contractual arrangements or judgments through an unknown and foreign language court system is another red flag waved by foreign companies wanting to access the Middle East markets. The signing of memoranda between the DIFC Courts and NSW/Victorian Governments to enable reciprocal rights under the internationally recognised and understood English common law system should help strengthen legal and trade relations between Dubai and Australia.
- Fear of political instability is another barrier to trade and investment with the Middle East. While the Middle East economies remain some of the most politically volatile, the UAE has consistently proven itself to be a safe haven within the region. During the Arab Spring, many regional businesses relocated their headquarters to Dubai to benefit from the robust financial and trade infrastructure. This restructuring work comprised 20% of The Links Group business in 2010. The political unrest is also creating opportunities for exporters, as governments respond by investing more in infrastructure, training and other projects. Working with trusted partners within the region is essential for mitigating these risks and protecting the foreign company's interests.
- As trading partners, many Australian companies prefer to establish distribution agreements within the GCC to avoid the expense and hassle of incorporating commercial entities in those markets. However, these exclusive local agent arrangements often present challenges as they do not necessarily give full independence or flexibility to work with other partners. To overcome this issue The Links Group introduced an independent distribution LLC structure, which grants exporters more control over their product distribution and brand.



Opportunities for deepening existing commercial and cultural links, and developing new ones, with the countries of the Middle East

- Australian businesses are well received in most parts of the Middle East, but it is important to understand the local business and Islamic cultures as they do differ from country to country. Cultural guides to doing business in the Middle East should help prepare Australian companies ahead of any business missions to the region.
- "Best of Australia" trade and product showcases are a great tool for facilitating business introductions. Australia generates exceptionally strong awareness during the annual Gulfood tradeshow, but could do more to showcase its expertise in other sectors.
- Australia enjoys good relationships with the governments of the GCC, but could do more to demonstrate this externally through joint government initiatives. For example, an Australia-Abu Dhabi Joint Forum on Renewables would help to facilitate knowledge exchange and bilateral trade in this area.
- Australia is already actively hosting cultural exchange programmes for Emirati students. Communicating the success of these activities will help to deepen cultural understanding of the two countries and engender goodwill. Moving beyond this, Australia may consider professional training and development exchange programmes for teachers, medical staff, engineers etc. This will help demonstrate commitment to the nationalisation agendas of the GCC economies.
- More promotion of Australia as an Arab-friendly tourism destination plays an important role in strengthening cultural ties with the Middle East. The Gold Coast is already a popular destination for Emirati travellers, but there is a need to highlight other destinations as well as family- and halal-friendly offerings.
- Use the media. Hosting Australian media during business missions to the Middle East will help to demystify some of the misconceptions about doing business in the region. Allow them to interview Middle East government entities and business groups to report on the appetite/demand for Australian expertise. This local market reportage is important to build confidence among Australian companies and encourage them to boost trade and investment with the Middle East. Currently, most reportage of the Middle East by Australian media focuses on political unrest.

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About The Links Group

Established in 2002, The Links Group is a premier company formation specialist offering beneficial ownership protection to foreign companies entering the UAE and Qatar. It advises corporations and individuals on how best to structure a legal commercial presence in the Middle East that protects their ownership interests and affords clear succession planning. The Links Group is the first company of its kind to be endorsed by the Government of Dubai through a strategic alliance with the Foreign Investment Office (FDI) of the Dubai Economic Department and provides an unrivalled portfolio of corporate services including nominee local partnerships, corporate administration and government liaison support. The Links Group difference is that foreign companies work with a highly structured board as their local partner as opposed to an unknown individual. This structure provides foreign businesses with a corporate entity to act as their nominee, local partner, shareholder or sponsor, thereby minimising the risks associated with appointing an unknown individual nominee and satisfying corporate governance requirements.

The Links Group has an untarnished track record with 300 clients, who represent combined annual revenues of over USD 5bn to their respective economies.

The Links Group is also recognised as a Dubai SME 100 company, a ranking of the top performing SMEs in the emirate, and an Arabian 500 company.

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