Submission No 9

Inquiry into Australia's trade and investment relationship with the economies of the Gulf States

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Australian Government

Department of Foreign Affairs and Trade

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Mr Pierre Huetter
Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Inquiry into Expanding Australia's Trade and Investment Relationship with the economies of the Gulf States
Parliament House
CANBERRA

Dear Mr Huetter

On 15 September 2003 the Hon Bruce Baird MP wrote to the Secretary of the Department of Foreign Affairs and Trade inviting the Department to make a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade's inquiry into Expanding Australia's Trade and Investment Relationship with the economies of the Gulf States.

I am pleased to forward herewith the Department's submission to the inquiry.

Yours sincerely

Victoria Owen

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Encl.

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FOREIGN
AFFAIRS AND
TRADE

SUBMISSION TO THE JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Inquiry into Australia's Trade and Investment Relationship with the Gulf States

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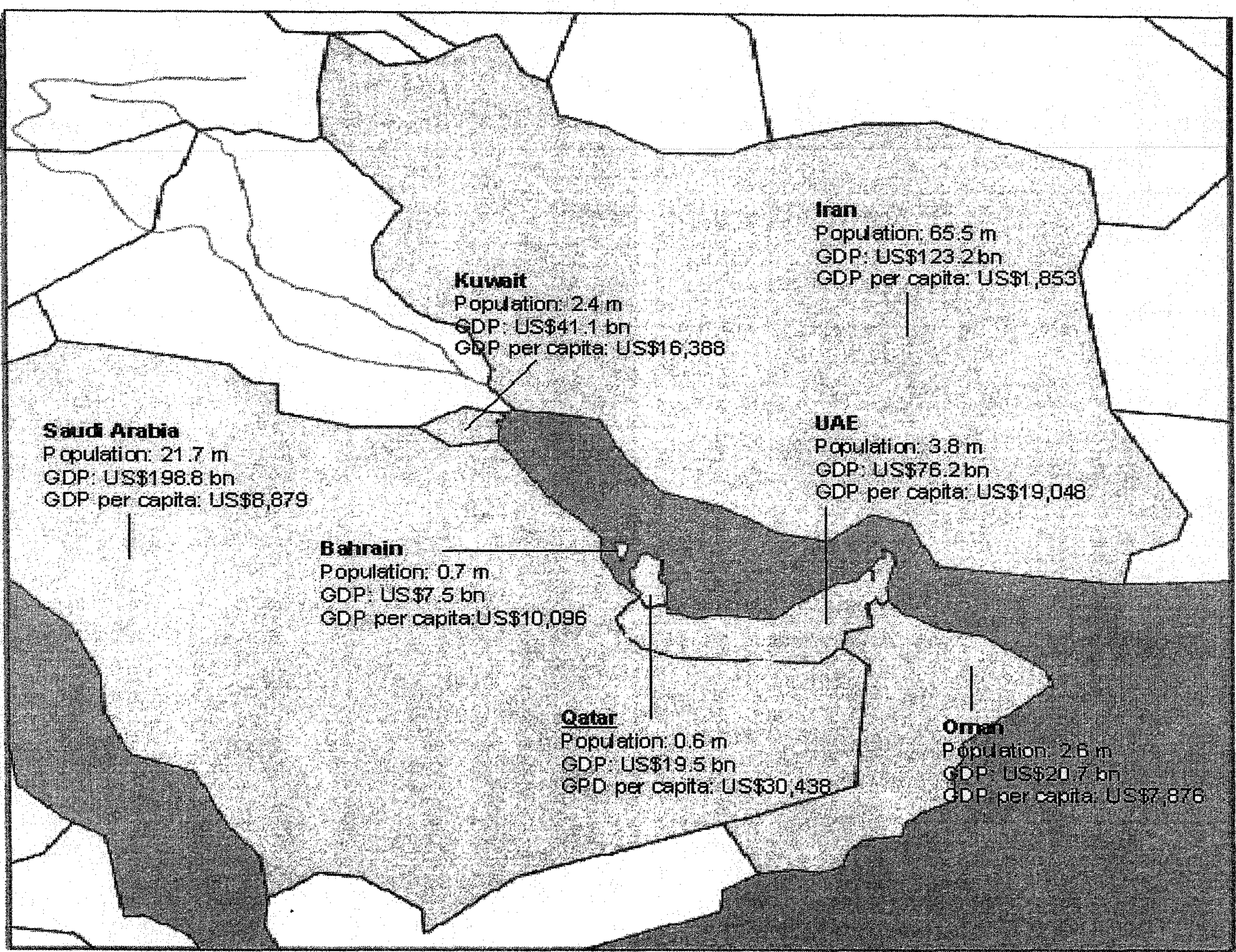

Joint Standing Committee
on Foreign Affairs, Defence And Trade

Inquiry into Expanding Australia's Trade and Investment Relationship with the economies of the Gulf States

Terms of Reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine and report on expanding Australia's trade and investment relationship with the economies of the Gulf States (Bahrain, Iran, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), with particular reference to:

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

THE GULF COUNTRIES [1]

Overview

The fundamentals of Australia's economic relations with the Gulf countries are very positive. The Gulf countries have long been a major destination for our commodity and basic food exports such as wheat, barley, live sheep, dairy products, rice, gold and alumina. They are now the largest export market for Australian manufactured motor vehicles. Australia enjoys a strong and well-established reputation as a reliable supplier of quality products to the region.

Although there is considerable variation between the countries of the region, they share many common characteristics that have implications for trade and investment. All Gulf countries have young, fast-growing populations and are increasingly seeking ways to liberalise their economies. A key focus of economic policy in the Gulf countries is diversification away from reliance on oil revenues, embracing a range of industries including agriculture, downstream hydrocarbon products, metal manufacturing, ship-building, construction materials and services such as transport, finance, education, health and communications and information technology. Over one-third of the Gulf region's population is under the age of 14, and the creation of future employment opportunities is a priority. Rapid population growth and economic restructuring mean the Gulf countries have a high demand for infrastructure development. Many Gulf countries are increasingly seeking to satisfy the demand for public utility infrastructure through greater private sector involvement (including privatisation and mechanisms such as build-operate-transfer schemes). The market for sophisticated technologies is growing across the Gulf region, reflecting increasing regional wealth, more cosmopolitan consumer preferences and the changing expectations of the region's youthful population.

Restrictive (but improving) trade and investment regimes, and a lack of transparency in relation to quarantine, can still be a problem in some Gulf region markets. Regional countries are, however, increasingly recognising that economic reform will be vital if they are to achieve the sustainable economic growth necessary to provide employment for their fast-growing populations. Continuing economic reform in the region will have favourable implications for both the region itself, and for its trading partners, including Australia.

Relative unfamiliarity with Australian capabilities in sophisticated manufactures and services by regional consumers, and unfamiliarity with the opportunities the region offers on the part of many Australian businesses can also be impediments to closer economic engagement.

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[1] For the purposes of this Submission, the terms 'Gulf countries' and 'Gulf region' are taken to refer to the Kingdom of Bahrain, the Islamic Republic of Iran, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

Nevertheless, there are excellent prospects for further increasing Australia's trade with the Gulf region. Australia's proximity to the Gulf – relative to many major commodity exporters - gives it a competitive edge for the sale of bulk rural and non-rural commodities. Australia's trading prospects in the region are underpinned by its long-standing reputation as a reliable commodity exporter.

In addition, Australian capabilities in fields such as infrastructure development, high-technology manufacturing, supply of industrial materials and the provision of sophisticated services place it in a good position to meet a wide range of regional requirements. The region is potentially a very significant market for Australian exporters and investors in industries including agricultural services, mining and energy technology, education services, medical services, hospitality and communications. Australia is becoming increasingly visible as a tourist and investment destination, especially through the growing air links with the Gulf. Recent improvements in transport links - for example, the introduction of direct flights from the east and west coasts of Australia to the regional transport hub of Dubai - have improved access to the region for both exporters and investors.

Australian involvement in an increasingly diverse range of business activities in the Gulf countries, from education operations to large-scale building construction, is raising our profile in many fields for which we were not previously well known in the region. The challenge for Australian business and for the Government is to build on existing successes in order to capture more of the substantial market opportunities that the region offers. In order to do this, Australia should further broaden and deepen its ties with the region beyond the transactional trade which has characterised our commercial relations with the region in the past.

The Australian Government is assisting this process by encouraging economic reform in the region and pursuing ways of harnessing the mutual benefits which arise from more open trade and investment regimes. The Government's strategy involves a range of multilateral, regional and bilateral initiatives. In implementing this strategy, the Government works closely with key stakeholders, including the private sector and State and Territory Governments.

The Gulf Countries' Trade Profile

The Gulf countries are highly trade-exposed. Their total exports of goods and services accounted for about 60 per cent of their combined GDP in 2003[2]. However, reflecting their generally high trade surpluses, the ratio of imports to GDP is somewhat lower (about 43 per cent in 2003) than the exports:GDP ratio.

The Gulf countries' total exports of goods and services are estimated at US$217 billion in 2003. Their combined imports of goods and services are estimated at US$158 billion in 2003. In comparison, Australia's exports and imports of goods and services are estimated at US$92 billion and US$107 billion respectively in 2003.

Petroleum, petroleum products and gas dominate the region's export trade. These products account for over 80 per cent of the exports of Kuwait and Saudi Arabia, and

[2] Data in this section of the Submission are sourced from the Economist Intelligence Unit.

between 50 and 80 per cent of the exports of Bahrain, Iran, Oman and Qatar. The UAE has the region's most diversified export profile, largely as a result of its network of free zones. Nevertheless, petroleum, petroleum products and gas accounted for around almost half of the UAE's exports (excluding re-exports) in 2002.

Imports to the region are diversified. The small size of domestic agricultural sectors in the Gulf countries means that demand for imported food products is high. The region is already a major market for Australian exports of livestock, meat, dairy produce and grains. The region's narrow manufacturing base means a large demand for imports of consumer goods, industrial supplies and machinery. Military and other government purchases are also priorities for a number of countries in the region.

Japan was the major destination for Gulf country exports in 2002, with the Republic of Korea and the United States also being substantial markets. Singapore and the UAE were also important destinations, although these two countries' entrepot roles suggest that the ultimate destination of many of the products shipped to those countries may lie elsewhere. China, India and Pakistan are also important markets for the Gulf countries. European markets did not figure prominently as markets for Gulf country exports in 2002; Italy and the Netherlands were the most prominent European destinations, but their imports from the region fell well short of those by the United States and the major Asian markets.

European countries were more significant as import suppliers to the Gulf countries in 2002. Germany was the leading supplier, with France, Italy and the United Kingdom also appearing among the top six suppliers. The United States and Japan were the major non-European import suppliers to the region in 2002.

Intra-regional trade is relatively modest, although the implementation, from 1 January 2003, of the Gulf Cooperation Council (GCC) customs union (Box 1) should see increased trade among the six GCC members (Bahrain, Oman, Saudi Arabia, Kuwait, Qatar and the UAE). Given, however, that all GCC members are dependent to some extent on hydrocarbon exports, the GCC economies have only modest complementarity. This will tend to limit the extent of intra-GCC trade.

Box 1: The Gulf Cooperation Council (GCC) Customs Union

Comprehensive GCC economic integration - including a customs union - was envisaged in the Unified Economic Agreement (UEA) which the GCC adopted on its formation in 1981. In accordance with a decision of the 22nd Session of the Supreme Council of the Gulf Cooperation Council (Oman, December 2001) the GCC Customs Union (GCCCU) was formally implemented on 1 January 2003. Many of the GCCCU's operational details are, however, yet to be finalised. The main existing features of the GCCCU are:

Tariffs: Most imports from non-GCC countries face a duty rate of five per cent, although some 417 tariff lines (mainly foodstuffs and industrial inputs) carry a zero tariff. As well, member states may each nominate a list of 'protected commodities' on which they charge duty of 12 or 20 per cent. Saudi Arabia has listed 839 protected commodities, the most of any GCC member. A consolidated list of protected commodities is to be introduced in 2006.

Rules of Origin: Prior to 1 January 2003, documentary proof of 40 per cent value-adding to an import in a GCC country was required before that product would be accepted as a GCC product. While a true customs union would not require rules of origin, the exceptions to the GCCCU common external tariff create a need for rules of origin. The GCCCU is understood to favour a liberal definition of national origin, according to which any processing of an imported product in a GCC member will qualify the product as a GCC product for rules of origin purposes. It remains to be seen, however, whether this liberal definition will be adopted.

Standards: The GCC has yet to agree on standards or a regional standards organisation.

Revenue Distribution: Member States have agreed that the country of final destination of an import from non-GCC countries should receive revenues from any duties on that import.

Services and Investment: Article 8 of the UEA provides for national treatment for GCC service providers and investors. The extent to which this Article has been implemented is not clear, although it is understood that GCC Member States extend national treatment to other GCC countries in selected sectors.

GCC Relations with other counties: The GCC is negotiating an FTA with the European Union. It hopes to conclude these negotiations later in 2004. The GCC is also negotiating FTAs with China and India, and conducts economic dialogues with Japan and the US.
In May 2003, President Bush announced a proposal to establish a United States-Middle East free trade area by 2013. Negotiations for a bilateral FTA between the United States and Bahrain – the first stage of this process - began in January 2004.

Australia's Trade with the Gulf countries

Merchandise Trade

Australia's merchandise exports to the Gulf countries grew from $1.4 billion in 1993 to $4.2 billion in 2003, an average annual growth rate of 15.8 per cent. They now comprise 3.9 per cent of Australia's total merchandise exports, compared to 2.3 per cent in 1993.

Over the last five years, merchandise exports rose at an average annual rate of 12.2 per cent. To a large extent this strong growth reflects generally strong regional import demand, as oil prices recovered from their low levels of 1997, and competitiveness effects arising from exchange rate changes. The success of Australian motor vehicle and parts exports - which grew from $129 million in 1996 to $1,885 million in 2003 - has helped drive growth in total merchandise exports to the region.

Australia's exports to the Gulf countries fell by almost 19 per cent in 2003. The key factors contributing to this fall include the impact of drought conditions on the supply of agricultural exports and valuation effects arising from the strengthening of the Australian dollar during 2003. Exports of wheat and dairy product fell sharply in 2003. Manufactures exports to the region rose by 2.1 per cent in 2003 reflecting a 14.4 per cent rise in simply transformed manufactures and a modest 1.1 per cent rise in the dominant elaborately transformed manufactures (ETM) category. Overall growth in ETM exports in 2003 was adversely affected by a sharp drop in the 'aircraft and parts' category, which rose from $2 million in 2001 to $77 million in 2002 before falling to $6.1 million in 2003.

Table 1. Australia's Merchandise Trade with the Gulf countries ($ million)

	1993	1999	2000	2001	2002	2003
Australian Exports	1,427	2,884	3,880	5,564	5,153	4,193
Australian Imports	1,638	1,271	2,820	2,789	2,058	2,377
Balance of Trade	-211	1,613	1,059	2,775	3,096	1,816

Source: Market Information and Analysis Unit, DFAT, based on ABS data.

There have been significant changes in the composition of Australian exports to the Gulf countries in the past decade. Key primary commodities remain extremely important to Australian exports to the Gulf countries, but elaborately transformed manufactures (ETMs) have grown to dominate the export mix over the past decade. In 2003, ETMs made up over 52 per cent of our merchandise exports to the region, compared with only 15 per cent in 1993.

As noted above, the growth in ETM exports has been driven by exports of passenger motor vehicles and parts, but other ETM exports have also shown healthy growth over the last decade. In the last five years ETM exports (excluding passenger motor vehicles and parts) grew at an average annual rate of about 12 per cent to reach $309 million. Products in this category which have shown strong growth in recent years include specialised industrial machinery, electrical power machinery, mechanical handling equipment, food processing machines, marine craft, aircraft and parts, clothing, footwear and measuring and controlling instruments.

Defence exports are playing a growing role in our exports to the region. The Gulf countries are among the world's largest markets for defence goods and services and Australia has exported defence products and services to the Gulf countries for over a decade. Australia's defence exports to the region are small compared to sales by the major European, US, Russian and Chinese defence industries, but they have, however, shown strong growth. Australian defence exports[3] to the Gulf countries rose from $0.4 million in 1999 to $1.9 million in 2003.

Significant sales in recent years include Kuwait's purchase of four Tenix-built patrol vessels in 1995 for $30 million and 22 Tenix-built Shorland Armoured Personnel Carriers in 1997 for $16 million. In 2001 the UAE announced it would purchase mine-clearing equipment worth $5.5 million from Australian Defence Industries.

Table 2. Australia: Selected exports to the Gulf countries ($ million)

	1993	1999	2000	2001	2002	2003
Passenger motor vehicles and parts	7	812	1,357	1,975	1,794	1,885
Confidential items (a)	360	879	1,227	1,312	1,056	841
Live animals	99	130	171	326	381	310
Dairy products	98	205	275	338	331	215
Meat products	144	128	136	235	215	198
Non-monetary gold	7	87	95	466	200	15

(a) Includes wheat, barley, rice and alumina.
Source: Market Information and Analysis Unit, DFAT, based on ABS data.

There have been significant differences between the rates of growth of Australian exports to individual Gulf country markets over the past decade (Table 3).

Exports to Saudi Arabia and Kuwait grew particularly rapidly between 1993 and 2003, and both countries increased their ranking as exports markets for Australia in the region. Saudi Arabia is now the largest individual Gulf country destination for Australian exports: in 2003, Australian exports to Saudi Arabia were valued at $1,819 million, 43.4 per cent of total Australian exports to the Gulf countries.

Table 3. Australia: Exports to the Gulf countries - by country

	Value of Exports in 1993 ($'000)	Rank in Exports to Gulf countries 1993	Value of Exports in 2003 ($'000)	Rank in Exports to Gulf countries 2003	Share of Exports to Gulf countries 2003	Growth Rate 1993 to 2003 (per cent)
Saudi Arabia	304	3	1,819	1	43.4	26.9
UAE	423	2	1,122	2	26.8	13.4
Kuwait	90	5	555	3	13.2	23.9
Iran	436	1	263	4	6.3	0.7
Oman	92	4	201	5	4.8	9.3
Qatar	41	7	125	6	3.0	10.6
Bahrain	42	6	107	7	2.5	11.3

Source: Market Information and Analysis Unit, DFAT, based on ABS data.

[3] *Items controlled under the Defence Strategic Goods List except dual-use items and exports for marketing purposes.*

Australian exports to the UAE, Bahrain, Qatar and Oman also grew at a healthy rate over the last decade. Iran was, however, a notable exception. In trend terms, Australian exports to Iran showed little real growth over the period, and the country's ranking among Australian export markets in the region fell from first in 1993 to fourth in 2003. Australian exports to Iran are dominated by wheat exports, and these did not keep pace with the rapid growth in ETM exports to the region over the period. In 2003, Australian wheat exports to Iran fell by over 70 per cent, due largely to drought, and this had a substantial impact on Australia's overall export performance in Iran.

Table 4. Australia: Selected imports from the Gulf countries ($ million)

	1993	1999	2000	2001	2002	2003
Crude petroleum	983	629	1,776	1,751	947	1,416
Refined petroleum	522	235	404	318	508	170
Confidential items (a)	86	146	221	277	296	328
Fertilizers (excludes crude)	15	76	110	118	97	177
Liquefied propane and butane	1	65	130	89	44	85
Aluminium	3	19	24	32	37	40
Glassware	0	3	8	16	23	17

(a) Includes certain petrochemicals.
Source: Market Information and Analysis Unit, DFAT, based on ABS data.

Australia's merchandise imports from the Gulf countries have shown modest growth over the last decade, rising by an average of 5 per cent per annum between 1993 and 2003. Imports fell sharply, from $2.8 billion to $2.1 billion in 2002, but rebounded strongly in 2003, rising by 16 per cent to $2.4 billion. Australia's merchandise imports from the Gulf countries are dominated by crude petroleum which, in 2003, accounted for over 70 per cent of imports from the region. Refined petroleum products and petrochemicals are also among the major imports from the region.

A number of non-oil imports from the region have shown strong growth over the last five years including aluminium, glassware, woven synthetic fabrics, construction materials, jewellery and selected food products.

Table 5. Australia: Merchandise Imports from the Gulf countries - by country

	1993	1999	2000	2001	2002	2003
Saudi Arabia	714	660	1,450	1,275	1,206	916
UAE	739	288	940	930	382	987
Qatar	84	142	113	385	198	168
Kuwait	64	77	160	122	166	138
Bahrain	13	39	47	50	66	106
Iran	16	28	30	26	38	53
Oman	8	37	79	1	2	10

Source: Market Information and Analysis Unit, DFAT, based on ABS data.

Saudi Arabia and the UAE are the dominant Gulf country import suppliers to Australia (Table 5). Over the past decade they have supplied, on average, over 80 per cent of Australia's total merchandise imports from the region. In recent years, imports from Kuwait, Qatar and Bahrain have risen strongly, and their relative significance as imports suppliers to Australia has increased.

Services Trade

The Australian Bureau of Statistics publishes few statistics on Australia's services trade with the Gulf countries. It appears, however, that two-way services trade between Australia and the Gulf countries has grown strongly over the past decade.

One area of rapid growth, albeit from a small base, has been in educational services. According to the Department of Education, Science and Training (DEST)[4] the number of Gulf country nationals (not including Iranian) enrolled in Australian universities rose from just over 300 in 1997 to 2,200 in 2003. Enrolments of Iranian students in Australian educational institutions has also risen in recent years, albeit at a slower rate than those from the other Gulf countries. In July 1996, 351 Iranian students were enrolled in Australian universities, and this had risen to 471 by 2003.

Growth in visitor arrivals from the Gulf countries has exceeded growth in total international visitor arrivals in recent years. Between 1999 and 2003 visitor arrivals from the region rose by 15.3 per cent to 34,119; over the same period, total international visitor arrivals rose by 6.4 per cent.

A substantial number of Australian service providers have a commercial presence in the region. The section below on *Australia's Investment Relations with the Gulf Countries* contains more details.

Australia's major services imports from the region are understood to be tourism and transport services. Currently, two regional airlines - Emirates Airline and Gulf Air - operate services to Australia. Short-term departures to the region by Australian residents rose by 63 per cent, to 25,123, between 1999 and 2003. Total Australian resident departures to the region rose by 62 per cent to 28,973 over the same period.

The Gulf Countries' Investment Profile

The Gulf countries' investment profile is characterised by large net outward investment flows and extensive net foreign assets. The key factor underlying these large outflows is the large current account surpluses which the Gulf countries typically, as a group, produce. The EIU estimates that the Gulf countries had an aggregate current account surplus of US$57 billion in 2003.

The Gulf countries' foreign investment outflows are dominated by portfolio investment; foreign direct investment (FDI) outflows are relatively modest (an average of US$1.3 billion per year between 1998 and 2002). The relative scarcity of large manufacturing and service enterprises based in the Gulf countries (particularly in the non-oil sector) is a key reason for the low level of outward FDI.

FDI inflows to the region are also relatively modest. Between 1998 and 2002, these flows averaged US$1.2 billion per year. The modest rate of FDI inflow to the region

[4] DEST has lodged a separate Submission to this inquiry.

reflects a number of factors, including restrictive domestic investment regulations, perceived political risk and the ample supply of domestically-generated investment capital.

Major foreign investor countries in the region include the United States, Japan, the United Kingdom, Switzerland, France and Germany.

Australia's Investment Relations with the Gulf Countries

Although comprehensive data are not published, it appears that foreign direct investment by Australia in the Gulf countries is modest. Anecdotal evidence suggests, however, that there has been a significant increase in the interest of Australian investors in the region in recent years.

The modest level of Australian investment in the Gulf countries may itself be a potential impediment to trade. Australia's commercial relations with the region lack the depth which characterises our trade with some of our major investment partners. Trade associated with direct investment links can often be more durable than the transactional trade that characterises our trade with the Gulf countries.

Nevertheless, a number of Australian enterprises have shown that investment in the Gulf countries can be a very successful proposition. The University of Wollongong (Box 2) provides one of the most conspicuous examples of Australian foreign investment in the Gulf countries.

Perth-based construction company Multiplex and professional services consultancy GHD provide further examples of how Australian companies can access regional growth opportunities through investment. Multiplex has been active in the UAE, through a joint venture known as NASA-Multiplex, since 1997. In that time, it has constructed numerous commercial, tourist and residential buildings, including some of the best-known buildings in Dubai. The total value of projects undertaken in the UAE by NASA-Multiplex since its establishment is almost 3 billion UAE Dirhams.[5]

GHD's offices in the UAE and Qatar employ about 140 staff. GHD's regional offices have been involved in a range of residential, infrastructure and environmental projects in the region. Other Australian companies with a presence in the region include Clough Engineering Ltd, Clipsal Australia, the Cox Group, the GRM Group, the

Box 2: University of Wollongong in Dubai

The University of Wollongong (UoW), through its commercial arm Illawarra Technology Corporation Ltd (ITC), established an Institute for Australian Studies in 1993, the forerunner to the "University of Wollongong in Dubai". The Institute operated in rented premises covered by a licence from the Dubai Ministry of Education to conduct courses as well as holding a trading licence from the Dubai Economic Department.

In late 1999, the University was granted a licence by the Minister of Higher Education and Scientific Research and became the first western University to operate a campus in the United Arab Emirates. Working with the Ministry's Accreditation Commission, the University of Wollongong in Dubai now operates independently under licence and within the course accreditation process. It is the only Australian university operating in the UAE.

The granting of the Federal license had major implications as it allowed expansion into a new campus in 2000 located in the Jumeirah area of Dubai. In order to broaden the courses on offer and to appoint more full time staff, UoW in Dubai established a second campus site in Dubai's "Knowledge Village" free zone. This campus was officially opened by Mr Vaile, the Minister for Trade, during his visit to Dubai in December 2003.

In 2003 UoW in Dubai had enrolled about 1,600 students at both its campuses, representing a 20 per cent increase over the 2002 figure and growth of 500 per cent since 1999. The academic teaching staff has grown to 35 full-time staff, and the total staff is now approaching 100.

UoW in Dubai is the leading provider of postgraduate education in the UAE with Masters degrees in Business Administration, International Business, and Quality Management. Postgraduate education will continue to be the focus as there are already 21 local tertiary institutions offering undergraduate programs. However, UoW in Dubai also offers undergraduate degrees including a Bachelor of Commerce, Bachelor of Business Administration, Bachelor of Internet Science and Bachelor of Computer Science.

Impediments to Australia's Trade and Investment Links with the Region

To differing degrees, the Gulf countries are working to liberalise trade and investment arrangements. Five Gulf countries are already members of the World Trade Organisation (WTO). Saudi Arabia is in the process of negotiating accession to the WTO and Iran has submitted an application. But barriers to trade and investment persist in a number of areas.

Iran maintains high tariffs and quantitative restrictions on a wide range of imports. While the GCC countries impose a reasonably low maximum duty of five per cent on many dutiable items, individual GCC members are able to impose duties of between

12 and 20 per cent on certain 'protected commodities'. As well, alcohol, pork and tobacco products imports face very high tariffs, or outright import prohibitions.

The Gulf countries also impose a range of non-tariff barriers including government procurement policies, licensing and labelling regulations. Exporters often face restrictive agency arrangements when seeking agents for their products in Gulf countries. As well, most Gulf countries impose limitations on the movement of business people which can act as an impediment to trade, particularly services trade. Quarantine and cultural issues, for example religious prescriptions in relation to the livestock trade and the sale of some processed foodstuffs, can also act to inhibit trade.

Widespread restrictions on foreign direct investment imposed by Gulf countries also impact on the region's openness. All countries either prohibit or severely limit foreign investment in oil production, and many of the large industrial enterprises in the region are state-owned. Iran has a constitutional prohibition on foreign investment. It has developed financing techniques to circumvent this prohibition, but these can be cumbersome for foreign investors.

Non-GCC foreign investors are limited to a maximum stake of 49 per cent in GCC-based companies, and foreign investors are generally unable to purchase real estate in Gulf countries. However, many Gulf countries have established free trade zones which offer various incentives, including a relaxation of many trade and investment restrictions.

Another impediment to closer engagement with the region is relative unfamiliarity on the part of regional business people with what Australia can offer, compared with the United States, Asia and Europe. Perceptions of Australia as solely a primary producer country can lead to Australia's ability to supply sophisticated manufactures and services being overlooked, but this problem is steadily being overcome.

From the Australian side, there can also be problems. Just as it was important for Australian business to come to a deeper understanding of the complex and differentiated nature of the Asian region to enable successful commercial activities to be pursued and sustained there, so it is important that stereotyped views of the Gulf countries do not become an obstacle to Australia taking advantage of the many opportunities which the region presents. In addition to greater knowledge about the region, doing successful business in the Gulf countries also requires sensitivity to differing local conditions and cultures. Understanding the personal nature of business relationships, and the importance of cultural mores of hospitality and courtesy, and religious and social practices and taboos, is vitally important to establishing effective business relationships. Failure to address such questions can prove a serious barrier to doing business in the region.

Prospects for Trade and Investment

Australia has established a good reputation in the region as a supplier of primary commodities and processed foods. Increasingly, the Gulf countries are providing significant opportunities for Australia's high technology manufactures exports, exports of services and investment. Agribusiness, construction, civil engineering, education, medical services, hospitality, mining and ICT are all areas of significant potential.

As noted above the number of Gulf country students enrolled in Australian educational institutions has shown encouraging growth in recent years. This growth underlines the potential for increased Australian export of education services to the Gulf countries. Australia is generally perceived to be a safe, friendly alternative destination to the United States and Europe, and its reputation as a quality education-provider is growing.

The value of the provision of educational services goes beyond immediate commercial benefit and can have longer-term spin-offs, for example in increasing understanding in the Gulf countries of what Australia has to offer as a source of sophisticated products and services.

Despite restrictive local investment regulations there are many opportunities for investment by foreign companies in a range of industries in the Gulf countries.

Oil production has for many years been the exclusive preserve of state-owned companies, but opportunities are opening up in oil and gas exploration infrastructure development and downstream activities. For example, in November 2003 the Saudi Government approved a US$2 billion investment by Royal Dutch Shell and Total to explore for gas in Saudi Arabia's 'empty quarter'. Although substantially smaller than the US$5 billion investment that Royal Dutch Shell/Total originally proposed, the project is, nevertheless, the first foreign investment in Saudi Arabia's hydrocarbon sector since the industry was nationalised in 1975.

Other significant foreign investment opportunities can be found in metal manufacture, car assembly, light manufacturing and the service sector. Many regional countries, including the UAE, Bahrain and Iran, have established free trade zones which offer incentives to foreign investors establishing facilities in those zones.

A Strategic Approach to Trade with the Gulf Countries

The Australian Government has adopted a strategic approach to expanding Australia's export markets and investment relations with the Gulf countries. In developing and executing this strategy, the Australia Government works closely with other stakeholders including, for example, State and Territory governments, the Australia Arab Chamber of Commerce and Industry and Meat and Livestock Australia.

A key element of this strategy is to **encourage countries the region to pursue economic reform and trade and investment liberalisation**. Such reform is necessary if the Gulf countries are to achieve the higher rates of sustainable economic growth required to provide employment opportunities for their young and fast-growing populations. Greater openness to trade and investment will increase the access of the region to products and services which are beyond its present productive capabilities. Higher growth rates and increased openness of regional economies will improve the prospects for Australian trade and investment.
Encouraging Gulf countries to achieve conformity with WTO requirements is an important element in Australia's strategy.

Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates are WTO Members and participate in the multilateral trading system. Iran has submitted an application which has not yet been considered.

Saudi Arabia is not a WTO member but has been negotiating accession to the WTO for a number of years. The negotiations on Saudi Arabia's accession are currently making good progress, and may be concluded in 2004. Australia is closely engaged in these. They are a unique opportunity to press for and secure wide-ranging reform and liberalisation of significant commercial benefit to Australian exporters. Already, the negotiations have produced substantial improvements for Australian exporters. Saudi Arabia has agreed to lift the ban on trans-shipment of meat product imports, and is considering several other liberalisation measures.

Australia is not required to undertake any reciprocal liberalisation.

Adherence to WTO rules and commercially acceptable commitments on market access make for more productive, stable and secure bilateral commercial relations and both encourage and facilitate trade and investment. WTO membership means that traders are able to conduct business in an environment of transparency in relation to all policies affecting trade.

Australia is also exploring **bilateral and regional paths to trade and investment liberalisation**. Australia is exploring options for a possible free trade agreement (FTA) with the UAE, and is pursuing an economic dialogue with the GCC countries. This dialogue will look at options for closer engagement between Australia and the GCC, including a framework economic agreement and, possibly, an Australia-GCC FTA. Kuwait has also indicated an interest in considering an FTA with Australia.

Australia is currently negotiating Investment Promotion and Protection Agreements with the UAE, Saudi Arabia and Iran. A request from Qatar is under consideration. These agreements provide fundamental guarantees for investors making investments in the territory of the other Party to the Agreement, and thus help to provide certainty and stability in relation to such investments. By reducing uncertainty, these agreements encourage two-way investment flows.

Australia's aviation relationship with the Gulf countries is underpinned by a network of Air Services Agreements (ASAs). These agreements establish the access entitlements which the airlines of each country have in the other country, and through that country to beyond points.

To date, Australia has signed ASAs with the UAE, Bahrain, Kuwait and Qatar. It is unlikely the arrangements in place with Kuwait and Qatar will lead to commercial services between Australia and either of the two countries in the near future. Kuwait had requested discussions about the possibility of amendments to the current ASA, however, these have not been progressed due to a lack of commercial interest shown by the carriers of both countries.

The Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) is potentially a valuable forum for promoting trade and economic cooperation and removing barriers to trade at the regional level. The Association is made up of 18 countries from South and South East Asia, Africa and the Middle East. Oman, Iran and the UAE are the only Gulf country members.

Australia continues to play a role in IOR-ARC, although progress in the association's work program has been slower than expected, largely because of the disparate nature of the membership and delays in setting an agenda in the trade and investment field. Australia will urge IOR-ARC to remain focused on trade and investment issues, such as promoting trade and economic cooperation and removing barriers to trade.

Trade facilitation is a key element of Australia's strategy for expanding Australia's export markets and investment relations with the Gulf countries. A range of bilateral agreements and arrangements has been put in place to facilitate closer trade and investment links.

At the bilateral level, Australia has framework economic agreements with Bahrain (1979), Iran (1974), Kuwait (1982), Oman (1982), Saudi Arabia (1981) and the UAE (1985). An agreement with Qatar is well advanced. These agreements focus on trade facilitation and bilateral cooperation in economic and technical areas. They do not include trade liberalisation provisions, but provide a framework for the bilateral commercial relationship, and confirm the willingness of signatory governments to cooperate in economic matters. It is important that these agreements keep pace with changing economic structures and priorities. Australia is currently re-negotiating its agreement with Iran.

Australian Governments have concluded a range of Memoranda of Understanding (MOUs) with various Gulf countries. These MOUs, which are of less than treaty status, are designed to facilitate cooperation in specific areas. Box 3 outlines the background to current negotiations with several Gulf countries for MOUs on the livestock trade.

Box 3: The Livestock Trade

Livestock exports are a major component of Australia's agricultural export earnings, averaging over $1 billion a year in recent years. Exports of livestock (primarily live sheep) play a particularly significant role in Australia's trade with the Gulf countries. Almost one-third of Australia's total livestock exports are destined for the region.

With the largest population among the Gulf countries, and as the focus of the Hajj pilgrimage, Saudi Arabia has long been an important livestock import market. However, in August 2003 the Australian Government suspended shipments of livestock to Saudi Arabia due to concerns that existing arrangements for the conduct of the trade were insufficient to ensure acceptable animal welfare outcomes.

In January 2004 a joint delegation from the Department of Foreign Affairs and Trade and the Department of Agriculture, Fisheries and Forestry visited several Middle Eastern countries to initiate revised arrangements for the livestock trade.

A draft Memorandum of Understanding (MOU) has since been developed, in consultation with industry, to underpin the future trade in live animals with Middle East countries. The draft MOU specifies arrangements for inspection and offloading of livestock at destination ports, and health, safety and welfare (quarantine) arrangements for animals in the event of grounds for possible rejection of shipments.

A further visit to the region by officials in late March will seek to progress negotiations on the MOU with Jordan, Kuwait, Saudi Arabia and the United Arab Emirates, with a view to signature in the near future.

Joint Ministerial Commissions (JMCs) are an important instrument of bilateral engagement with Australia's largest trading partners in the Gulf countries. Currently, Australia has formal JMCs with Iran, Saudi Arabia, the United Arab Emirates and Kuwait.

JMCs are a mechanism through which both parties can review the progress of the bilateral trade and investment relationship, address potential irritants in that relationship, and agree on forward-looking measures to foster bilateral links.

They are an important confidence-building vehicle, allowing both parties to canvass issues which might inhibit the development of trade in certain sectors and to address potential problems in the economic relationship. The involvement of each country's private sectors is a central element in JMC process, and meetings are structured to allow all participants the opportunity to make an input.

Formal JMCs work very well in promoting Australia's bilateral relationships in the Gulf countries. They are, however, not the only useful form of consultation. As appropriate, other forms of bilateral consultations may also be pursued when the more intensive arrangements involved in JMCs are not be called for, or are impractical.

In recent years there has been a steady flow of senior-level visits by Australians to the region. In the Gulf countries, as in many other regions, personal contacts at senior political and business levels are a vital element in the further development of our economic relationships.

High-level Australian Government visitors to the region in the last year included the Prime Minister (who visited Qatar and in May 2003), the Minister for Trade (the UAE, Kuwait, Iran and Saudi Arabia), the Minister for Foreign Affairs (Kuwait, Saudi Arabia, Iran and the UAE) and the Minister for Defence (Qatar, Kuwait and Saudi Arabia). In addition, several state Premiers and Ministers have visited the region in the past year.

A significant recent initiative aimed at the growing education market in the Gulf countries is the appointment, by the Department of Education, Science and Training, of a Counsellor to represent Australian Education International in the Middle East region. The position is based in the Australian Consulate-General in Dubai but covers a range of countries, including the Gulf countries.

The Australian Government also introduced substantial improvements to existing Australian visa processing procedures for nationals of GCC member states in 2002, intended to make it easier for tourists from the GCC countries to visit Australia.

Visa processing times have been substantially reduced in most cases as a result of these improvements. Further measures to improve visa processing took place in March 2003 when a pilot of the e-Visa system for visitor visas was begun in the UAE. The pilot has now been extended indefinitely in the UAE, and may be extended to selected GCC countries in future.

Australia's **network of regional posts plays an important role in the facilitation of trade and investment.**

Australia maintains three embassies in the Gulf countries. They are located in Abu Dhabi, Riyadh and Tehran, and are accredited to four other Gulf countries: Bahrain, Kuwait and Oman are accredited from Riyadh and Qatar is accredited from Abu Dhabi. Austrade maintains a regional trade office in Dubai, and the DFAT posts in Riyadh and Tehran have Australian-based Austrade representation. DFAT and Austrade cooperate closely throughout the region in increasing opportunities for Australian business.

In May 2003 the Minister for Foreign Affairs, Mr Downer announced that Australia would open a new Embassy in Kuwait. The opening of the Kuwait embassy will mean that Australia is represented in its four largest Gulf country trading partners. Based on 2003 merchandise trade data, Gulf countries in which Australia has existing or planned representation account for 90 per cent of our total exports to the region and 93 per cent of our total imports from the region.

Market development is a key focus of Australia's missions in the Gulf region. This reflects our longstanding trade relationship with the region and the importance of the traditional commodities trade, but also, and more recently, the Australian Government's recognition of the fast-developing opportunities for the diversification of Australian exports to, and investment in, the Gulf countries, as well as prospective regional investment interest in Australia.

Posts provide advice to visitors on current and local issues, and are able to assist with the development of visit itineraries. Posts are active in establishing and developing personal and professional contacts with a wide range of political, commercial, regulatory and technical authorities in their countries of accreditation. These contacts enable Australian visitors to region to gain access to senior and influential members of government, a vital element in the further development of our economic relationship with the countries of accreditation appropriate to their interests.

Posts make senior-level representations on behalf of Australian exporters to resolve impediments to trade. Through their contacts with Australian exporters, they can identify areas of difficulty and take steps to help resolve them. They provide access for Australian business to relevant local policy makers and officials. They provide support not only to major Australian commodity exporters, but also to trade across the board, including to those who may be seeking to develop trade in smaller or new areas, for example in technology or the supply of services.

Building awareness in the region of Australian capabilities, and of the opportunities which the region offers Australia is another key aspect of Australia's commercial strategy in the Gulf countries.

Australia's network of posts in the region plays an important role in awareness building. Posts can draw on their knowledge of local interests and conditions to facilitate the promotion of Australia in the local community, including what Australia can offer in the business community. In this way, posts have an important role in raising awareness of Australia as a supplier of a wide range of goods and services.

A major recent Government initiative which will help improve mutual understanding between Australia and the Gulf region is the establishment of the **Council for Australian-Arab Relations (CAAR).**

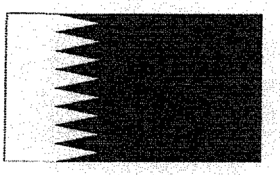
The Minister for Foreign Affairs, Mr Downer, and the Minister for Trade, Mr Vaile, announced the establishment of the Council in December 2002. The CAAR promotes mutual interests between Australia and the Arab world, including the Arab countries of the Gulf region. CAAR held its first meeting in March 2003.

CAAR has actively sought to rectify the impediments to trade due to unfamiliarity with the region. It has commissioned a consultant to do a study into trade between Australia and selected Arab countries and produce a series of marketable country briefs in both hardcopy and website versions. The briefs will describe how to do business in each selected country and research gap markets for Australian business. They will be specifically designed to capture the interest of small and medium enterprises.

During 2003, the Chairman of CAAR, Mr Brendan Stewart, undertook a visit to Egypt, Morocco, UAE, Saudi Arabia and Lebanon. The visit highlighted the diversity of Australian society and the contribution of the Australian-Arab community, and promoted Australia as a destination for education, tourism, medical services, trade and investment. Key regional decision-makers expressed interest in using CAAR to develop closer trading, education and tourism links, and to improve the image of Arabs in the west.

CAAR has also begun a scoping study into a Teachers' Resources Kit. The kit is based on the successful models produced by the Australia Korea Foundation and the Australia Japan Foundation. The kit will be introduced to Arab school curricula and include up-to-date information on Australia, its achievements in technology and industry, its cultural diversity and Arab-Australian history.

THE GULF COUNTRIES - FACTS SHEETS



BAHRAIN

Fact Sheet

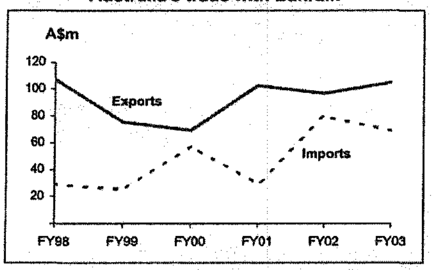
General information:

Capital:	Manama	**Head of State:**
Surface area:	620 sq km	H.M. Sheikh Hamad bin Isa Al-Khalifa
Official language:	Arabic	**Head of Government:**
Population:	0.7 million (2002)	H.H. Prime Minister Sheikh Khalifa bin Sulman
Exchange rate:	A$1 = 0.2498 Dinars (Jun 2003)	Al-Khalifa

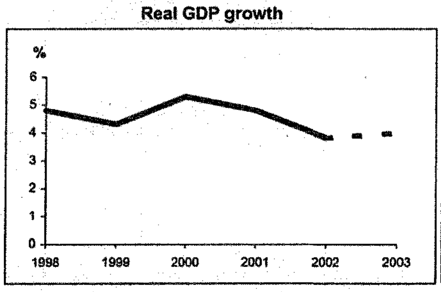
Recent economic indicators:

	1998	**1999**	**2000**	**2001**	**2002(a)**	***2003(b)***
GDP (US$bn):	6.2	6.6	7.6	7.5	7.4	*7.5*
GDP per capita (US$):	9,665	9,882	11,034	10,580	10,225	*10,096*
Real GDP growth (% change YOY):	4.8	4.3	5.3	4.8	3.8	*4.0*
Current account balance (US$m):	-778	-37	782	157	-126	*-301*
Current account balance (% GDP):	-12.6	-0.6	10.3	2.1	-1.7	*-4.0*
Goods & services exports (% GDP):	64.6	73.8	87.9	87.6	93.3	*98.3*
Inflation (% change YOY):	-0.3	-1.3	-0.7	-1.2	0.5	*0.4*
Labour force (m):	0.3	0.3	0.3	0.3	0.3	*0.3*

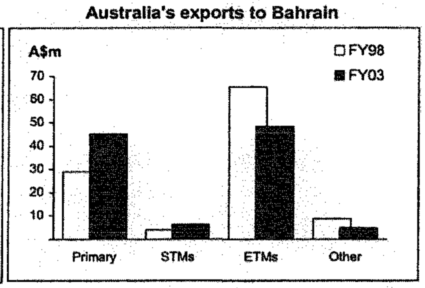
Australia's trade with Bahrain



Real GDP growth



Australia's exports to Bahrain



Australia's trade relationship with Bahrain:

Major Australian exports, 2002-2003 (A$m) (c):

Passenger motor vehicles	34
Live animals	25
Cheese and curd	6
Inorganic chemical elements	5
Ships, boats & floating structures	3

Major Australian imports, 2002-2003 (A$m):

Aluminium	38
Fertilizers (excl. crude)	26
Textile yarn	3
Aircraft & parts	1
Wire products	1

Australian merchandise trade with Bahrain, 2002-2003:		***Total share:***	***Rank:***	***Growth (yoy):***
Exports to Bahrain (A$m) (c):	105	0.1%	55th	8.5%
Imports from Bahrain (A$m):	69	0.1%	53rd	-13.7%
Total trade (exports + imports) (A$m):	174	0.1%	58th	-1.5%
Merchandise trade surplus with Bahrain (A$m):	36			

Australia's trade in services with Bahrain, 2002:		***Total share:***
Exports of services to Bahrain (A$m):	n.a.	n.a.
Imports of services from Bahrain (A$m):	n.a.	n.a.
Services trade balance with Bahrain (A$m):	n.a.	

Bahrain's global trade relationships:

Bahrain's principal export destinations, 2002:

1	United States	4.5%
2	India	3.2%
3	Saudi Arabia	2.3%
4	Japan	1.7%
5	Korea	1.7%
24	*Australia*	*0.4%*

Bahrain's principal import sources, 2002:

1	Saudi Arabia	30.1%
2	United States	11.7%
3	Japan	7.1%
4	Germany	6.5%
5	United Kingdom	5.6%
15	*Australia*	*1.5%*

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast; (c) Excludes exports of alumina.

n.a. Data not available.

Fact sheets are updated biannually; next update: May 2004

IRAN

Fact Sheet

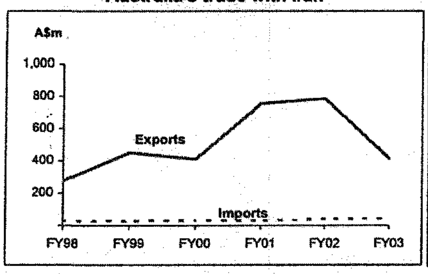
General information:

Capital:	Tehran	**Head of State and Head of Government:**
Surface area:	1,648 thousand sq km	H.E. President Hojat Ol Eslam Seyed Mohammad Khatami
Official language:	Farsi (Persian)	
Population:	65.5 million (2002)	
Exchange rate:	A$1 = 5,429.82 Rials (Jun 2003)	

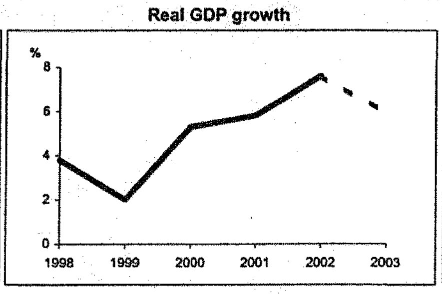
Recent economic indicators:

	1998	**1999**	**2000**	**2001**	**2002(a)**	***2003(b)***
GDP (US$bn):	61.0	55.2	71.9	85.5	114.8	*123.2*
GDP per capita (US$):	986	880	1,129	1,325	1,753	*1,853*
Real GDP growth (% change YOY):	3.8	2.0	5.3	5.8	7.6	*5.9*
Current account balance (US$m):	-2,139	6,589	12,645	5,985	3,731	*407*
Current account balance (% GDP):	-3.5	11.9	17.6	7.0	3.3	*0.3*
Goods & services exports (% GDP):	13.3	21.3	17.8	14.4	15.0	*12.9*
Inflation (% change YOY):	17.8	20.1	14.5	11.3	14.3	*14.2*
Unemployment rate (%):	11.0	13.0	14.0	13.0	13.5	*13.5*

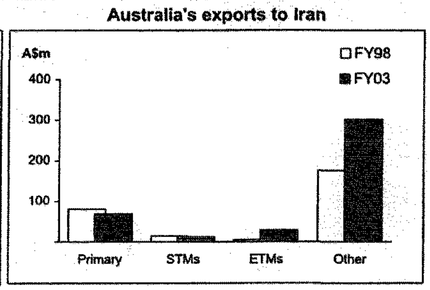
Australia's trade with Iran



Real GDP growth



Australia's exports to Iran



Australia's trade relationship with Iran:

Major Australian exports*, 2002-2003 (A$m):

Coal	49
Wool	16
Animal oils & fats	10
Agricultural machinery (excl. tractors)	7
Measuring and controlling instruments	6

**Includes A$302m of confidential items, 73.1% of total exports*

Major Australian imports, 2002-2003 (A$m):

Crude petroleum	14
Fruit and nuts, fresh or dried	10
Floor coverings	8
Nitrogen-function compounds	2
Alcohols, phenols, phenol-alcohols	1

Australian merchandise trade with Iran, 2002-2003:		***Total share:***	***Rank:***	***Growth (yoy):***
Exports to Iran (A$m):	413	0.4%	31st	-47.4%
Imports from Iran (A$m):	40	0.0%	61st	2.0%
Total trade (exports + imports) (A$m):	452	0.2%	42nd	-45.1%
Merchandise trade surplus with Iran (A$m):	373			

Australia's trade in services with Iran, 2002:		***Total share:***
Exports of services to Iran (A$m):	n.a.	n.a.
Imports of services from Iran (A$m):	n.a.	n.a.
Services trade balance with Iran (A$m):	n.a.	

Iran's global trade relationships:

Iran's principal export destinations, 2002:

1	Japan	17.4%
2	China	8.7%
3	United Arab Emirates	7.6%
4	Italy	6.5%
5	Korea	4.9%
38	*Australia*	*0.1%*

Iran's principal import sources, 2002:

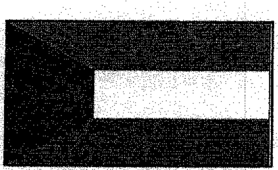
1	Germany	10.8%
2	Italy	9.0%
3	France	7.9%
4	China	7.3%
5	Korea	6.4%
14	*Australia*	*1.7%*

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast.

n.a. Data not available.

Fact sheets are updated biannually; next update: May 2004



KUWAIT

Fact Sheet

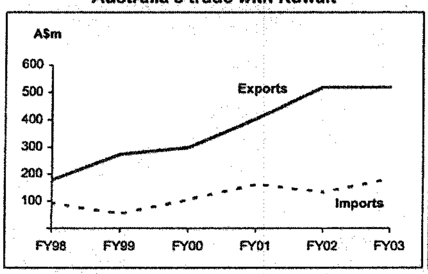
General information:

Capital:	Kuwait	**Head of State:**
Surface area:	17.8 thousand sq km	H.H. Amir Sheikh Jaber Al-Ahmad Al-Sabah
Official language:	Arabic	**Head of Government:**
Population:	2.4 million (2002)	H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Exchange rate:	A$1 = 0.1988 Dinars (Jun 2003)	

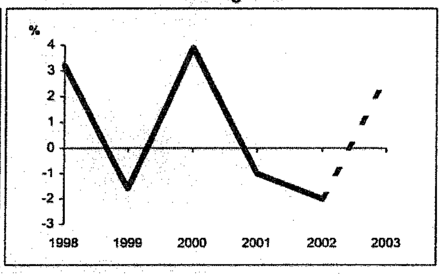
Recent economic indicators:

	1998	**1999**	**2000**	**2001**	**2002(a)**	***2003(b)***
GDP (US$bn):	25.1	29.2	37.0	34.2	35.3	*41.1*
GDP per capita (US$):	11,067	12,913	16,677	14,816	14,601	*16,388*
Real GDP growth (% change YOY):	3.2	-1.6	3.9	-1.0	-2.0	*2.7*
Current account balance (US$m):	2,214	5,063	14,669	8,562	7,231	*9,306*
Current account balance (% GDP):	8.8	17.3	39.6	25.0	20.5	*22.6*
Goods & services exports (% GDP):	45.3	47.4	57.5	52.3	48.3	*49.6*
Inflation (% change YOY):	0.2	3.0	1.9	1.6	1.3	*2.1*
Unemployment rate (%):	n.a.	n.a.	n.a.	n.a.	0.7	*n.a.*

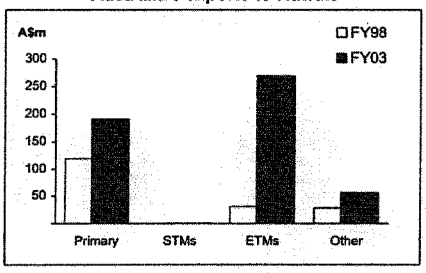
Australia's trade with Kuwait



Real GDP growth



Australia's exports to Kuwait



Australia's trade relationship with Kuwait:

Major Australian exports, 2002-2003 (A$m):

Passenger motor vehicles	248
Live animals	107
Cheese and curd	21
Barley	16
Meat (excl. bovine)	10

Major Australian imports*, 2002-2003 (A$m):

Crude petroleum	50

**Includes A$134m of confidential items, 72.7% of total imports.*

Australian merchandise trade with Kuwait, 2002-2003:		***Total share:***	***Rank:***	***Growth (yoy):***
Exports to Kuwait (A$m):	518	0.4%	27th	0.0%
Imports from Kuwait (A$m):	184	0.1%	44th	38.9%
Total trade (exports + imports) (A$m):	703	0.3%	37th	8.0%
Merchandise trade surplus with Kuwait (A$m):	334			

Australia's trade in services with Kuwait, 2002:		***Total share:***
Exports of services to Kuwait (A$m):	n.a.	n.a.
Imports of services from Kuwait (A$m):	n.a.	n.a.
Services trade balance with Kuwait (A$m):	n.a.	

Kuwait's global trade relationships:

Kuwait's principal export destinations, 2002:

1	Japan	24.4%
2	Korea	12.9%
3	United States	11.9%
4	Singapore	10.1%
5	Taiwan	8.2%
20	*Australia*	*0.6%*

Kuwait's principal import sources, 2002:

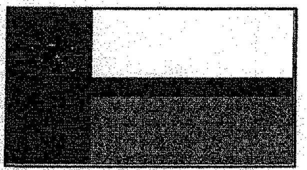
1	United States	13.1%
2	Japan	11.1%
3	Germany	9.7%
4	Saudi Arabia	6.6%
5	United Kingdom	6.0%
8	*Australia*	*3.7%*

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast.

n.a. Data not available.

Fact sheets are updated biannually; next update: May 2004



OMAN

Fact Sheet

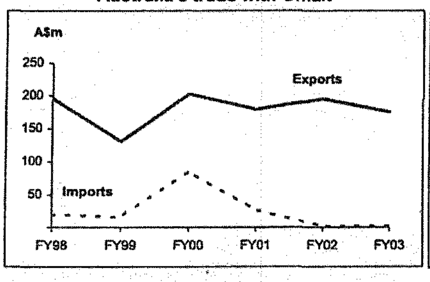
General information:

Capital:	Muscat	**Head of State and Head of Government:**
Surface area:	212 thousand sq km	H.M. Sultan Qaboos Bin Said Al-Said
Official language:	Arabic	
Population:	2.6 million (2002)	
Exchange rate:	A$1 = 0.2555 Rials Omani (Jun 2003)	

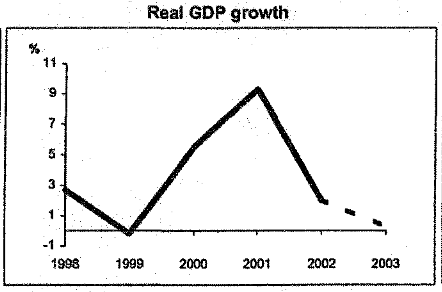
Recent economic indicators:

	1998	**1999**	**2000**	**2001**	**2002(a)**	***2003(b)***
GDP (US$bn):	14.1	15.7	19.9	19.9	20.3	*20.7*
GDP per capita (US$):	6,151	6,744	8,271	8,048	7,959	*7,876*
Real GDP growth (% change YOY):	2.7	-0.2	5.5	9.3	2.0	*0.2*
Current account balance (US$m):	-2,951	-291	3,423	2,314	2,277	*2,010*
Current account balance (% GDP):	-20.9	-1.9	17.2	11.6	11.2	*9.7*
Goods & services exports (% GDP):	41.2	48.6	59.1	57.3	56.8	*55.8*
Inflation (% change YOY):	-0.8	0.4	-1.1	-1.0	-0.7	*0.3*
Unemployment rate (%):	n.a.	n.a.	n.a.	n.a.	n.a.	*n.a.*

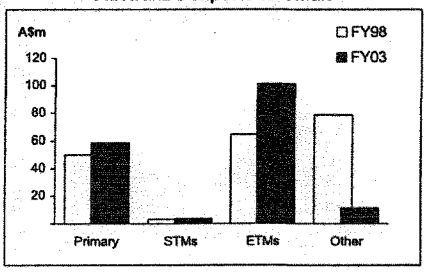
Australia's trade with Oman



Real GDP growth



Australia's exports to Oman



Australia's trade relationship with Oman:

Major Australian exports, 2002-2003 (A$m):

Passenger motor vehicles	81
Live animals	22
Milk and cream	13
Meat (excl. bovine)	9
Copper	7

Major Australian imports, 2002-2003 (A$m):

Construction materials	1
Cereal preparations	1

Australian merchandise trade with Oman, 2002-2003:		***Total share:***	***Rank:***	***Growth (yoy):***
Exports to Oman (A$m):	175	0.2%	46th	-10.2%
Imports from Oman (A$m):	2	0.0%	114th	29.1%
Total trade (exports + imports) (A$m):	177	0.1%	57th	-9.9%
Merchandise trade surplus with Oman (A$m):	173			

Australia's trade in services with Oman, 2002:		***Total share:***
Exports of services to Oman (A$m):	n.a.	n.a.
Imports of services from Oman (A$m):	n.a.	n.a.
Services trade balance with Oman (A$m):	n.a.	

Oman's global trade relationships:

Oman's principal export destinations, 2002:

1	Japan	20.6%
2	Korea	18.6%
3	China	13.7%
4	Thailand	11.7%
5	United Arab Emirates	9.2%
50	*Australia*	*0.0%*

Oman's principal import sources, 2002:

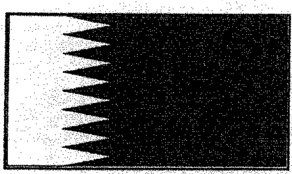
1	United Arab Emirates	27.3%
2	Japan	16.6%
3	United Kingdom	7.4%
4	United States	6.9%
5	Germany	5.0%
11	*Australia*	*1.8%*

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast.

n.a. Data not available.

Fact sheets are updated biannually; next update: May 2004



QATAR

Fact Sheet

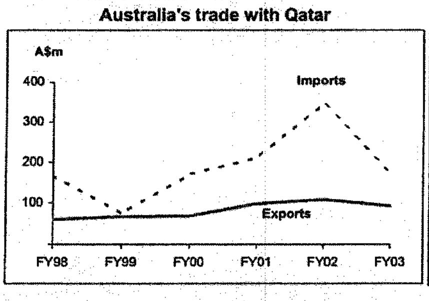
General information:

Capital:	Doha	**Head of State:**
Surface area:	11 thousand sq km	H.H. Amir Sheikh Hamad bin Khalifa Al-Thani
Official language:	Arabic	**Head of Government:**
Population:	0.6 million (2002)	H.H. Prime Minister Sheikh Abdullah bin Khalifah
Exchange rate:	A$1 = 2.4184 Riyals (Jun 2003)	Al-Thani

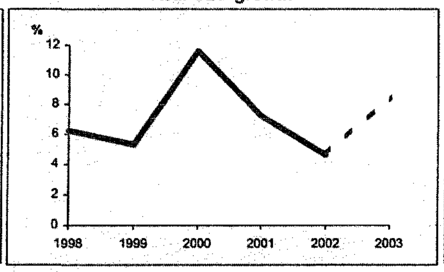
Recent economic indicators:

	1998	1999	2000	2001	2002(a)	*2003(b)*
GDP (US$bn):	10.3	12.4	17.8	17.1	17.5	*19.5*
GDP per capita (US$):	18,992	22,131	31,158	28,544	28,172	*30,438*
Real GDP growth (% change YOY):	6.2	5.3	11.6	7.2	4.6	*8.5*
Current account balance (US$m):	-456	2,171	5,474	4,265	4,269	*6,599*
Current account balance (% GDP):	-4.4	17.5	30.8	24.9	24.4	*33.9*
Goods & services exports (% GDP):	51.0	59.8	71.9	68.0	67.7	*72.1*
Inflation (% change YOY):	2.6	2.1	1.7	1.4	1.0	*2.0*
Labour force (m):	0.1	0.1	0.1	0.1	0.1	*0.1*

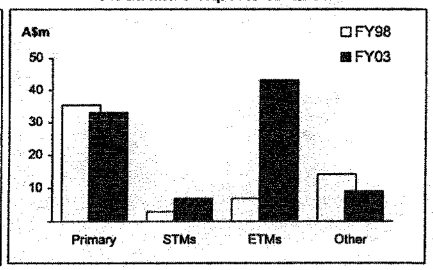
Australia's trade with Qatar



Real GDP growth



Australia's exports to Qatar



Australia's trade relationship with Qatar:

Major Australian exports, 2002-2003 (A$m):

Passenger motor vehicles	34
Live animals	17
Pig iron	7
Meat (excl. bovine)	7
Cheese and curd	3

Major Australian imports*, 2002-2003 (A$m):

Crude petroleum	58
Fertilizers (excl. crude)	19
Polymers of ethylene, primary	9

**Includes A$90m of confidential items, 51.2% of total imports.*

Australian merchandise trade with Qatar, 2002-2003:		*Total share:*	*Rank:*	*Growth (yoy):*
Exports to Qatar (A$m):	92	0.1%	56th	-14.4%
Imports from Qatar (A$m):	175	0.1%	46th	-49.4%
Total trade (exports + imports) (A$m):	267	0.1%	53rd	-41.1%
Merchandise trade deficit with Qatar (A$m):	83			

Australia's trade in services with Qatar, 2002:		*Total share:*
Exports of services to Qatar (A$m):	n.a.	n.a.
Imports of services from Qatar (A$m):	n.a.	n.a.
Services trade balance with Qatar (A$m):	n.a.	

Qatar's global trade relationships:

Qatar's principal export destinations, 2002:

1	Japan	40.4%
2	Korea	16.7%
3	Singapore	8.2%
4	United States	4.1%
5	United Arab Emirates	4.0%
12	*Australia*	*0.9%*

Qatar's principal import sources, 2002:

1	France	17.8%
2	Japan	10.0%
3	United States	8.5%
4	United Kingdom	8.3%
5	Germany	8.0%
16	*Australia*	*1.2%*

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast.

n.a. Data not available.

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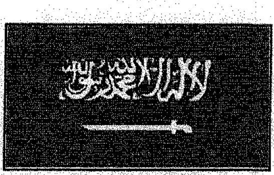


SAUDI ARABIA

Fact Sheet

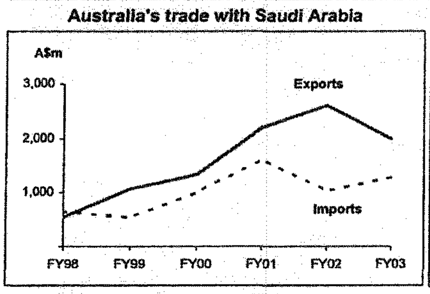
General information:

Capital:	Riyadh	**Head of State and Head of Government:**
Surface area:	2,150 thousand sq km	King Fahd bin Abdulaziz Al-Saud
Official language:	Arabic	
Population:	21.7 million (2002)	
Exchange rate:	A$1 = 2.488 Riyals (Jun 2003)	

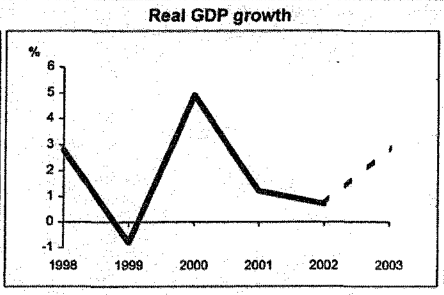
Recent economic indicators:

	1998	1999	2000	2001	2002(a)	*2003(b)*
GDP (US$bn):	146.0	161.2	188.7	183.3	187.3	*198.8*
GDP per capita (US$):	7,711	8,099	9,274	8,714	8,633	*8,879*
Real GDP growth (% change YOY):	2.8	-0.8	4.9	1.2	0.7	*2.9*
Current account balance (US$m):	-13,149	411	14,335	9,448	12,126	*16,788*
Current account balance (% GDP):	-9.0	0.3	7.6	5.2	6.5	*8.4*
Goods & services exports (% GDP):	29.8	34.8	43.6	39.9	38.8	*40.7*
Inflation (% change YOY):	-0.4	-1.6	-0.8	-0.4	-0.5	*0.7*
Unemployment rate (%):	n.a.	n.a.	n.a.	n.a.	n.a.	*n.a.*

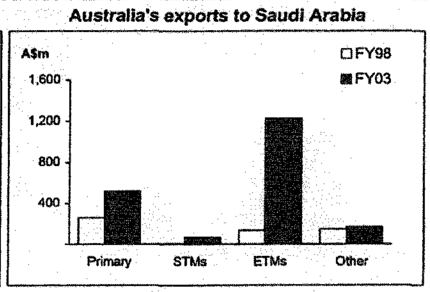
Australia's trade with Saudi Arabia



Real GDP growth



Australia's exports to Saudi Arabia



Australia's trade relationship with Saudi Arabia:

Major Australian exports, 2002-2003 (A$m):	
Passenger motor vehicles	1,135
Live animals	196
Cheese and curd	99
Meat (excl. bovine)	87
Non-monetary gold	45

Major Australian imports, 2002-2003 (A$m):	
Crude petroleum	604
Refined petroleum	470
Fertilizers (excl. crude)	88
Liquefied propane & butane	21
Glassware	11

Australian merchandise trade with Saudi Arabia, 2002-2003:		***Total share:***	***Rank:***	***Growth (yoy):***
Exports to Saudi Arabia (A$m):	1,990	1.7%	14th	-23.4%
Imports from Saudi Arabia (A$m):	1,284	1.0%	20th	25.0%
Total trade (exports + imports) (A$m):	3,274	1.3%	18th	-9.7%
Merchandise trade surplus with Saudi Arabia (A$m):	707			

Australia's trade in services with Saudi Arabia, 2002:		***Total share:***
Exports of services to Saudi Arabia (A$m):	n.a.	n.a.
Imports of services from Saudi Arabia (A$m):	n.a.	n.a.
Services trade balance with Saudi Arabia (A$m):	n.a.	

Saudi Arabia's global trade relationships:

Saudi Arabia's principal export destinations, 2002:		
1	United States	18.7%
2	Japan	15.7%
3	Korea	10.2%
4	Singapore	5.1%
5	China	4.6%
24	*Australia*	*1.0%*

Saudi Arabia's principal import sources, 2002:		
1	United States	11.2%
2	Japan	8.8%
3	Germany	7.5%
4	United Kingdom	4.9%
5	France	4.9%
8	*Australia*	*3.0%*

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast.

n.a. Data not available.

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