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Expanding Australia's Trade and Investment Relations with North Africa

Joint Standing Committee on Foreign Affairs, Defence and Trade

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Chair's foreword

In addition to holding public hearings and receiving submissions in pursuit of the committee's reference on trade with North Africa, the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade visited five North African countries; Algeria, Egypt, Libya, Morocco and Tunisia, to review trade and investment opportunities for Australian countries in person.

The committee also looked to see if there were any impediments to trade in this region, and what could be done to capitalise on the opportunities.

The visit to Tunis was by two of the members to attend the World Summit on the Information Society. The visits to the other countries consisted of a considerable number of appointments with senior Government figures, the Parliaments, importers, and Government agencies and departments, as summarised in Appendix C.

The contacts included meeting with the Prime Minister of Morocco and several senior ministers in each of the cities visited. In Morocco, Algeria and Libya there was considerable television and media coverage of our visit.

The response to the committee's visit was positive and very encouraging. GDP growth is strong in all five countries and with the resource rich countries of Libya and Algeria, further strong growth based on escalating oil prices can be expected.

Each of the countries is going through some degree of market's liberalisation and reductions in taxes, tariffs, and the privatisation of companies could be seen across the board.

Major infrastructure projects for roads, ports, electricity, water supply, airports and agriculture represent opportunities for Australian companies.

Increased consumer demand also means further market potential for Australia, with the best being:

- Wheat and agricultural products;
- Livestock and meat products (particularly lamb);
- Mining and agricultural equipment;
- Consultancy in a wide range of areas;

- Tourism training; and
- Education – particularly post-graduate students to Australia.

Of course the biggest potential remains in the oil and gas fields, especially those of Algeria and Libya.. Australia's biggest oil explorers continue to bid for major projects in these countries, with BHP Billiton being successful in Algeria, and Woodside in Libya.

Iron ore production as well as aluminium smelting is also possible in Libya, with BHP Billiton interests and an Australian manganese smelter is being assessed as to its possibility in Egypt.

In summary the potential for Australia in North Africa is significant, both in terms of resources, but also because of the GDP growth rates of the big countries and the export potential to Europe where trade conventions with the EU exist.

In short, Australia should ensure that appropriate resources are allocated to these markets to ensure Australia's access and export growth.

Hon Bruce Baird, MP
Chair

Trade Sub-Committee



Contents

Contents	v
Membership of the Committee	x
Membership of the Trade Sub-Committee	xii
Terms of reference	xiv
List of abbreviations	xv
List of recommendations	xvi
1 Background to the inquiry	1
Referral and scope	1
Inquiry process	1
Committee visit to North Africa	2
Structure of the report	2
2 The emerging economies of North Africa.....	3
Regional overview.....	3
North African trade links.....	4
Economies of North Africa	7
Algeria	7
Egypt.....	8
Libya	9
Morocco	12
Tunisia	13
Summary.....	15

3	Australia's trade and investment with the countries of North Africa	17
	Regional snapshot.....	17
	Trade and investment by country.....	21
	Algeria.....	21
	Egypt.....	23
	Libya	27
	Morocco	30
	Tunisia	32
4	Committee's visit report.	35
	Introduction	35
	Morocco: 13-15 November 2005	36
	Committee visit.....	36
	Committee overview.....	36
	Current trade and investment.....	37
	Summary.....	38
	Algeria: 16-17 November 2005	39
	Committee visit.....	39
	Committee overview.....	39
	Current trade and investment.....	41
	Summary.....	42
	Tunisia: 16-18 November 2005.....	42
	Committee visit.....	42
	Outcomes.....	44
	Libya: 17-22 November 2005	44
	Committee visit.....	44
	Committee overview.....	44
	Current trade and investment.....	46
	Summary.....	47
	Egypt: 23-24 November 2005	47
	Committee visit.....	47
	Committee overview.....	47
	Current trade and investment.....	50
	Summary.....	51

Looking to the future	52
5 Trade with North Africa: barriers and opportunities	53
Overview	53
Impediments to trade.....	55
Competition from the EU and the US	55
Tariff barriers.....	56
Non-tariff barriers	57
The committee's view.....	69
Opportunities by sector.....	69
Agribusiness	70
Education and training	73
Health and medical	76
Information and communication technologies (ICT)	77
Infrastructure	78
Tourism	83
Outlook	85
Algeria	85
Egypt.....	85
Libya	86
Morocco	86
Tunisia	87
Conclusion	87
Appendix A: List of submissions and exhibits	89
Submissions.....	89
Exhibits.....	90
Appendix B: Witnesses appearing at public hearings	91
Canberra, Monday 1 August 2005	91
Canberra, Tuesday 2 August 2005	93
Canberra, Friday 4 November 2005.....	94
Appendix C: Trade Sub-Committee visit to North Africa November 2005.....	95

Appendix D – North Africa: visa applications, approvals and non-return.....99

Appendix E - Visa processing times: Australian Embassy, Cairo103

LIST OF TABLES

Table 2.1	North Africa: Comparative economic indicators, 2002	4
Table 2.2	Recent economic indicators: Algeria	7
Table 2.3	Recent economic indicators: Egypt	8
Table 2.4	Recent economic indicators: Libya	9
Table 2.5	Recent economic indicators: Morocco	12
Table 2.6	Recent economic indicators: Tunisia	13
Table 3.1	North Africa (including Sudan): Investment by Australia	19
Table 3.2	Australia: Investment by North African countries including Sudan.....	19
Table 3.3	Australia's principal exports and imports for 2004	20
Table 3.4	Australian red meat exports to Algeria (tonnes shipped weight)	22
Table 3.5	Australian red meat exports to Egypt (tonnes shipped weight)	24
Table 3.6	Australian livestock exports to Egypt (head)	24
Table 3.7	Australia: red meat exports to Libya 1995-2005 (tonnes shipped weight)	28
Table 3.8	Australia: livestock exports to Libya 1995-2004 (head)	28
Table 5.1	North Africa: Meat tariffs	56
Table 5.2	Egypt: Summary of Most Favoured Nation Tariffs, 2005	57
Table 5.3	North Africa: DFAT Travel Advisories as at November 2005	68
Table 5.4	North Africa: Focus industry sectors for Australian business	70
Table 5.5	North Africa: Students attending Australian education and training institutions	74
Table 5.6	North Africa: Tourism.....	83
Table D.1	Visitor Visa Activity by Subclass : 2004-2005	99
Table D.2	Business (Short Stay) Visa Activity - 2003-2004 to 2004-2005	100
Table D.3	Visitor Visa Approval and Non-Return Rates 2002-2003 to 2004-2005.....	100

LIST OF FIGURES

Figure 1.1	North Africa.....	2
Figure 3.1	Australia's trade relationship with Algeria	21
Figure 3.2	Australia's trade relationship with Egypt.	23
Figure 3.3	Australia's trade relationship with Libya.....	27

Figure 3.4	Australia's trade relationship with Morocco.....	30
Figure 3.5	Australia's trade relationship with Tunisia.....	32
Figure 4.1	The Sub-Committee's first regional meeting, Rabat, Morocco.....	35
Figure 5.1	Costs per day for charter of a dry bulk carrier (US\$)	61



Membership of the Committee

Chair Senator A B Ferguson

Deputy Chair Hon G J Edwards, MP

Members Senator the Hon N Bolkus - from 01/12/04
to 30/06/05

Senator C M Moore – from 23/06/05

Senator A Bartlett - from 9/12/05

Senator M A Payne

Senator G Campbell– from 23/06/05 to
28/11/05

Senator N Scullion – from 17/08/05

Senator P M Crossin - from 01 to 06/12/04
then from 28/11/05

Senator N Stott Despoja

Senator the Hon P Cook – from 06/12/04 to
30/06/05

Senator R S Webber - from 23/06/05

Senator A Eggleston

Hon B G Baird, MP

Senator B Harradine - from 01/12/04 to
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Mr R C Baldwin, MP - from 01/12/04 to 26/05/05

Senator S Hutchins

Mr P A Barresi, MP

Senator D Johnston

Hon K C Beazley, MP - from 01/12/04 to
08/02/05

Senator L J Kirk

Mr M Danby, MP

Senator K Lundy - from 01/12/04 to 23/06/05

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Senator J A L Macdonald - from 01/12/04 to
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Mr S W Gibbons, MP

Mr B W Haase, MP

Mr M J Hatton, MP - from 08/02/05

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Hon J E Moylan, MP

Hon G D Prosser, MP

Hon B C Scott, MP

Mr R C G Sercombe, MP

Hon W E Snowdon, MP

Dr A J Southcott, MP - from 9/02/06

Mr C P Thompson, MP - from 26/05/05

Mr M B Turnbull, MP - to 9/2/06

Ms M Vamvakinou, MP

Mr B H Wakelin, MP

Mr K W Wilkie, MP

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	Senator the Hon P Cook -to 30/6/05	Mr B W Haase, MP
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	Ms Sara Edson (from 7 November 2005)
	Dr Stephen Dyer (from 5 December 2005)
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Terms of reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade will examine and report on expanding Australia's trade and investment relations with the countries of North Africa (Algeria, Egypt, Libya, Morocco and Tunisia), with particular reference to:

- the nature of Australia's existing trade and investment relations with the region;
- likely future trends in these relations; and
- the role of government, particularly DFAT and Austrade, in identifying and assisting Australian companies to maximise opportunities in North Africa as they emerge.

Referred by the Minister for Trade on 23 May 2005.



List of abbreviations

AACCI	Australia Arab Chamber of Commerce & Industry Ltd
Austrade	Australian Trade Commission
DAFF	Department of Agriculture, Fisheries and Forestry
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration and Multicultural and indigenous Affairs
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
JSCFADT	Joint Standing Committee on Foreign Affairs, Defence and Trade
MFN	Most Favoured Nation
MOU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
TIFA	Trade and Investment Framework Agreement



List of recommendations

5 Trade with North Africa: barriers and opportunities

Recommendation 1

The committee recommends that the Australian Government should seek to improve access for Australian exports through negotiating lower tariffs on a bilateral basis, particularly in agribusiness.

Recommendation 2

The committee recommends that the Australian Government initiate or continue ministerial discussions with North African trading partners to address technical access issues, particularly harmonising customs and standards requirements.

Recommendation 3

The committee recommends that there should be closer focus given to expediting visa processing requirements for North African countries and that DIMIA:

- review its visa processing arrangements for North Africa as a priority, and
- consider reviewing the assessment processes for North Africa students sponsored by their governments.

Recommendation 4

The committee recommends that Austrade reconsider its organisational and representational arrangements for North Africa

Recommendation 5

The committee recommends that high priority be given to the establishment of a Trade Commissioner and Consul-General in Algiers.

Background to the inquiry

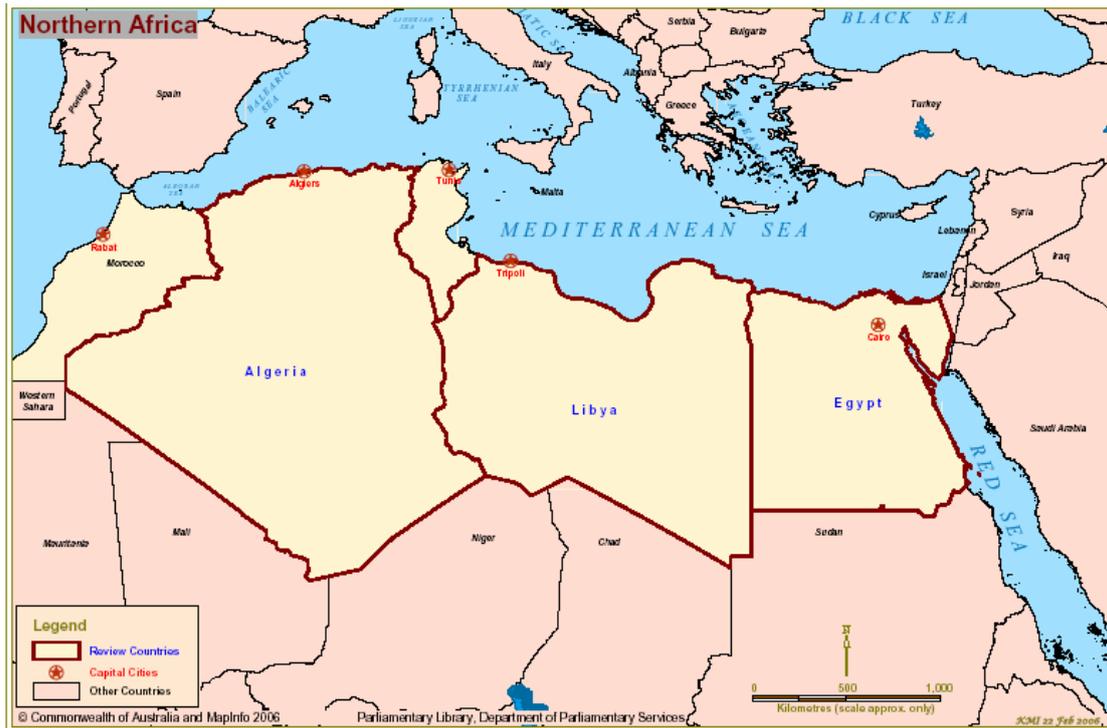
Referral and scope

- 1.1 This inquiry into Australia's trade and investment relations with North Africa was referred by the Minister for Trade to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) on 1 March 2005. The Trade Sub-Committee (hereafter referred to as the committee) conducted the inquiry.
- 1.2 The committee examined trade and investment relations with five countries in the region – Algeria, Egypt, Libya, Tunisia and Morocco.

Inquiry process

- 1.3 The inquiry was advertised in *The Australian* in mid-2005, inviting submissions from the public.
- 1.4 Public hearings were held in Canberra on 1 and 2 August and 4 November 2005.

Figure 1.1 North Africa



Committee visit to North Africa

- 1.5 Following the public hearings, members of the committee visited the five North African countries in November 2005. Their account of that visit is included in this volume as Chapter 4 *Committee's visit report*. The conclusions and recommendations arising from the visit, and from the evidence and submissions, are incorporated in Chapter 5. *Trade with North Africa: barriers and opportunities*.

Structure of the report

- 1.6 The report consists of five chapters. Chapter 2, *The emerging economies of North Africa*, provides an introduction to the five countries. Australia's current relations with the region are discussed in Chapter 3, *Australia's trade and investment with the countries of North Africa*; Chapter 4, *Committee's visit report* records the committee's observations during its visit to the region and Chapter 5, *Trade with North Africa: barriers and opportunities*, examines impediments to greater trade and investment and ways to maximise opportunities in the region.

The emerging economies of North Africa

Regional overview

- 2.1 The countries of North Africa (Algeria, Egypt, Libya, Morocco and Tunisia) share similar climatic and geographical characteristics, but they differ in terms of their economic progress and social and political development. The Algerian and Libyan economies are dominated by the oil and gas sectors, others rely on tourism, agriculture and light industry.¹
- 2.2 Economic development in some countries has been affected by political instability, including civil war in Algeria during the 1990s. During the same period Libya was subject to international sanctions. The conflict between Morocco and Algeria over Western Sahara has also had a negative impact on the economies of both countries.² Table 2.1 summarises significant economic indicators, and each country is considered individually under *Economies of North Africa* below.
- 2.3 The combined population of Algeria, Egypt, Libya, Morocco and Tunisia is over 155 million – a significant market that offers opportunities for Australian exporters and investors in a range of

1 DFAT, *Submission No. 9*, p. 7.

2 DFAT, *Submission No. 9*, p. 7.

sectors. A high birth rate is common to all countries of the region, which presents social and economic challenges such as job creation and the need for improved economic growth.³

Table 2.1 North Africa: Comparative economic indicators, 2002⁴

	Algeria(a)	Egypt(a)	Libya(a)	Morocco(a)	Tunisia(b)
Population (million) ⁵	33.4	73.3	5.7	31.1	9.9
GDP (US\$ bn)	54.1	82.6	14.2	38.4(b)	21.1
GDP per head (US\$)	1,677	1,168	2,552	1,297	2,160(a)
GDP per head (US\$ at PPP)	4,655	3,628	10,933	4,044	6,503(a)
Consumer price inflation (av; %)	2.3(b)	2.7	1.1	2.8(b)	2.8
Current-account balance (US\$ bn)	6.9	0.5(b)	6.9	0.6	-0.7
Current-account balance (% of GDP)	12.8	0.7	48.4	1.6	-3.5
Exports of goods fob (US\$ bn)	19.8	7.0(b)	11.7	7.7(b)	6.9
Imports of goods fob (US\$ bn)	-10.6	-14.7(b)	-3.6	-10.8(b)	-9.0
External debt (US\$ bn)	21.7	29.1	4.4	16.8	12.6(a)
Debt-service ratio, paid (%)	15.0	10.1	6.1	18.5	14.4(a)

Source Economist Intelligence Unit, Country Data.

North African trade links

Global

- 2.4 Egypt, Morocco and Tunisia are all members of the World Trade Organisation. Algeria expects to join the organisation shortly, subject to settlement on several outstanding issues and Libya is in the early stages of its accession process.⁶
- 2.5 Some North African countries have also signed, or are exploring, free trade agreements with countries that are Australia's competitors in some sectors:

3 DFAT, *Submission No. 9*, p. 7.

4 (a) Economist Intelligence Unit estimates. (b) Actual.

5 DFAT, Country, economy and regional information for each country, <http://www.dfat.gov.au/geo/#E>

6 DFAT, *Submission No. 9*, p. 5.

- Morocco concluded a Free Trade Agreement (FTA) with the USA in 2004 and, the committee was told during its visit, envisages integration with the EU within ten years.
- Egypt has been seeking to negotiate an FTA with the USA in recent years. The USA wants to see Egypt make more progress on the reform and modernisation of its political and economic systems before negotiations can begin;⁷ and
- Tunisia has a Trade and Investment Framework Agreement with the USA.⁸

Mediterranean

- 2.6 The **Arab Maghreb Union** was established in 1989 and is intended to help its member countries (Algeria, Libya, Mauritania, Morocco and Tunisia) harmonise their economies and promote trade. Conflict between Algeria and Morocco over the latter's claim of sovereignty over Western Sahara has stopped Union meetings since the early 1990s, but it does provide a framework within which to pursue regional trade.⁹ Egypt is currently in the process of joining the Union.¹⁰
- 2.7 Tunisia, Egypt, Morocco, and Libya are part of the **Arab Free Trade Zone**, with Algeria in the process of becoming a member. The zone, inaugurated in January 2005, eliminates taxes on inter-regionally traded agricultural products and ends the need for certificates of origin.¹¹
- 2.8 In February 2004 Tunisia, Egypt, and Morocco, together with Jordan, entered into the **Agadir Agreement** for the establishment of a free trade zone due to come into operation in early 2006.¹²

European

- 2.9 In addition to regional trade opportunities, the countries of North Africa are keen to take advantage of their proximity to Europe, but

7 DFAT, *Submission No. 9*, p. 7.

8 DFAT, *Submission No. 9*, p. 17.

9 DFAT, *Submission No 9*, p. 6.

10 HE M Tawfik, Ambassador for Egypt, Evidence, 1/8/0/5, p. 15.

11 ANIMA 18/1/05 *Launching of the big Arab free trade*, http://www.animaweb.org/news_en.php?id_news=236

12 *Agadir Agreement*, 25/2/04, [bilaterals.org](http://www.bilaterals.org/article.php3?id_article=2513), http://www.bilaterals.org/article.php3?id_article=2513

without over-reliance on commercial ties. Thus they are seeking to expand their trade and investment activity where appropriate.

- 2.10 The trading links between Europe and North Africa have been formalised to a degree in arrangements such as the **Euro-Mediterranean Partnership** and the **European Neighbourhood Policy** (see box below)¹³

The Euro-Mediterranean Partnership and the countries of North Africa¹⁴

The Euro-Mediterranean Partnership (also known as the *Barcelona Process*) was launched by a meeting of Foreign Ministers of the European Union and countries of the southern Mediterranean at a conference in Barcelona in November 1995.

The Partnership comprises the 25 EU member states and 10 Mediterranean partners (**Algeria**, **Egypt**, Israel, Jordan, Lebanon, **Morocco**, the Palestinian Authority, Syria, **Tunisia** and Turkey). **Libya** has observer status.

The objectives of the partnership include the definition of a common area of peace and stability through the reinforcement of political and security dialogue, construction of a shared zone of prosperity through an economic and financial partnership and the gradual establishment of a free trade area, and rapprochement between peoples through a social, cultural and human partnership.

The partnership involves a bilateral and a regional dimension. Bilaterally, the EU negotiates association agreements with individual Mediterranean partners. The regional dimension encourages regional cooperation in support of the objectives of the Partnership.

According to recent statements efforts are continuing towards the establishment of a Euro-Mediterranean Free Trade Area by 2010.

The more recent *European Neighbourhood Policy* of the EU aims to build on, and complement, the *Barcelona Process* and create enhanced relationships with Europe's neighbours based on shared values and common interests.

- 2.11 Overall, opportunities for increase Australian interaction with the North African countries, but exist, but are currently less extensive than those with the neighbouring Arab Gulf States.¹⁵

13 DFAT, *Submission No. 9*, p. 5.

14 DFAT, *Submission No. 9*, p. 6.

15 DFAT, *Submission No. 9*, p. 5. See *Expanding Australia's Trade and Investment Relations with the Gulf States*, 2005.

Economies of North Africa

Algeria

Table 2.2 Recent economic indicators: Algeria¹⁶

	2000	2001	2002	2003	2004(a)	2005(b)
GDP (US\$bn):	54.0	55.0	56.0	66.0	77.0	89.0
GDP per capita (US\$):	1,750	1,730	1,730	2,020	2,310	2,630
Real GDP growth (% change YOY):	2.4	2.6	4.1	6.8	7.1	7.4
Current account balance (US\$m):	9,140	6,999	4,368	7,759	12,238	18,208
Current account balance (% GDP):	16.8	12.7	7.8	11.7	15.9	20.4
Goods & services exports (% GDP):	42.3	36.6	35.6	38.8	46.3	53.9
Inflation (% change YOY):	-0.6	3.5	2.3	3.5	4.6	4.5
Unemployment rate (%):	29.5	27.3	25.9	24.0	23.4	22.5

Source: DFAT Country Factsheets, <http://www.dfat.gov.au/geo/fs/algr.pdf>

- 2.12 Algeria's economy is dominated by its oil and gas sector. The sector accounts for around 95% of Algeria's export earnings. Algeria has approximately 2.6% of total world natural gas reserves and holds 35% of Africa's proved reserves. It is the world's second largest LNG producer (after Indonesia) and the fourth largest exporter of natural gas.¹⁷
- 2.13 The sector accounts for approximately 52% of budget revenue, 25% of GDP and over 95% of export earnings.¹⁸ High world oil prices have boosted Algeria's overall economic performance. Algeria's oil production in 2004 was 1.4 million barrels per day (mbd). In 2005 production is expected to reach 1.5 mbd. Natural gas production rose in 2004 by 5% to 144.3 billion cubic metres.¹⁹
- 2.14 Despite the internal unrest of the 1990s, Algeria's economy has performed well in recent years. In 2004 it recorded a growth rate of 5.4%, modest inflation, and a small decline in chronic unemployment levels. The OECD expects the Algerian economy to grow by 4.5% in 2005.
- 2.15 This economic performance is largely due to the contribution of its oil and gas sector, but the government has implemented some important

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

17 Woodside Energy Ltd, *Submission No 12*, p. 9.

18 Austrade, *Submission No. 5*, p. 9.

19 DFAT, *Submission No. 9*, p. 9.

policies designed to reduce reliance on hydrocarbon exports, and bring greater diversity to Algeria's economy.²⁰

- 2.16 Algeria still faces some difficult social and economic problems. Unemployment remains very high, affecting both urban and rural areas in roughly equal measure. The average official unemployment level is 22.5%, but in the 20 to 24 year old age group unemployment is assessed to be 43.9%.²¹
- 2.17 The oil and gas sector employs only 3% of the work force. Although dwarfed by the size of the hydrocarbon industry, the construction, agriculture and services sectors are important contributors to the economy.²²
- 2.18 The Algerian government has won the praise of the IMF and OECD for its efforts to modernise its economy and to manage effectively Algeria's oil and gas revenues. In August 2004 the Algerian government established a US\$40 billion economic growth support plan comprising major infrastructure projects focusing in particular on roads, railway construction, airports and sea ports. This should help further to alleviate unemployment and boost Algeria's import requirements, while building communications and transport networks that can support efforts to diversify Algeria's economy.²³

Egypt

Table 2.3 Recent economic indicators: Egypt²⁴

	2000	2001	2002	2003	2004(a)	2005(b)
GDP (US\$bn) (c):	97.9	90.4	84.2	71.5	76.6	89.8
GDP per capita (US\$):	1,445	1,308	1,194	995	1,044	1,202
Real GDP growth (% change YOY) (c):	5.1	3.5	3.0	1.8	2.7	4.0
Current account balance (US\$m):	-821	249	849	3,874	4,348	3,253
Current account balance (% GDP):	-0.9	0.3	1.1	5.2	5.2	3.4
Goods & services exports (% GDP):	16.2	17.5	18.3	21.6	28.1	28.5
Inflation (% change YOY):	2.7	2.3	2.7	4.5	11.3	5.6
Unemployment rate (%):	9.0	9.2	9.0	9.9	9.9	9.9

Source: DFAT Country Factsheets, <http://www.dfat.gov.au/geo/fs/egyp.pdf>

20 DFAT, *Submission No. 9*, p. 9.

21 In Algeria the Minister for Privatisation told the committee during its visit that unemployment was 30% but is now 17%.

22 DFAT, *Submission No. 9*, p. 9.

23 DFAT, *Submission No. 9*, p. 9.

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

- 2.19 Egypt is the most populous country in the Arab world and has the second highest population (estimated at 76 million in 2004) in Africa after Nigeria. About 90% of the population lives along the Nile.²⁵
- 2.20 It has the second largest economy in the Arab world after Saudi Arabia, with GDP estimated at US\$85 billion in 2004. Egypt's principal sources of foreign exchange are Suez Canal tolls, tourism²⁶, expatriate remittances and petroleum exports. Services make by far the biggest contribution to value added (more than half of GDP). Agriculture has declined in recent decades and now contributes less than 20% of GDP. Manufacturing industry accounts for the remainder.²⁷
- 2.21 In the early 1990s, Egypt embarked on a program of structural reforms, including further reduction of the budget deficit and inflation, privatisation of public enterprises, further trade liberalisation and business deregulation. The new government appointed in July 2004 has moved to revive the economic reform program. Key measures have included lowering customs duties, simplifying customs procedures,²⁸ tax reforms and accelerating the privatization program.²⁹
- 2.22 Real GDP was forecast to rise by 4.0% in 2005, up from an estimated 2.7% in 2004. The unemployment rate was expected to fall to 10% in 2005, from 10.9% in 2004.³⁰

25 DFAT, *Egypt Country Brief*, http://www.dfat.gov.au/geo/egypt/egypt_brief.html

26 Tourism in 2004/5 was worth \$6 billion. Embassy of the Arab Republic of Egypt, *Submission No. 3*, p. 5.

27 DFAT, *Egypt Country Brief*, http://www.dfat.gov.au/geo/egypt/egypt_brief.html

28 DFAT, *Egypt Country Brief*, http://www.dfat.gov.au/geo/egypt/egypt_brief.html

29 Embassy of the Arab Republic of Egypt, *Submission No 3*, p. 3.

30 Table 2.3; DFAT, *Submission No. 9*, p. 11; HE M Tawfik, Ambassador, Embassy of Egypt, *Evidence*, 1/8/05, p. 15.

Libya

Table 2.4 Recent economic indicators: Libya³¹

	2000	2001	2002	2003	2004(a)	2005(b)
GDP (US\$bn):	34.3	28.4	19.1	22.7	26.7	35.2
GDP per capita (US\$):	6,539	5,322	3,517	4,091	4,722	6,085
Real GDP growth (% change YOY):	2.6	3.4	3.2	9.1	9.3	8.5
Current account balance (US\$m):	7,745	3,683	122	3,642	6,788	11,529
Current account balance (% GDP):	22.6	13.0	0.6	16.0	25.4	32.8
Goods & services exports (% GDP):	35.2	31.9	47.9	43.7	44.9	47.1
Inflation (% change YOY):	-2.9	-8.8	-9.8	-2.1	-3.4	-1.0
Labour force (m):	1.4	1.4	1.5	1.5	1.6	1.6

Source: DFAT Country Factsheet, <http://www.dfat.gov.au/geoffs/lbya.pdf>

- 2.23 In recent years international competition for business in the Libyan market has grown rapidly. United Nations' sanctions against Libya were lifted in September 2003. This was followed a year later by the lifting of sanctions that had been imposed by the United States. Following Libya's international rehabilitation (based on its renunciation of terrorism and of its programs for the development of weapons of mass destruction) the Libyan government has made clear its intention to re-integrate into the global economy. The reform process it has embarked upon has been, in some respects, hesitant and piecemeal and largely non-transparent. While the government has committed itself to enhancing the role of the private sector, Libya's economy remains under firm central control.³²
- 2.24 Libya's current economic performance is favourable, and its external position, thanks to continuing strong world oil prices, remains robust. The IMF estimates that in 2003 Libya's GDP grew by 9%. Non-oil activities contributed only 2.2% cent to the overall growth figure. In 2004 real GDP growth was estimated to be around 4.5%, the decline reflecting a drop in the growth of oil production.³³
- 2.25 In evidence to the committee, Woodside's assessment of the oil sector was that it had advantages over other producers in its high quality, low sulphur 'sweet' crude oil, proven reserves (more than 3% of the world's total oil reserves), production costs which are among the lowest in the world, and its proximity to the markets of Western Europe compared to Middle East exporters.³⁴

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

32 DFAT, *Submission No. 9*, pp. 12-13.

33 DFAT, *Submission No. 9*, p. 13.

34 Woodside Energy Ltd, *Submission No. 12*, p. 9.

- 2.26 Libya's pattern of trade points to a strong relationship with the main economies of the EU - that is Italy, Germany, France and Britain. But the lifting of UN and US sanctions has opened the door to US companies which have been precluded from doing business with Libya for over a decade. In the coming years, competition for Libya's business will intensify, but overall opportunities will continue to grow also.³⁵
- 2.27 Looking at future prospects, economic growth will remain strong, underpinned by high international oil prices. The Libyan government's commitment to economic reform has been clearly stated and there is no sign that it will revise the broad direction it is now heading in. Practical difficulties in implementing the reforms are substantial. Delays and disappointments are likely to be encountered in the short to medium term.³⁶

35 DFAT, *Submission No. 9*, p. 13.

36 DFAT, *Submission No. 9*, p. 13.

Morocco

Table 2.5 Recent economic indicators: Morocco³⁷

	2000	2001	2002	2003	2004(a)	2005(b)
GDP (US\$bn):	35.0	36.1	38.3	46.4	53.2	55.4
GDP per capita (US\$):	1,201	1,220	1,274	1,518	1,714	1,756
Real GDP growth (% change YOY):	1.0	6.3	3.2	5.2	3.7	1.9
Current account balance (US\$m):	-501	1,606	1,474	1,552	543	-377
Current account balance (% GDP):	-1.4	4.4	3.8	3.3	1.0	-0.7
Goods & services exports (% GDP):	25.0	26.2	27.3	26.3	25.5	24.9
Inflation (% change YOY):	1.9	0.6	2.8	1.2	1.5	2.0
Labour force (m):	10.3	10.3	10.5	10.9	11.0	11.2

Source: DFAT Country Factsheet, <http://www.dfat.gov.au/geoffs/moro.pdf>

- 2.28 Morocco has come to be regarded as something of an exemplar among the countries of North Africa for its commitment to political, economic and social reforms that have transformed the country into one of the most open and progressive in the Arab world. Morocco's economy performed well in 2003 and 2004, underpinned by policies that have created improved conditions for business and for investment.³⁸
- 2.29 Morocco's real GDP rate of growth in 2004 was 3.5% compared to 5.6% growth the previous year, reflecting Morocco's continuing reliance on its agriculture sector and the vagaries of climate. The primary sector employs 45% of the total active population and 60% of the total female active population.³⁹
- 2.30 Prospects for further economic advances in Morocco remain good. Under King Mohamed VI the authorities are committed to the further modernisation of both society and the economy. Democratic institutions continue to be strengthened, and open, competitive economic and business conditions continue to be encouraged. The government remains firmly committed to a reform program designed to promote human development and economic growth, reduce the vulnerability of agriculture to drought and improve public governance. Continued economic growth and sound macroeconomic policy underpin the growth of a more sizeable middle class in Morocco. This community, bolstered by large numbers of European

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

38 DFAT, *Submission No. 9*, p. 14.

39 DFAT, *Submission No. 9*, p. 15.

tourists which visit the country annually, is creating new market opportunities.⁴⁰

Tunisia

Table 2.6 Recent economic indicators: Tunisia⁴¹

	2000	2001	2002	2003	2004(a)	2005(b)
GDP (US\$bn):	19.4	20.0	21.1	25.0	28.2	29.3
GDP per capita (US\$):	2,042	2,078	2,164	2,543	2,838	2,920
Real GDP growth (% change YOY):	3.5	4.9	1.7	5.6	6.0	5.0
Current account balance (US\$m):	-821	-841	-746	-731	-554	-545
Current account balance (% GDP):	-4.2	-4.2	-3.5	-2.9	-2.0	-1.9
Goods & services exports (% GDP):	44.5	47.7	45.2	43.7	44.6	45.0
Inflation (% change YOY):	2.9	2.0	2.7	2.7	3.6	2.0
Unemployment rate (%):	15.6	15.0	14.9	14.3	13.9	13.5

Source DFAT Country Factsheet, <http://www.dfat.gov.au/geofs/tuni.pdf>

- 2.31 Tunisia, with a population of 9.9 million, has a diverse economy, the most important sectors of which are agriculture, mining, energy, tourism and manufacturing.⁴² The Tunisian economic performance is one of the best in the Middle East and North Africa region.⁴³
- 2.32 Tunisia was the first country in North Africa to sign as an associate member with the EU⁴⁴ and its trade profile is heavily oriented towards the EU, which accounted for 81% of Tunisia's exports and 71% of its imports in 2004.⁴⁵ Tunisia has free trade agreements with Turkey, Egypt, Jordan and Morocco, and a Trade and Investment Framework Agreement with the United States.⁴⁶
- 2.33 The government is keen to modernise the farming with the application of modern technology systems. Agriculture and fisheries experienced real growth in 2004 of 9% and contributed 14% of GDP.⁴⁷

40 DFAT, *Submission No. 9*, p. 16.

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

42 DFAT, *Submission No. 9*, p. 16.

43 Austrade, *Submission No. 5*, p.7.

44 Mr A Amari, Consul General, Consulate of Tunisia, *Evidence*, 4/11/05, p. 30.

45 Major trading partners are: France, Italy and Germany. Mr A Amari, Consul General, Consulate of Tunisia, *Evidence*, 4/11/05, p. 37. Mr P Foley, Assistant Secretary, Middle East and Africa, DFAT, *Evidence*, 1/8/05, p. 49.

46 DFAT, *Submission No. 9*, p. 17.

47 DFAT, *Submission No. 9*, pp. 16-17.

- 2.34 Manufacturing sectors that performed well in 2004 were food processing, chemicals and mechanical and electrical manufacturing. Tourist numbers grew by 17% to 6 million, mainly from Europe.⁴⁸
- 2.35 Tunisia's textile, clothing and footwear industry has, until recently, comprised one third of its manufacturing industry, 42.4% of its exports and 6%. Tunisia has also implemented some structural reforms within the sector to shore up its competitiveness. However, following the conclusion of a ten-year transitional program of the WTO Agreement on Textiles and Clothing in January 2005, this industry now faces difficulties and substantial job losses.⁴⁹
- 2.36 Unemployment, running at 14% nationally in 2004, continues as a major priority for the government. High levels of youth and graduate unemployment are a continuing problem.⁵⁰
- 2.37 The government has been reducing spending, modernising the taxation system and, since 1987, pursuing a privatisation program.⁵¹
- 2.38 Some attempts have been made to improve business conditions, reform trade policies and practices and to attract more private and foreign investment. To encourage that investment the government has developed industrial zones and improved the road, distribution and data transmission networks.⁵²
- 2.39 According to DFAT, Tunisia's longer term economic prospects appear positive. Although some sectors of the economy such as textiles, clothing and footwear are likely to continue to be problem areas for the authorities Tunisia's diverse economy and the long term strategies the government is implementing for structural and macroeconomic reforms should continue to ensure good economic performance.⁵³

48 DFAT, *Submission No. 9*, p. 17. Mr A Amari, Consul General, Consulate of Tunisia, *Evidence*, 4/11/05, p. 32.

49 In 2003 17 textile/clothing/footwear factories were closed, costing 8,000 jobs although the industry still employs around 280,000 workers. DFAT, *Submission No 9*, p. 16.

50 DFAT, *Submission No. 9*, p. 16.

51 180 government-owned companies have been sold off or liquidated. Austrade, *Submission No. 5*, p. 7.

52 DFAT, *Submission No. 9*, pp. 16-18.

53 DFAT, *Submission No. 9*, p. 18.

Summary

2.40 In recent years the governments in the North African countries have made commitments to wide-ranging macroeconomic and structural reforms to modernise their economies. These reforms include a shift to market-based economies and should bring higher standards of public and corporate governance. This will open the region to trade and investment opportunities for other countries, including Australia.⁵⁴

54 DFAT, *Submission No. 9*, p. 5.

Australia's trade and investment with the countries of North Africa

Regional snapshot

- 3.1 The countries of North Africa are a growing but relatively untapped market for Australian exporters and investors. At present, the trade is heavily in Australia's favour and is dominated by Australian farm exports (grains, pulses, live animals and meat and semi- and processed foods)
- 3.2 Overall, there appears to be no discernable trend in Australian trade with the region. Both imports and exports show significant fluctuations from year to year in each of the countries in North Africa.¹
- 3.3 Australian investment in the region includes mining or minerals processing and there has been considerable Australian investment in the countries which possess oil and gas reserves (see box below).²
- 3.4 Outside the minerals and energy sectors, there appears to be lesser Australian interest in investment in the region.³ This is due partly to lack of transparency in the treatment of foreign investment by the

1 See DFAT, *Composition of Australian Trade 2003-2004*.

2 DFAT, *Submission No. 9*, p. 19.

3 DFAT, *Submission No. 9*, p. 19.

countries in the region, an area in which the region still has a way to go before it will be seen as an attractive target for foreign direct investment.⁴

Australian Oil and Gas Companies in North Africa⁵

A number of Australian oil and gas exploration and production companies are engaged in significant operations in North African countries

BHP Billiton has currently two major developments in Algeria – the Ohanet wet gas development – in which **Woodside Energy Ltd** is among the joint venture participants and the Rhourde Oulad Djemma (ROD) integrated oil development. The Ohanet gas project involves the development of four gas condensate reservoirs in the Ohanet region which is around 1300 kms south east of Algiers. Gas production commenced in October 2003. The ROD development comprises development of the ROD oilfield and five satellite fields. Production commenced in October 2004. In 2004 BHP Billiton successfully bid for two further blocks in Algeria

Woodside Energy Ltd has major (onshore) exploration interests in the Sirte Basin and the Murzuq Basin in West Libya with the National Oil Corporation of Libya and other joint venture partners. In January 2005 Woodside and joint venture partners acquired four additional offshore blocks. Woodside's Algerian joint venture interests with **BHP Billiton** are described above.

Oil Search Limited, which is active in Papua New Guinea, has sought to complement its position in PNG by developing interests in the Middle East (Yemen) and North Africa (Egypt and Libya). Oil Search was awarded an interest in Egypt's East Ras Qattara block where it has performed some seismic work and is scheduled to drill one well in 2006. In Libya Oil Search was successful (in 2005) in bidding for an offshore block

Santos is investing over \$70m in a joint exploration venture with its U.S. partner, Devon, in the Gulf of Suez in Egypt

3.5 Statistical confidentiality considerations make it difficult to obtain accurate and meaningful data on investment relations between

4 DFAT, *Submission No. 9*, p. 19.

5 DFAT, *Submission No. 9*, p. 19.

Australia and the countries of North Africa. The tables below provide a general picture of inward and outward investment across all sectors in 2001-2004.

Table 3.1 North Africa (including Sudan): Investment by Australia

	2001		2002		2003		2004	
	Trans- actions	Levels \$m	Trans- actions	Levels \$m	Trans- actions	Levels \$m	Trans- actions	Levels \$m
Total	36	285	21	270	42	212	213	362
Direct	*	*	*	*	*	*	*	*
Portfolio	1	*	1	*	1	*	*	*
Other	*	*	*	*	*	*	*	*

Source DFAT, Submission No. 9, p.20. * = not published

Table 3.2 Australia: Investment by North African countries including Sudan

	2001		2002		2003		2004	
	Trans- actions	Levels \$m	Trans- actions	Levels \$m	Trans- actions	Levels \$m	Trans- actions	Levels \$m
Total	112	113	97	18	49	66	62	4
Direct	*	0	0	0	0	0	0	0
Portfolio	0	0	0	0	0	0	0	0
Other	*	113	97	18	49	66	62	4

Source DFAT, Submission No. 9, p.20. * = not published

- 3.6 Australia's merchandise exports to the region in 2001-2004 were dominated by Australian wheat exports to Egypt.
- 3.7 However, the figures in Table 3.3 below illustrate that Australian exporters can do and are doing business in North Africa, and that there is scope for further growth.⁶
- 3.8 Again, the Australian Bureau of Statistics restricts the release of statistics on certain commodities to avoid divulging commercially-sensitive details of any single firm's operations. A consequence of this policy is that the DFAT Composition of Trade data used in the following table does not identify exports of a number of commodities,

6 DFAT, Submission No. 9, p. 20.

including wheat, alumina and sugar.⁷ However, although the volume and value of these commodities are not separately available, their values are included in total export figures below.

Table 3.3 Australia's principal exports and imports for 2004

Country	Balance of trade	Main exports	Main imports
Egypt	\$611 million	Total value \$646 million	Total value \$35 million
<ul style="list-style-type: none"> Population 73 million Est. GDP US\$85 billion (2004) 		<ul style="list-style-type: none"> Wheat Fresh vegetables Coal Dairy products Machinery/equipment 	<ul style="list-style-type: none"> Refined petroleum Floor coverings Textiles Fertilizers
Libya	\$14 million	Total value \$14 million	Total value \$0
<ul style="list-style-type: none"> Population 5.7 million Est. GDP US\$25 billion (2004) 		<ul style="list-style-type: none"> Meat Measuring instruments Telecom equipment Civil engineering equipment 	
Algeria	\$70 million	Total value \$69 million	Total value \$15 million
<ul style="list-style-type: none"> Population 33.4 million Est. GDP US\$76 billion (2004) 		<ul style="list-style-type: none"> Coal Meat Dairy product 	<ul style="list-style-type: none"> Combustion engines Pumps for liquids Electrical equipment
Morocco	\$9 million	Total value \$29 million	Total value \$20 million
<ul style="list-style-type: none"> Population 31.1 million Est. GDP US\$53 million (2004) 		<ul style="list-style-type: none"> Crude animal materials Dairy products Toys/games/sporting Crude vegetable materials 	<ul style="list-style-type: none"> Fertilizers Integrated circuits Seafood Textiles/clothing
Tunisia	-\$1.7 million	Total value \$3.4 million	Total value \$5.2 million
<ul style="list-style-type: none"> Population 9.9 million Est. GDP US\$28 billion (2004) 		<ul style="list-style-type: none"> Inorganic chemicals Dairy products Measuring instruments Printing machinery 	<ul style="list-style-type: none"> Clothing Textiles/knitwear Vegetable fat/oils Vehicle parts

Source: *Source: DFAT, Composition of Trade Statistics (Calendar Year 2004) cited in Austrade Submission No. 5, p.8*

3.9 In evidence to the committee, Dairy Australia indicated that the trade statistics for, for example, Libya would not include products sold into the region then transhipped and onsold to Libya.⁸

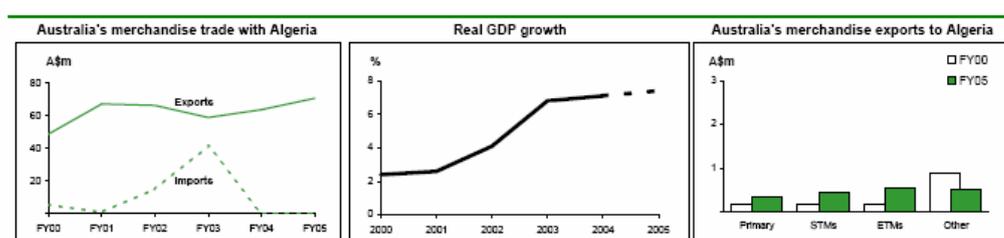
7 DAFF, *Submission No. 18*, p. 3.

Trade and investment by country

Algeria

3.10 Approximately half of Algeria's trade is with the EU with the US its next most important trading partner.⁹

Figure 3.1 Australia's trade relationship with Algeria



Australia's trade relationship with Algeria:

Major Australian exports, 2004-05 (A\$m):

Coal	29
Meat (excl. bovine)	29
Cheese and curd	11
Bovine meat	1

Major Australian imports, 2004-05 (A\$m):

No significant imports were recorded.

Australian merchandise trade with Algeria, 2004-05:

		Total share:	Rank:	Growth (yoy):
Exports to Algeria (A\$m):	71	0.1%	60th	10.9%
Imports from Algeria (A\$m):	0	0.0%	186th	-21.1%
Total trade (exports + imports) (A\$m):	71	0.0%	74th	10.9%
Merchandise trade surplus with Algeria (A\$m):	71			

Australia's trade in services with Algeria, 2004:

		Total share:
Exports of services to Algeria (A\$m):	n.a.	n.a.
Imports of services from Algeria (A\$m):	n.a.	n.a.
Services trade balance with Algeria (A\$m):	n.a.	

Algeria's global merchandise trade relationships:

Algeria's principal export destinations, 2004:

1	United States	23.6%
2	Italy	16.1%
3	France	11.4%
4	Spain	11.2%
5	Netherlands	7.4%
34	Australia	0.1%

Algeria's principal import sources, 2004:

1	France	22.6%
2	Italy	8.5%
3	Germany	6.5%
4	United States	6.0%
5	China	5.0%
40	Australia	0.3%

Compiled by the Markets 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.

Source DFAT Country Factsheet

Background

3.11 As the Table above indicates, Australia exported nearly A\$71m worth of goods to Algeria in 2004/5, which, as in other years, consisted

8 Mr P Goode, Manager, International Policy, Dairy Australia, *Evidence*, 4/11/05, p. 2.

9 Austrade, *Submission No. 5*, p. 6.

mainly of meat (\$29m) and coal (\$29m). Although Algeria is the largest importer of dairy products in the world, particularly of milk powders¹⁰, it took only \$11m worth of cheese and curd in 2004/5. In addition to bovine meat exports worth \$1m in 2004/5, Algeria is also a principal destination for Australian lamb and mutton (see Table 3.4).¹¹

3.12 Imports were negligible in 2004/5, although in the previous three years Australia purchased significant quantities of liquefied propane (worth A\$55.1m in 2002).¹²

Table 3.4 Australian red meat exports to Algeria (tonnes shipped weight)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Beef / veal	0	0	0	647	551	36	765	45	0	60
Lamb	0	0	0	151	56	96	97	373	1009	3080
Mutton	0	0	146	11	4072	6203	1933	215	1060	5338
Goat	0	0	0	0	0	0	0	0	0	0
Offal	0	214	0	0	0	0	0	0	0	0
TOTAL	0	214	146	810	4679	6336	2795	633	2069	8418

Source DAFF

Summary

3.13 Algeria ranked second in value of Australia's export trade to North Africa in 2004/5 and third in overall trade value.

10 10% of world imports, Australian Dairy Industry Council, *Submission No. 10*, p. 1; Mr P Goode, Manager, International Policy, Dairy Australia, *Evidence*, 4/11/05, p. 1.

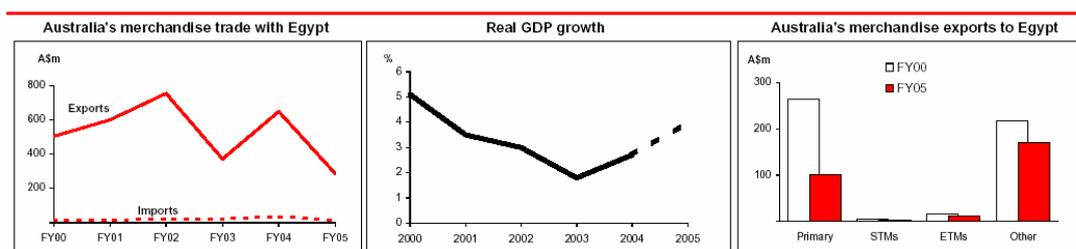
11 Meat and Livestock Australia, *Submission No. 11*, pp. 2-4.

12 DFAT, *Submission No. 9*, p. 21.

Egypt

3.14 Egypt is Australia's major trading partner in the region. The long standing relationship is built on Australian wheat, pulses and other food exports.

Figure 3.2 Australia's trade relationship with Egypt.



Australia's trade relationship with Egypt:

Major Australian exports*, 2004-05 (A\$m) (d):

Coal	35
Fresh vegetables	20
Butter	11
Cheese and curd	8
Milk and cream	5

*Includes A\$170m of confidential items, 60% of total exports.

Major Australian imports, 2004-05 (A\$m):

Floor coverings	3
Bed, table, toilet and kitchen linen	2
Furniture	1
Crude vegetable materials	1
Special yarns and textile fabrics	1

Australian merchandise trade with Egypt, 2004-05:

		Total share:	Rank:	Growth (yoy):
Exports to Egypt (A\$m) (d):	286	0.2%	35th	-55.9%
Imports from Egypt (A\$m):	14	0.0%	76th	-61.1%
Total trade (exports + imports) (A\$m):	300	0.1%	48th	-56.2%
Merchandise trade surplus with Egypt (A\$m):	272			

Australia's trade in services with Egypt, 2004:

		Total share:
Exports of services to Egypt (A\$m):	n.a.	n.a.
Imports of services from Egypt (A\$m):	n.a.	n.a.
Services trade balance with Egypt (A\$m):	n.a.	

Egypt's global merchandise trade relationships:

Egypt's principal export destinations, 2004:

1	Italy	12.8%
2	United States	11.6%
3	United Kingdom	7.3%
4	Germany	4.9%
5	Spain	4.5%
45	Australia	0.2%

Egypt's principal import sources, 2004:

1	United States	12.5%
2	Germany	6.8%
3	Italy	6.8%
4	France	5.8%
5	China	5.5%
14	Australia	1.9%

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) Year ending June 30; (d) Excludes exports of Alumina of approx. A\$79m.
n.a. Data not available.

Source: DFAT Country Factsheet

Background

3.15 Egypt is a particularly important market for Australian wheat: in 2003/4, Australia's share of Egypt's wheat imports was 35%, second only to the US.¹³ Egypt accounted for 97% of wheat exports to the

region.¹⁴ Australia has also had some success in exporting manufactured and high technology products.

- 3.16 Exports to Egypt have fluctuated. Since a after a sharp drop in 2003 due to the impact of drought in Australia and a depreciated Egyptian currency, the value rebounded to just under A\$646m in 2004, and slowed to \$286m in 2004/5.¹⁵
- 3.17 The reduction of Australian meat and livestock shipments to Egypt over the last several years reflected the currency depreciation as well as high prices in other markets and competition from other suppliers. Livestock shipments averaged 140,800 head over the 2000-2003 period, but there were no shipments in 2004 (see Tables 3.5 and 3.6).¹⁶ In May 2005, however, approximately 7,000 head of cattle were shipped from Australia to Egypt and Middle East reports suggested that reduced supplies in North Africa have caused price rises that could see Australian livestock become more competitive.¹⁷

Table 3.5 Australian red meat exports to Egypt (tonnes shipped weight)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Beef / veal	68	500	467	1029	1322	284	218	165	77	74
Lamb	13	77	14	48	226	155	126	37	21	23
Mutton	94	65	14	467	399	1203	345	82	129	252
Goat	0	0	0	0	0	0	0	0	0	0
Offal	39	0	0	5	29	94	20	0	80	363
TOTAL	214	642	495	1549	1976	1736	709	284	307	712

Source: Department of Agriculture, Fisheries and Forestry

Table 3.6 Australian livestock exports to Egypt (head)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cattle	15,541	52,210	37,539	119,579	240,482	207,551	203,206	145,015	7583	0
Sheep	93,000	44,299	55,209	38,031	164,054	348,839	271,401	139,285	15,730	0
Goats	0	0	0	0	0	0	0	450	0	0

Source: Australian Bureau of Statistics

14 Dr M O'Flynn, Acting Executive Manager, International Division, DAFF, *Evidence*, 2/8/05, p. 3.

15 DFAT, *Submission No. 9*, p. 21 and Figure 3.2 above

16 Meat and Livestock Australia, *Submission No. 11*, pp. 2-4.

17 DAFF, *Submission No. 18*, p. 7.

- 3.18 As with other North African countries, Egypt's exports to Australia are minimal. They are confined mainly to refined petroleum, floor coverings, textiles and furniture.¹⁸
- 3.19 Australia and Egypt intend to expand the bilateral trading relationship. This is reflected in the number of framework agreements signed over the past two decades. These include: an Agreement on Trade (1988); Memoranda of Understanding (MOU) on Electrophoretic testing of Exports of Australian Grains and pulses to Egypt, on Air Services Arrangements (signed in 1997) and on Mutual Cooperation on Trade Promotion (1998); an Agreement on the Promotion and Protection of Investments (2001); a draft MOU on Live Animal Trade is under consideration and a draft Trade and Economic Framework has also been mooted.¹⁹
- 3.20 Opportunities are expanding in the mining sector. Current Australian investment activity in Egypt includes:
- significant AWB Ltd investment in Five Star Flour Mills, Egypt's largest private flour mill which uses only Australian wheat to produce high quality flour;
 - Centamin Egypt Ltd announcing in 2005 that it had discovered, and is developing, a strategy to extract high quality gold from Egypt;
 - Gippsland Ltd signing an agreement in January 2005 with the Egyptian mineral Resources Authority to purchase 320,000 pounds of tantalum concentrate each year when commercial mining operations begin at the Abu Dabbab mine in southeast Egypt in 2006. Gippsland Ltd has 50% equity in the mine;
 - Santos Ltd investing approximately A\$70m in a joint exploration venture for oil and gas in the Gulf of Suez;
 - Oil Search Ltd's 49.5% interest in the onshore East Ras Qattara block;
 - P&O Ports' right to become a 60% shareholder in a new company which will operate a new multi-million dollar shipping terminal in Sinai; and

18 DFAT, *Submission No. 9*, p. 21.

19 DFAT, *Submission No. 9*, p. 23.

- Magnesium International Ltd negotiation with the Egyptian authorities to build and operation a magnesium smelter on the Red Sea.²⁰

3.21 Apart from these ventures, Egypt is not a major destination for Australian investment, partly because Egypt has wanted to protect its services sector from foreign competition. This is starting to change, however. Egypt recently made an offer of new commitments relating to insurance and air transport services (computer reservation systems, aircraft repair and maintenance services). Australia is also encouraging Egypt to look at similar commitments in areas including:

- professional services (legal, mining, scientific and technical, urban planning, landscape architecture);
- banking services;
- pipeline transport;
- construction services;
- air transport; and
- management consulting.²¹

Summary

3.22 Egypt is Australia's primary trading and investment destination in North Africa. The value of overall trade in 2004/5 was 3.5 times that of Morocco, the next ranked country in North Africa.

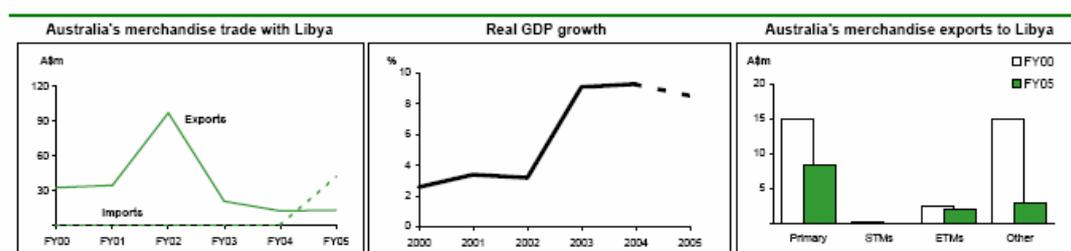
20 DFAT, *Submission No. 9*, pp. 22-23.

21 DFAT, *Submission No. 9*, p. 22.

Libya

3.23 Following normalisation of relations in 2002, Australian merchandise and services exports to Libya increased. The opening in October 2005 of an Australian Consulate-General in Tripoli furthered the commercial relationship.²²

Figure 3.3 Australia's trade relationship with Libya



Australia's trade relationship with Libya:

Major Australian exports, 2004-05 (A\$m):		Major Australian imports, 2004-05 (A\$m):	
Meat (excl. bovine)	8	Crude petroleum	43
Telecommunications equipment	1		
Measuring and controlling instruments	1		

Australian merchandise trade with Libya, 2004-05:		Total share:	Rank:	Growth (yoy):
Exports to Libya (A\$m):	13	0.0%	102nd	5.1%
Imports from Libya (A\$m):	43	0.0%	62nd	n.m.
Total trade (exports + imports) (A\$m):	56	0.0%	81st	339.0%
Merchandise trade deficit with Libya (A\$m):	29			

Australia's trade in services with Libya, 2004:		Total share:
Exports of services to Libya (A\$m):	n.a.	n.a.
Imports of services from Libya (A\$m):	n.a.	n.a.
Services trade balance with Libya (A\$m):	n.a.	

Libya's global merchandise trade relationships:

Libya's principal export destinations, 2004:			Libya's principal import sources, 2004:		
1	Italy	37.1%	1	Italy	27.2%
2	Germany	16.3%	2	Germany	10.8%
3	Spain	11.9%	3	Tunisia	6.6%
4	Turkey	7.2%	4	United Kingdom	5.6%
5	France	6.3%	5	Turkey	4.9%
	Australia	n.a.	44	Australia	0.1%

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. n.m. Not meaningful.

Source: DFAT Country Factsheet

Background

3.24 Merchandise exports to Libya were worth \$13m in 2004/5 while Libyan exports to Australia in that year were \$43m. Australia's main exports to Libya in recent years have been meat, grains, other food,

22 DFAT, Submission No. 9, p. 23.

civil engineering equipment, telecommunications equipment and measuring instruments.

- 3.25 Libya has been a key market for Australian mutton and livestock exports. Demand for Australian mutton is driven by its price and availability compared to other cheap protein sources such as lower-grade beef, poultry and buffalo (see Tables 3.7 and 3.8).²³

Table 3.7 Australia: red meat exports to Libya 1995-2005 (tonnes shipped weight)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Beef / veal	556	251	1081	1722	939	1436	103	1126	628	0
Lamb	0	8	0	242	175	729	161	0	0	237
Mutton	473	346	1117	901	502	582	10176	12586	1615	3300
Goat	0	0	0	0	15	0	0	0	0	0
Offal	46	13	0	0	0	0	11	80	0	46
TOTAL	1075	618	2198	2865	1631	2747	10451	13792	2243	3523

Source *Meat and Livestock Australia Ltd, Submission No 11, p.9.*

Table 3.8 Australia: livestock exports to Libya 1995-2004 (head)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cattle	1298	10,007	105,257	120,717	23,115	0	0	0	0	0
Sheep	40,988	62,755	38,022	0	0	0	0	0	0	0
Goats	0	0	5	0	0	0	0	0	0	0

Source *Meat and Livestock Australia Ltd, Submission No 11, p.11.*

- 3.26 In the first nine months of 2005 Australia's meat exports increased significantly,²⁴ and Toyota announced plans to export Australian-made Camry vehicles to Libya.
- 3.27 Woodside Energy has acquired significant onshore and offshore acreage in Libya for oil and gas exploration and production. Woodside and its partners are the second-largest holders of exploration acreage in Libya.²⁵
- 3.28 Australia first participated in the Libya International Fair in 2004, fielding 12 companies, and the Western Australian Government

23 *Meat and Livestock Australia, Submission No. 11, pp. 2-4.*

24 The frozen mutton trade was worth approximately \$10 million in 2004. Dr M O'Flynn, Acting Executive Manager, International Division, DAFF, *Evidence*, 2/8/05, p. 3 .

25 DFAT, *Submission No. 9*, p. 24.

promoted an additional 40 to more than 80,000 visitors. Five of the exhibitors are now doing business with Libya.²⁶

Summary

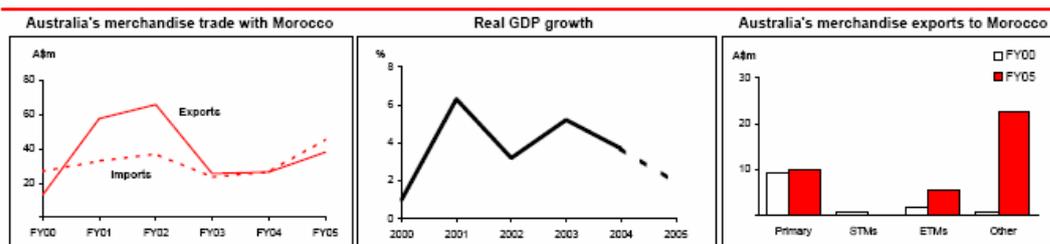
3.29 Trade with Libya has only recently resumed and in 2004/5 was Australia's fourth-ranked trading partner in North Africa.

²⁶ Austrade, *Submission No. 5*, p. 13.

Morocco

3.30 Morocco has free trade agreements with the United States, Egypt, Jordan, Tunisia and Turkey in addition to its Euro-Mediterranean partnership arrangements.²⁷

Figure 3.4 Australia's trade relationship with Morocco



Australia's trade relationship with Morocco:

Major Australian exports*, 2004-05 (A\$m):

Meat (excl. bovine)	4
Crude animal materials	2
Furniture	2
Toys, games & sporting goods	2
Cheese and curd	1

*Includes A\$22m of confidential items, 59% of total exports.

Major Australian imports, 2004-05 (A\$m):

Crude fertilizers	25
Fertilizers (excl. crude)	5
Inorganic chemical elements	4
Prepared seafood	3
Integrated circuits	3

Australian merchandise trade with Morocco, 2004-05:

		Total share:	Rank:	Growth (yoy):
Exports to Morocco (A\$m):	38	0.0%	74th	43.7%
Imports from Morocco (A\$m):	46	0.0%	61st	70.9%
Total trade (exports + imports) (A\$m):	84	0.0%	70th	57.3%
Merchandise trade deficit with Morocco (A\$m):	7			

Australia's trade in services with Morocco, 2004:

		Total share:
Exports of services to Morocco (A\$m):	n.a.	n.a.
Imports of services from Morocco (A\$m):	n.a.	n.a.
Services trade balance with Morocco (A\$m):	n.a.	

Morocco's global merchandise trade relationships:

Morocco's principal export destinations, 2004:

1	France	25.4%
2	Spain	19.1%
3	United Kingdom	8.0%
4	Italy	4.9%
5	United States	4.7%
46	Australia	0.1%

Morocco's principal import sources, 2004:

1	France	20.3%
2	Spain	14.9%
3	Germany	7.0%
4	Italy	6.7%
5	Saudi Arabia	4.9%
50	Australia	0.1%

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.

Source: DFAT Country Factsheet

Background

3.31 In 2004/5 Australian exports to Morocco were valued at A\$38m and consisted mainly of grain, meat, crude animal materials, furniture and toys, games and sporting goods. Morocco exports of A\$46m to

27 DFAT, Submission No. 9, pp. 14-15.

Australia included fertilizers, inorganic chemical elements prepared seafood and integrated circuits.

- 3.32 Morocco has signed a deal with two Australian companies (Pancontinental Oil and Gas NL and Cooper Energy BVI Ltd) and a British company to explore for oil in an offshore zone in the Mediterranean.²⁸

Summary

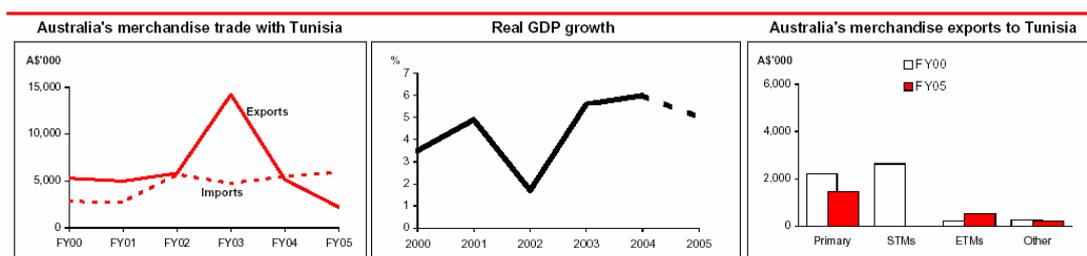
- 3.33 Morocco was Australia's second largest North African trading partner in 2004/5 after Egypt.

28 DFAT, *Submission No. 9*, p. 24.

Tunisia

3.34 Tunisia's wheat requirements are mainly met by the EU and Canada and dairy from the EU and it is almost self-sufficient in red meat.²⁹

Figure 3.5 Australia's trade relationship with Tunisia.



Australia's trade relationship with Tunisia:

Major Australian exports, 2004-05 (A\$'000):		Major Australian imports, 2004-05 (A\$'000):	
Cheese and curd	1,107	Clothing	3,663
Butter	162	Motor vehicle parts	482
Cotton	150	"Soft" fixed vegetable fats & oils	412
Measuring and controlling instruments	107	Fruit and nuts, fresh or dried	344
Electrical machines & apparatus	106	Electrical machinery and equipment	140

Australian merchandise trade with Tunisia, 2004-05:			
		Total share:	Rank:
Exports to Tunisia (A\$'000):	2,201	0.0%	156th
Imports from Tunisia (A\$'000):	5,902	0.0%	94th
Total trade (exports + imports) (A\$'000):	8,103	0.0%	138th
Merchandise trade deficit with Tunisia (A\$'000):	3,701		

Australia's trade in services with Tunisia, 2004:			Total share:
Exports of services to Tunisia (A\$m):	n.a.		n.a.
Imports of services from Tunisia (A\$m):	n.a.		n.a.
Services trade balance with Tunisia (A\$m):	n.a.		

Tunisia's global merchandise trade relationships:

Tunisia's principal export destinations, 2004:			Tunisia's principal import sources, 2003:		
1	France	33.1%	1	France	24.9%
2	Italy	25.3%	2	Italy	18.9%
3	Germany	9.2%	3	Germany	8.4%
4	Spain	6.1%	4	Spain	5.3%
5	Libya	3.6%	5	Libya	3.3%
69	Australia	0.0%	65	Australia	0.0%

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.

Source: DFAT Country Factsheet

Background

3.35 In 2004/5 Australia exported merchandise to Tunisia worth A\$2.2m, the principal item being cheese and curd (\$1.1m). In June 2005, the first shipment of Australian frozen sheep meat occurred.³⁰

29 DAFF, Submission No. 18, p. 8.

30 DAFF, Submission No. 18, p. 8.

- 3.36 Tunisian exports to Australia in 2004/5 were valued at A\$5.2m and included clothing (\$3m), vegetable fats and oils (\$1m), fruit and nuts, motor vehicle parts and textiles.³¹
- 3.37 Currently there is not a high degree of interest in investing or trading with Tunisia amongst Australian companies. Austrade has not recorded any business dealings with Tunisia in 2004/5.³²

Summary

- 3.38 DFAT believes that, although Tunisia's level of commercial activity with Australia is small, scope exists for further development.³³
- 3.39 With this background knowledge, the committee visited the region in November 2005. The visit report comprises the next chapter.

31 DFAT, *Submission No. 9*, p. 24. DAFF, *Submission No. 18*, p. 8.

32 AUSTRADE, *Submission No. 5*, p. 9.

33 DFAT, *Submission No. 9*, p. 24

Committee's visit report

Introduction

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

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



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

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

MOROCCO: 13-15 November 2005

Committee visit

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

Committee overview

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

1 See Appendix C for details.

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

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

Summary

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

Current trade and investment

Trade

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

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

Investment

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

Summary

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

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

Algeria: 16-17 November 2005

Committee visit

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

Committee overview

4.25 Algeria is a resource-rich country approximately the size of Western Australia, which has a population of 33 million, of which 99% is Sunni Muslim.

4.26 There have been security problems preventing investment. Some success has been achieved by the Government in reducing terrorism. 100,000 have been killed in the struggles. The Government advised the committee that it believes it is winning the war on terrorism, following significant negotiations with the rebel forces.

4.27 Algeria was a French colony until 1962, and its number one source of imports is France so French is spoken as much as Arabic. Nevertheless, 50% of the business community speaks English.

4.28 The oil and gas sector is fundamental to Algeria's economy. In terms of oil and gas reserves/production, Algeria is first in Africa. It is third in the world in natural gas resource/production. Reserves are 38 billion Barrels of Oil Equivalent [BOE]. Natural gas represents 60% of reserves and crude oil 29%.

4.29 Sales turnover is \$US31.6 billion. There have been 68 wells drilled and nine discoveries in recent years.

4.30 Oil and gas represent a major source of income, and with the increases in oil prices the government is planning large infrastructure projects in line with increased wealth.

4.31 Budgets are in surplus and the overall debt is under control. Debt servicing ratio is currently (2005) 16% of GDP and the trade balance is moving towards a surplus.

3 See Appendix C for details.

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

Summary

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

Current trade and investment

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

Trade

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

Investment

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

4 World Trade Organisation, *International trade statistics 2005*, p. 83.
http://www.wto.org/english/res_e/statis_e/its2005_e/its05_byregion_e.pdf

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

- 4.50 The Hydrocarbon Bill has transformed the oil and gas sector⁵ to make it very attractive to Australian investment.

Summary

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

Tunisia: 16-18 November 2005

Committee visit

- 4.52 During the time that the committee visited Tripoli, two of the committee visited Tunisia to attend the United Nations-sponsored World Summit on the Information Society (WSIS) held in Tunis on 16 – 18 November 2005.⁶
- 4.53 The Summit was convened by the United Nations to decide on the future of global governance for Internet connectivity within the information society. The first phase of the World Summit was held two years ago in Geneva and articulated a vision of an open and inclusive information society.
- 4.54 WSIS 2005 in Tunis was attended by approximately 23,000 participants, representing 177 countries, in addition to 50 heads of states and governments as well as NGO's, civil society and the private sector. Many of the world's leading IT companies were also represented, such as Nokia, Intel, Microsoft, Alcatel and Vivendi.
- 4.55 The theme for the Summit was "Regulation in the broad-band world: key instruments to build an information society". Seamless global networks, based on the Internet Protocol and related digital standards make international cooperation more important than ever for public policy, which is why Internet governance is of such interest to all countries.

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

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

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

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

Outcomes

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

Libya: 17-22 November 2005

Committee visit

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

Committee overview

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

7 See Appendix C for details.

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

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

Summary

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

Current trade and investment

Trade

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

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

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

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

Investment

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

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

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

Summary

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

Egypt: 23-24 November 2005

Committee visit

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

Committee overview

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

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

⁹ See Appendix C for details.

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

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

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

- 4.99 Tax levels have been slashed and the corporate tax rate had been reduced from 35% to a flat tax of 20%. In addition, the maximum personal tax has been cut from a maximum of 43% to a progressive tax of 10%, 18% and 20%. Tariffs also have been reduced from an average of 14% to 9.1%.
- 4.100 FDI has increased substantially to US\$3.9 billion in the Egyptian economy, growing by just over 40% in the last year in the main oil and gas sectors. (\$408 million to \$1.3 billion). Much of the investment has been in manufacturing (40%) and residential, commercial and tourism property development. Raw materials, cheap labour and a highly trainable workforce are seen as being key to the significant increase in FDI.
- 4.101 The mortgage market does not exist and most land titles in Cairo are not registered. Nevertheless there is a zeal for reform from some of the key agencies. Of the four major Government-owned banks, two have been amalgamated and one of them (the bank of Alexandria) is being privatised. The Government announced during the elections that 20% of the government-owned Telco is to be privatised.
- 4.102 Egypt has one of the largest bureaucracies in the world. Each year 700,000 new employees join the Egyptian bureaucracy. This, combined with low incomes, has meant that corruption is a factor in operating in the Egyptian economy. The Egyptian Government is, however, attempting to address the issue.
- 4.103 In the recent elections in 2005 the Islamic Party won 87 seats out of a total of 454¹¹ and there are concerns as to what the impact of this Party's improved political position will be.
- 4.104 In July 2005 a reformist Cabinet was sworn in and there appears to be a cohesive effort to undertake reform following recommendations from the World Bank. The big problem apparently is inflation. Inflation was 14.3% and is now 3.6%.

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

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

Summary

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

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

Current trade and investment

Trade

- 4.111 Egypt has FTAs with 22 foreign countries and partnership arrangements with the European Union.
- 4.112 Egypt is the biggest wheat importer in the world and the average consumption of wheat is 195 kilograms/capita. The record shipment of wheat from Australia was 2.77 million tonnes.¹²
- 4.113 Most of the imports are handled by the Government agency (GASC) with the private sector importing two million tonnes per year (and were importing four million tonnes per year).
- 4.114 Of course, wheat remains our biggest export¹³ with 10% of Australia's wheat crop worth approximately \$500m¹⁴ currently going to Egypt.
- 4.115 Australia's trade in wheat has been operating for some 40 years.
- 4.116 There is currently a race to the bottom in terms of quality and price. Russia is very competitive with small vessels and low prices. Discounts are \$70 to \$170 per tonne. Russia now has the major share of the Egyptian wheat market.
- 4.117 Other product areas experiencing success are:
- consumer products – food and wine;
 - hospitality sector/tourism products;
 - frozen meat and salmon for the hotel sector;
 - sugar;
 - veterinary instruments;

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

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

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

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

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

Investment

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

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

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

Summary

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

Looking to the future

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

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

Trade with North Africa: barriers and opportunities

Overview

- 5.1 Australia's political relations with the five North African countries under review are good. However, the low volume of trade between Australia and that region reflects various obstacles to commercial relations including the region's historical ties to Europe; distance; difficult transport and communication links; high tariffs and non-tariff barriers.¹
- 5.2 That said, some sectors of the Australian economy already have a firm foothold in North Africa and there are clear opportunities for growth in these and other areas. According to DFAT:
- Algeria and Libya represent significant opportunities for Australian oil and gas companies.
 - Egypt remains one of Australia's most important markets for wheat and is also an important market for other commodities from Australia including pulses, meat, live animals and, increasingly, high tech goods and services.

1 DAFF, *Submission No. 18*, pp. 1-2.

- Libya is a potentially significant market for Australian farm produce, services and manufactured goods.
 - Though Algeria, Morocco and Tunisia remain economically closely tied to the EU, opportunities for Australian exporters will emerge as these countries develop.
 - Australia's current education and training links with North Africa can be developed further.
 - There are also likely to be more opportunities for Australian investors in oil, meat processing, grain storage and milling as well as mining and minerals processing.²
- 5.3 Australia's approach to maximising these opportunities has a number of elements. Australia supports the process of macroeconomic and structural reform being undertaken by the countries of North Africa. Reforms that deliver improved public and corporate governance, and a shift to market-based economies, will open the region to trade and investment opportunities for Australia.³
- 5.4 Australia is also working to overcome the lack of familiarity on both sides – on the part of local importers and government authorities about what Australia has to offer, and on the part of Australian exporters as to the nature of North African markets. This is being achieved through high level ministerial visits, efforts by DFAT and Austrade to raise awareness on both continents and the work of the Council for Australian-Arab Relations in building people-to-people links. Australia participated in the Tripoli Fair with 14 companies in 2004. In 2005 there were fewer due to competition with a *Rebuild Iraq* Fair in Amman at the same time.⁴
- 5.5 The opening of an Australian Consulate-General in Tripoli in October 2005 furthered these efforts.⁵
- 5.6 This chapter explores the barriers to and opportunities for increased trade between Australia and North Africa and examines ways in which exporters, investors and the governments of Australia and North Africa can maximise these opportunities.

2 DFAT, *Submission No. 9*, pp. 7-8.

3 DFAT, *Submission No. 9*, p. 5.

4 See Austrade, *Submission No. 5*, p. 13.

5 DFAT, *Submission No. 9*, p. 8.

Impediments to trade

Competition from the EU and the US

- 5.7 The biggest impediment to greater trade and investment between Australia and the countries of North Africa is that region's geographical proximity to Europe and historical ties to both Europe and the US (the latter especially for Egypt and Morocco).⁶
- 5.8 According to the Australia Arab Chamber of Commerce and Industry the region's orientation to the EU rests not only on formal arrangements, but also is influenced by its geographical proximity, some common languages, and ease of travel.⁷
- 5.9 These links have been formalised in some cases, such as through the Barcelona Process (see Chapter 2, *The emerging economies of North Africa*) and the free trade agreement signed between Morocco and the US in 2002. Egypt is also trying to negotiate an FTA with the US.⁸
- 5.10 There is concern that the US is also using its aid program to secure market access, "through for example implied conditions for Egypt to give preferences to purchases of US commodities," and also "a little bit of food aid... very soft credit" in Algeria.⁹
- 5.11 Australia faces competition from traditional competitors as well as from low cost producers in particular sectors. For example, North Africa imports reasonable quantities of frozen beef but it imports these from low cost producers such as South America, China and occasionally India.¹⁰
- 5.12 The region imports wheat from the EU, the US and, increasingly, from non-traditional exporters of the product such as Russia.¹¹ Dairy products are mainly supplied to the region by the EU, reflecting the impact of preferential trading agreements:

6 Dr M O'Flynn, Acting Executive Manager, International Division, DAFF, *Evidence*, 2/8/05, p. 2.

7 Mr M Kavanagh, CEO, AACCI, *Evidence*, 2/8/05, p. 16.

8 DFAT, *Submission No. 9*, p. 7.

9 DAFF, *Submission No. 18*, p 10; Mr P Goode, Manager, International Policy, Dairy Australia, *Evidence*, 4/11/05, p. 3.

10 Meat and Livestock Australia, *Submission No. 11*, p. 2.

11 DAFF, *Submission No. 18*, pp. 3-4.

We had regular customers we were supplying who were now saying: “We can get it cheaper from Europe.”¹²

5.13 It is difficult to import cheese or butter from Australia because of competition with Europe. Similarly:

the EU exports a milk powder to Egypt which faces a zero tariff, where Australian exports are subject to a 20 per cent tariff.¹³

Tariff barriers

5.14 The North African countries impose high tariffs on imports, particularly agricultural products. These range from 22% for Egypt to 70% for Tunisia,¹⁴ with milk and cream products attracting a 200% tariff in the latter.¹⁵

5.15 Table 5.1 summarises the range of tariffs applicable to Australian meat exports into North Africa. It also indicates another dimension to the tariff issue, which is the wide range of imposts applicable within broad categories.

Table 5.1 North Africa: Meat tariffs

	Algeria	Egypt	Libya	Morocco	Tunisia
Live animals	5%-30%	5%	na	2.5%-218.5%	76%-180%
Beef , Sheep Goat meat	30%	5%	5%	34%-289%	75%-100%
Offal products	30%	10%-40%	na	34%-239%	43%-100%

Source Meat and Livestock Australia, Submission No 11, p.5, and Appendix C

5.16 The variability of tariffs is also evident in Table 5.2 which also shows that, although the Egyptian Government has reduced tariffs across the board, the average rate is still above 20%.

12 Mr P Goode, Manager, International Policy, Dairy Australia, *Evidence*, 4/11/05, p. 8.

13 Dr M O’Flynn, Acting Executive Manager, International Division, Department of Agriculture, Fisheries and Forestry, *Evidence*, 2/8/05, p. 4

14 DAFF, *Submission No 18*, pp. 10 & 12.

15 DAFF, *Submission No 18*, p. 12.

Table 5.2 Egypt: Summary of Most Favoured Nation Tariffs, 2005

ITEM	No. of lines	No. of lines used	Simple av. Tariff (%)	Tariff range (%)
Live animals & animal products	97	97	18.4	5-32
Dairy products	36	36	11.5	2-32
Coffee and tea, cocoa, sugar, etc.	146	146	35.4	2-3,000
Cut flowers and plants	34	34	4.0	2-32
Fruit and vegetables	158	158	15.9	2-40
Grains	16	16	3.3	2-5
Oil seeds, fats, oils & products	99	99	6.4	0-32
Beverages and spirits	38	38	1,028.8	12-3,000
Tobacco	12	1	22.0	22
Other agricultural products	133	133	4.1	0-32
Total Agriculture	769	758	66.4	0-3,000
TOTAL	5,687	5,676	20.0	0-3,000

Source: WTO Secretariat estimates cited by DAFF, Submission No 18, p. 25.

Recommendation 1

- 5.17 **The committee recommends that the Australian Government should seek to improve access for Australian exports through negotiating lower tariffs on a bilateral basis, particularly in agribusiness.**

Non-tariff barriers

Technical barriers

- 5.18 The committee received a number of submissions which dealt with non-tariff barriers to trade with North Africa. Technical barriers such as testing and certification requirements for agricultural products, and opaque and changeable import requirements, are particular concerns. In its submission DAFF notes that:

Most of the trade impediments handled by DAFF in support of Australia's food and agricultural exports relate to importing country certification requirements and in many instances, the lack of transparency of these requirements.¹⁶

5.19 In Egypt, for example, according to Meat and Livestock Australia:

Mandatory standards for a number of quality characteristics go beyond regulations imposed for health or safety reasons.

These include:

- Beef primal cuts must have a maximum 7% fat content;
- Manufacturing beef can only include brisket and thin flank primal cuts, with a maximum 20% fat content;
- Lamb must only be in carcass form with a shelf life of 6 months for frozen product; and
- Lamb carcasses must have less than 7% fat content.¹⁷

5.20 Shelf life requirements also restrict Australian exports to Algeria. According to the Australian Dairy Industry Council, such technical barriers to trade favour imports from the EU. For example:

Algeria arbitrarily sets the shelf life for dairy products and requires that product must have 80% of its shelf life remaining at the date of importation. [This] makes it very difficult for exporters from Australia to meet the requirement given the long shipping times.¹⁸

5.21 Certification requirements and product testing are also barriers for Australian agricultural exports. The Australian Dairy Industry Council submission notes that 'Algeria does not accept Australia's electronic health documentation system (EXDOC) operated by AQIS', which places extra costs on exporters. The Dairy Council points out that another 'costly and time consuming' issue in Algeria is that it 'only accepts NATA Certificates of Analysis for dairy products', where other countries 'accept certificates from the manufacturers' laboratory.'¹⁹

5.22 The Australian company Fayman International has been involved in direct and indirect trade with Algeria in recent years. Its submission

16 DAFF, *Submission No. 18*, p. 9.

17 Meat and Livestock Australia, *Submission No. 11*, p. 5.

18 Australian Dairy industry Council, *Submission No. 10*, p. 3.

19 Australian Dairy industry Council, *Submission No. 10*, p. 3. NATA (National Association of Testing Authorities), is Australia's Government-endorsed provider of accreditation for laboratories and similar testing facilities. <http://www.nata.asn.au/>

detailed technical difficulties it has experienced in trade with Algeria, such as:

- Labelling requirements: exporters must label each carton with details of the importer and product description and expiration. If the importer fails to take delivery of a shipment the Algerian authorities will not allow another importer to import the same goods with the original importer's label. The exporter is forced to export to another country. Fayman International recommends the port mark system, which provides the ability to track the cargo within Algeria.
- Product testing: Algerian tests for coli-forms and bacterial count and radiation take 10 days, with the costs of demurrage and storage born by the importer. Algerian authorities do not appear to understand or trust Australia's AQIS system. Adding to this mistrust, unscrupulous European traders have forged Australian documents and exported non-Australian meat to Algeria and some Australian exporters ship inferior product to that ordered.²⁰

5.23 The same difficulties are experienced by exporters to other North African countries. DAFF's submission states that Egypt imposes 'rigid and burdensome... testing procedures' and does not apply 'internationally accepted science-based standards'.²¹ Dairy shipments may not be cleared because the Egyptian authorities:

Have carried out microbiological testing and they have certain results – and we have other results. We end up in dispute... However, on the positive side Egyptian authorities now promise they will restructure their testing departments. They are aware of the problem and they believe this may help with all the issues.²²

5.24 In addition, across the region, import regulations and administrative procedures are often changed and enforced without notice. These are often more trade-restrictive than necessary and costly to Australian exporters.²³

5.25 For example, the Australian Dairy Industry Council points to examples of the 'fickle' nature of Libya's import administration:

20 Fayman International, *Submission No. 13*, pp. 1-2.

21 DAFF, *Submission No. 18*, p. 10.

22 Ms S Zeman, Manager, Processed Food Policy Section, Technical Standards Branch, Australian Quarantine and Inspection Service, DAFF, *Evidence*, 2/8/05, p. 6.

23 Meat and Livestock Australia, *Submission No. 11*, p. 6.

- Libya sometimes requires that a proportion of the selling prices (typically 10%) is held back by the Government until the buyer indicates full satisfaction with the sale... this requirement is not always enforced.
- Libya sometimes applies different testing requirements (for bacteria etc.) and different health specifications for product from different countries.
- Sometimes Libya does not release used shipping containers which requires exporters to reimburse shipping companies for the loss.²⁴

Recommendation 2

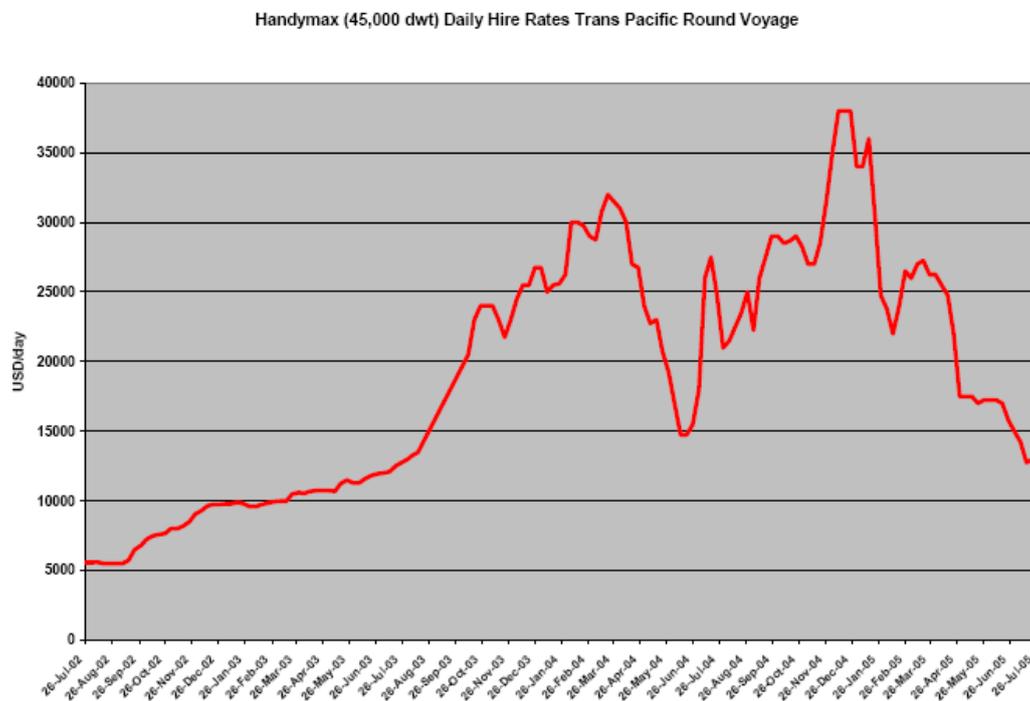
- 5.26 **The committee recommends that the Australian Government initiate or continue ministerial discussions with North African trading partners to address technical access issues, particularly harmonising customs and standards requirements.**

Freight costs

- 5.27 The committee heard evidence that freight costs are making Australia increasingly uncompetitive in the North African region (see Figure 5.1). They are also affecting North African exports to Australia, as rising costs force Australian importers to seek suppliers closer to home.²⁵

24 Australian Dairy Industry Council, *Submission No. 10*, pp. 3-4.

25 AACCI, *Submission No. 4*, p. 4.

Figure 5.1 Costs per day for charter of a dry bulk carrier (US\$)²⁶

5.28 According to the Australia Arab Chamber of Commerce and Industry, the costs of chartering bulk carriers and containers have risen in recent years, affecting shipping rates around the world. The reasons are:

- enormous demand for shipping by China;
- ageing of the world's fleets;
- long turnaround for new vessels to be built; and
- seasonal factors that drive demand, such as the North Atlantic wheat trade.²⁷

A 'spot market'

5.29 There are other uncertainties of trading with North Africa. Fayman International stated that one of the biggest challenges it faced in the Algerian market was the inconsistency in trade. The company provided the example of its mutton and lamb shipments in the last two years. Between June and August 2004 Fayman International

²⁶ AACCI, *Submission No. 4*, p. 4.

²⁷ AACCI, *Submission No. 4*, p. 4.

shipped about 1000 mt to Algeria, to provide for Ramadan. In the same period in 2005 the company expected to export 25% of that volume. But as Fayman explained:

We have not lost any customers, in fact we have gained customers. It is just the nature of the market. It really is a stop 'n start market, that takes a great deal of energy to manage and maintain.²⁸

5.30 The Australia Arab Chamber of Commerce & Industry assessed that, in the future, Algeria, Tunisia and Libya will remain spot buyers of wheat depending on the competitiveness of other suppliers such as Canada and Russia.²⁹

5.31 DAFF also considers North Africa to be a 'spot market' which:

will remain a minor market, but it is an area in which we have to be open to any opportunities that may arise. It is an important niche market from time to time for particular commodities... Opportunities can arise for us out of changes in the competitive position of other countries that might result from changes in government policy or simply changes in supply and demand.³⁰

Difficulty obtaining visas

5.32 The committee heard that one of the reasons for the lack of North African trade with and investment in Australia is the difficulty of obtaining visas. The Australia Arab Chamber of Commerce and Industry stated that:

The difficulty North African nationals face in obtaining business and tourist visas to Australia is a constant source of annoyance to them and detrimental to their efforts to engage in trade with Australia. Whilst it is recognised that security plays an important part in issuing visas, the fact other countries, such as New Zealand, the UK and the US, can do it a lot faster than Australia is not lost on our potential trading partners.³¹

28 Fayman International, *Submission No. 13*, p. 1.

29 AACCI, *Submission No. 4*.

30 DAFF, *Evidence*, 2/8/05, p. 5.

31 AACCI, *Submission No. 4*, p. 5.

- 5.33 Dr Andrew Vincent, from Macquarie University's Centre for Middle East and North Africa Studies, pointed out that visa difficulties had interrupted an exchange program between his and an English-speaking Moroccan university. The Moroccan side cancelled the program because, while Macquarie students had no difficulty obtaining visas to study in Morocco, the reverse was not the case.³²
- 5.34 Dr Vincent explained that:
- The major obstacle is the classification of all student applicants from countries of North Africa as Category Four by the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA). This classification makes it all but impossible for students to meet the stringent requirements required to obtain a visa. Students from Libya for example, who are fully funded by the Libyan government, are routinely turned away.³³
- 5.35 The committee was advised during its visit to Libya that one of the most difficult aspects of encouraging educational opportunities for Australia is the current visa requirements. Australian visas take approximately one month and all visa applications must go via Cairo. By contrast, as a result of an agreement signed with the British Government all visas for Britain are issued within two days.
- 5.36 In evidence given to the committee, DIMIA explained that the main reason for refusing visas is that the applicants are not 'bona fide visitors'. That is, 'on the assessment of the application the person does not intend a genuine visit to Australia' and are assessed as likely to overstay. Fraud in the applicant's documentation is the other main reason for refusing applications.³⁴
- 5.37 According to DIMIA, visitor non-return rates are higher than the global average for Egypt, Morocco and Tunisia. Non-return rates from Libya and Algeria equate to the global average. These rates have generally decreased in recent years, though DIMIA points out that 'the small numbers of arrivals tend to skew rates disproportionately.' (See Appendix D)³⁵
- 5.38 As a result of these non-return rates, students from some North African countries, particularly Morocco, are required to meet 'higher
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32 Centre for Middle East and North Africa Studies, *Submission No. 2*, p. 1.

33 Centre for Middle East and North Africa Studies, *Submission No. 2*, p. 1.

34 DIMIA, *Evidence*, 1/8/ 05, p. 24.

35 DIMIA, *Submission No. 17*, p. 6.

levels of evidentiary requirements' than students from lower-risk countries.³⁶

- 5.39 However, the committee agrees with the Centre for Middle East and North Africa Studies, which points out in its submission:

Some years ago a similar policy applied to the countries of South America, where all applicants were seen as category Four, had to apply through the post in Santiago. Grudgingly DIMIA was persuaded to ease the categories and permit visa issue at different posts. South America is now a thriving market for Australian student recruitment.³⁷

- 5.40 Regarding the time it takes to issue visas, DIMIA explained they are trialling electronic visa lodgement in attempt to speed up the process:

We are currently trialling electronic lodgement for student visas out of several high-risk countries. Once we have evaluated that, we will certainly look at what our expansion strategies would be to allow for internet based lodgement of student visas from other parts of the world as well.³⁸

- 5.41 The committee appreciates the security challenges facing DIMIA in assessing and awarding visas. However it seems that faster processing times are possible, certainly if the performances of countries such as New Zealand and the US are considered.

- 5.42 Visas for applicants from Morocco and Algeria have been issued by DIMIA in Paris, and visas for Libyan applicants issued in Cairo, as was the case for applicants from Tunisia.

- 5.43 For Tunisians the arrangements were considered inconvenient:

If you are coming to Australia you do not go to Cairo and from Cairo to here. You go through Europe.³⁹

- 5.44 The Libyan Foreign Minister made it clear to the committee during its visit that Libyan students would not be encouraged to study in Australia until visas are issued in Tripoli. This could undoubtedly be assisted by DIMIA teams visiting the North African cities at the time of applications to Australian universities. Commercially important visas could be handled by the Trade Posts in conjunction with DIMIA.
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36 DIMIA, *Evidence*, 1/8/05, p. 27.

37 Centre for Middle East and North Africa Studies, *Submission No. 2*, p. 2.

38 DIMIA, *Evidence*, 1/8/05, p. 26. See Appendix E for visa processing times at the Australian Embassy in Cairo.

39 Mr A Amari, Consul General, Consulate of Tunisia, *Evidence*, 4/11/05, p. 36.

- 5.45 A formal signing of an MOU on visas to Australia and visas for Australians working in North Africa would assist considerably the trade relationship. Britain has done this with Libya in regard to visa processing. That MOU requires visas to Britain to be processed within seven days, but the average is two days. The result has been that 3,000 Libyan students are now studying in Britain and British trade exports to Libya have been rising rapidly.

Recommendation 3

- 5.46 **The committee recommends that there should be closer focus given to expediting visa processing requirements for North African countries and that DIMIA:**
- **review its visa processing arrangements for North Africa as a priority, and**
 - **consider reviewing the assessment processes for North Africa students sponsored by their governments.**

Unfamiliarity

- 5.47 Another non-tariff barrier to trade with North Africa is the lack of familiarity on both sides. In its submission Philip Eliason and Associates points out that:

At present Australia's understanding about North Africa is patchy. While there are some exporters who have in-depth knowledge and contacts this is not common. Nor are there North African communities of substantial size in Australia which provide an indigenous source of information about and contacts in their home countries.⁴⁰

- 5.48 Austrade also gave evidence that this unfamiliarity is a major barrier to expanding trade and investment. Australian companies have very little awareness and knowledge of North African markets, and vice versa:

If you say to Australian companies, 'consider North Africa', they really have no idea what they are looking at, where they

40 Philip Eliason and Associates, *Submission No. 7*.

are looking at and who they are looking at, except for a small, select number of companies...

But it is in the reverse as well. The awareness and perceptions of Australia in the North African region are very limited and minimal.⁴¹

- 5.49 In evidence to the committee, and during discussions in North Africa, the benefits of an increasing Australia's presence in the region were often emphasised.⁴² BHP Billiton advised the committee that the absence of diplomatic representation in Algeria:

On a number of occasions... prompted senior Algerian government representatives meeting with BHP Billiton to question Australia's commitment to its relationship with Algeria.⁴³

- 5.50 The Algerian Embassy reiterated this view in its submission to the committee.⁴⁴
- 5.51 The committee notes that, from January 2006 there was an Australian Consul-General/Senior Trade Commissioner, plus three locally engaged staff based in Tripoli, covering Libya, Algeria, Morocco, Mauritania and Tunisia. Cairo is responsible for Egypt and the Horn of Africa.⁴⁵
- 5.52 The committee noted that DFAT considered the opening of the Consulate-General in Tripoli, as "the first step towards establishing an Embassy".⁴⁶
- 5.53 The committee considers that this move should be expedited to give Australia a more prominent position, emphasising its intention to
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41 DFAT, *Submission No. 9*, p. 28; Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Australian Trade Commission, *Evidence*, 1/8/05, p. 32.

42 AACCI, *Submission No. 4*; Austrade, *Submission No. 5*, p. 23; Philip Eliason and Associates, *Submission No. 7*; Woodside Energy Ltd, *Submission No. 12*, pp. 13-14; BHP Billiton, *Submission No. 14*, p. 3; DAFF, *Submission No. 18*, pp. 7, 12, 16, 18; Mr P Goode, Manager, International Policy, Dairy Australia, *Evidence*, 4/11/05, p. 6; Mr D Jones, Manager, Market Support Services, Meat and Livestock Australia Ltd, *Evidence*, 4/11/05, p. 8; Mr B Abudher, Charge D'Affaires, Libyan People's Bureau, *Evidence*, 4/11/05, pp. 28-29; Dr M O'Flynn, Acting Executive Manager, International Division, DAFF, *Evidence*, 2/8/05, pp. 2, 5; Mr M Kavanagh, CEO, AACCI, *Evidence*, 2/9/05, pp. 16-17.

43 BHP Billiton, *Submission No. 14*, p. 3

44 Embassy of the People's Democratic Republic of Algeria, *Submission No. 1*, p. 10.

45 Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Australian Trade Commission, *Evidence*, 1/8/05, pp. 32, 38.

46 DFAT, *Submission No. 9*, p. 24.

increase its engagement with North Africa and facilitating Australian access.

- 5.54 It is no longer appropriate for control of Austrade in North Africa to emanate from Europe. Rather, North Africa and the Middle East should be a separate autonomous division.
- 5.55 The rapid growth and opportunities in North Africa require re-examination of staffing in the area.

Recommendation 4

5.56 The committee recommends that Austrade reconsider its organisational and representational arrangements for North Africa

- 5.57 The committee did not agree with the claim of some that the Mahgreb countries would be better serviced out of Paris because of the French language capabilities of those countries.
- 5.58 Additionally, the committee was concerned that, because of work commitments, the Australian Embassy in Paris had paid insufficient attention to developing relations with Algeria, Morocco and Tunisia.
- 5.59 For the immediate future the Consulate-General in Tripoli could service all the North African Arabic-speaking countries.
- 5.60 Of these countries, the committee considered that Algeria and Morocco were more advanced towards establishing free-market economies, and also offered opportunities for Australian investment in the mineral exploration sector in the near future.
- 5.61 The committee therefore considered that, in the longer term, Australian interaction with these and the other francophone Mahgreb countries⁴⁷ could be enhanced by the establishment of a Consulate-General in Algiers.

47 Algeria, Morocco, Tunisia and Mauritania

Recommendation 5

- 5.62 **The committee recommends that high priority be given to the establishment of a Trade Commissioner and Consul-General in Algiers.**

Uncertainty

- 5.63 One factor which may inhibit direct personal contact with the region is the uncertainty about the security situation there. Table 5.3 summarises the DFAT Travel Advisories in effect during the committee's visit to North Africa in November 2005.

Table 5.3 North Africa: DFAT Travel Advisories as at November 2005

		Be alert to own security	Exercise caution... ⁴⁸	High degree of caution	Reconsider your need to travel ⁴⁹	Do not travel
Algeria	Overall			■		
	Outside major centres				■	
	Sahara desert, Kabylia etc					■
Egypt	Overall			■		
Libya	Overall		■			
	Border areas				■	
Morocco	Overall			■		
	Western Sahara					■
Tunisia	Overall		■			
	Bordering Algeria				■	

Source DFAT: Country Advisories, <http://www.smartraveller.gov.au/zw-cgi/view/Advice/>

48 "and monitor developments that might affect your safety."

49 *Reconsider your need to travel*, reflect the fact that DFAT consider there is a high level of risk in the country, perhaps a very high threat of terrorist attack or a volatile and unpredictable security situation. "If... you do decide to travel to that destination, we will advise you to exercise extreme caution."

http://www.smartraveller.gov.au/advice_meaning.html

- 5.64 However, the committee noted that the advice to “exercise caution” in Tunisia and Libya is the same advice as for three of Australia’s major trading partners - Malaysia, Singapore and the UK.⁵⁰ “High degree of caution” applies to Thailand, another major trading partner, as well as to Algeria, Egypt and Morocco.⁵¹
- 5.65 DFAT commented that the Travel Advisories for North Africa are, generally, not vastly different from the travel advice for the Gulf.⁵²

The committee’s view

- 5.66 The evidence presented to the committee was unanimous in the view that North Africa is a limited market for Australian exporters and investors. However, the evidence also makes clear that there are opportunities for expanded activity in certain sectors and for activity in new areas. The next section explores these opportunities and the ways in which the Australian government can help to maximise them.

Opportunities by sector

- 5.67 Austrade and DFAT have identified a number of sectors which offer particular opportunities for Australian exporters and investors. While identification of these sectors does not preclude opportunities elsewhere, they represent the Australian Government’s assessment of areas that offer the best prospects (see Table 5.4).
- 5.68 Agribusiness is and will remain the key sector for Australian exports to the region. Egypt, one of Australia’s largest wheat markets, will also likely remain a large importer of Australian pulses. The other countries in the region, possibly with the exception of Libya, will probably remain ‘spot markets’ for Australian farm produce mainly in the event of local or world shortages.⁵³
- 5.69 Trade in services is so far limited but Australian skills and expertise in certain areas are already of interest to some North African countries.

50 Australia’s top 10 two-way trading partners are: Japan, USA, China, NZ, UK, Republic of Korea, Singapore, Germany, Malaysia, and Thailand. DFAT, *Trade Topics*, September Quarter 2005, p. 41.

51 DFAT: *Country Advisories*, <http://www.smartraveller.gov.au/zw/cgi/view/Advice/>

52 Mr P Foley, Assistant Secretary, Middle East and Africa Branch, DFAT, *Evidence*, 1/8/05, p. 51.

53 DFAT, *Submission No. 9*, p. 25.

Further promotional work should see this interest grow and lead to an increase in service export earnings to the region.⁵⁴

5.70 Investment opportunities also exist, particularly in mining and infrastructure.

Table 5.4 North Africa: Focus industry sectors for Australian business⁵⁵

Industry	Industry sectors	Market
Agribusiness	Food and beverage Live animals Bulk commodities	Egypt, Libya Morocco, Algeria Tunisia
Education & Training	Joint collaborations with institutions English language tuition Specialist technical/vocational courses e.g. training in tourism, travel and hospitality e-learning	Egypt Libya
Healthcare and Medical	Medical and pharmaceutical	Egypt Libya
ICT	Telephone communications technology – both land and mobile IT solutions/consultancy in electronic banking and security	Egypt Libya
Infrastructure	<p>Building & Construction</p> <ul style="list-style-type: none"> - Construction equipment, building materials, windows, doors, bathroom furnishings - Tourism sector - hotel fitout <p>Oil, gas and petrochemicals</p> <ul style="list-style-type: none"> - Technology transfer, - Equipment e.g. process plants, piping, Instrumentation, electrical equipment, air conditioning communication, cathodic protection <p>Transportation</p> <p>Air transportation, railway technology, road construction and technology, port and cargo handling</p>	<p>Libya Egypt</p> <p>Libya</p> <p>Libya</p>
Tourism	Hotel fitout, equipment, food and beverage, training in hospitality sector	Egypt, Morocco, Libya, Tunisia

54 DFAT, *Submission No. 9*, p. 25.

55 DFAT, *Submission No. 9*, p. 25.

Agribusiness

- 5.71 Agricultural export opportunities are greatest in Egypt and Libya, especially once government-to-government relations are on a stronger footing with the latter. These countries, as well as Tunisia, are likely to remain net food importing countries, which offers potential for growth for Australian exports.⁵⁶
- 5.72 Large irrigation projects in Egypt and Libya will see the expansion of arable land in those countries. Austrade expects that this will bring ‘opportunities for Australian exporters for agricultural technology, farm management, horticulture and quality produce.’⁵⁷
- 5.73 Such projects could also help generate demand for Australian expertise in arid-region farming. According to DFAT,
- Project and farm management and the application of modern technology to farming, animal husbandry and water management are all skills that will be in increasing demand as the region expands its efforts to develop its agriculture sectors.⁵⁸
- 5.74 There is potential for an increase in Australian wheat imports to the region. Egypt will continue to be a significant importer of Australian high quality wheat, and given that the combined wheat imports of Algeria, Libya, Morocco and Tunisia are almost as large as Egypt’s, these could represent new or expanded markets for Australian wheat.
- 5.75 However, Australian attempts to enter those markets face competition from the EU and the US, due partly to their domestic production subsidies and historical links with North Africa.⁵⁹

Algeria

- 5.76 While in Rabat, the committee learnt that Algeria would welcome Australian assistance in infrastructure development for aquaculture.

56 DAFF, *Submission No. 18*, p. 12.

57 Austrade, *Submission No. 5*, p. 17.

58 DFAT, *Submission No. 9*, p. 27.

59 DAFF, *Submission No. 18*, p. 13.

Egypt

- 5.77 In Egypt, in particular, a growing population with higher incomes and increasingly developed purchasing habits offers opportunities for food manufacturers, especially in the food processing industry.⁶⁰
- 5.78 The Egyptian Government is working towards an agreement with Australia for cooperation on In the area of potential future cooperation on fisheries, to be followed by examination of prospects in the fields of:
- livestock;
 - agriculture in arid areas; and
 - water resources and water resource conservation methods.⁶¹

Libya

- 5.79 Following briefings in Tripoli, the committee considered that there are opportunities for working Government-to-Government on the export of food products as much of the food processing is controlled by the National Supply Company (NASCo) and its preference is to deal with suppliers rather than distributors.
- 5.80 The committee learnt during its visit that Libya's agriculture market could also include corn, oil seeds, and rice.
- 5.81 New market opportunities in Libya should benefit meat exporters. DFAT notes in its submission that there is demand in Libya for camel meat and breeding camels, and the Libyan Charge D'Affaires identified Australian livestock, lamb and meat as import interests.⁶² Both the Charge D'Affaires, and Dairy Australia mentioned Libya's potential as a dairy product market,⁶³ identified to the committee as products such as evaporated milk and cheese. Opportunities might also emerge in Algeria if tariff reductions occur as a result of that country's accession to the World Trade Organisation (WTO).⁶⁴

60 Austrade, *Submission No. 5*, p. 16.

61 HE M Tawfik, Ambassador for Egypt, *Evidence*, 1/8/0/5, pp. 13-14.

62 DFAT, *Submission No 9*, p 26. Mr B Abudher, Charge D'Affaires, Libyan People's Bureau, *Evidence*, 4/11/05, p.26.

63 Mr B Abudher, Charge D'Affaires, Libyan People's Bureau, *Evidence*, 4/11/05, p. 26; Mr P Goode, Manager, International Policy, Dairy Australia, *Evidence*, 4/11/05, p. 8.

64 DAFF, *Submission No. 18*, p. 14.

- 5.82 In discussions with the Agriculture Ministry and the Foreign Ministry in Libya there was much expectation that Australia can assist with dry land farming and conversion of arid conditions into arable land.⁶⁵ Agricultural equipment for dry land farming was mentioned.
- 5.83 Local officials recall Australia's involvement in agriculture in Libya in the late 1960s. In particular they are looking for assistance with desertification, anti-salination programs and animal production.
- 5.84 However, according to DFAT:
- To date there is no sign that Libya is ready to implement a comprehensive plan for reform of its agriculture sector. Australian companies with interests in this sector may need to be patient.⁶⁶

Morocco

- 5.85 In Morocco the committee was told that seafood was an area of potential interest and discussions were being held in late 2005 between Australian suppliers and Moroccan seafood importers. The Moroccans are looking to import fish, process and freeze it for sale to the EU.
- 5.86 The committee asked DAFF for its assessment of the relative potential offered by the North African countries for Australian agriculture exports. DAFF responded that:
- in general terms, our assessment would be to rank the five in this order: Egypt, Libya, Algeria, Tunisia and Morocco. Wheat is already a major element of our dealings with Egypt, and we would expect wheat, livestock and meat also to be major markets for us with Libya.⁶⁷
- 5.87 Austrade noted that, for fresh fruit and vegetables,
- When it is on in the northern hemisphere it is not on in the southern hemisphere and vice versa. So when we are sending truly fresh produce, we are not actually competing with the northern hemisphere.⁶⁸

65 The committee was advised that the average farm size in Libya is less than five hectares.

66 DFAT, *Submission No. 9*, p. 13.

67 DAFF, *Evidence*, 2/8/05, p. 6.

68 Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Austrade *Evidence*, 1/8/05, p. 43.

Tunisia

5.88 Mr Amari, the Tunisian Consul General, indicated to the committee that the similarities between Tunisia and southern Australia offered a lot of opportunities for agricultural research cooperation.⁶⁹

Education and training

- 5.89 Austrade has identified Egypt and Libya as countries for which Australian education and training could be attractive.
- 5.90 Promotional work in these countries has already had some success; with steady if small increases in student numbers attending Australian institutions (see Table 5.5). Similar work in the other North African countries could lead to increases in education export earnings.⁷⁰

Table 5.5 North Africa: Students attending Australian education and training institutions

	May 2002	May 2003	May 2004	May 2005
Algeria	7	7	11	5
Egypt	119	124	146	187
Libya	48	54	71	65
Morocco	14	13	16	17
Tunisia	4	6	6	8
TOTAL	192	204	250	282

Source DFAT, *Submission No. 9*, p. 26. Figures include ELICOS (English Australia colleges), Tertiary, School and Vocational Education and Training

5.91 In evidence before the committee Dr Andrew Vincent of Macquarie University's Centre for Middle East and North African Studies argued that there are solid financial reasons why Australian education providers should turn their attention to North Africa. Australia's export earnings from Chinese and Southeast Asian students is dwindling, 'largely because [these] countries are building their own universities and they are trying to educate their own people.'

69 Mr A Amari, Consul General, Consulate of Tunisia, *Evidence*, 4/11/05, p. 32.

70 DFAT, *Submission No. 9*, p. 26.

Meanwhile, Australian universities 'are desperate for full-fee paying students.' North Africa, Dr Vincent concludes,

Is a potentially very lucrative area of student recruitment indeed because, in this period of globalisation, everybody wants to learn English; they want to have an English language education...

But I think, particularly since September 11 and with the very much more stringent visa and social conditions in the United States since then, more and more potential students are either not wanting to go to the United States or not able to go to the United States. This presents Australia with a golden opportunity to strike while the iron is hot, if you like, and to build its reputation in these areas by providing what is a very good service for overseas students.⁷¹

Algeria

5.92 In its submission the Algerian Embassy proposed an MOU in the field of education.⁷²

Egypt

5.93 Offshore courses of branches of courses are of interest to Egyptian schools and universities. About 25,000 Egyptian students currently study in the UK, Canada, the US and Europe.⁷³ Tourism development Egypt, and in Libya, will provide opportunities for training in associated industry skills.

Libya

5.94 Libya has a large scholarship program for its nationals. As noted above, the Libyan Foreign Minister made it clear that any development in sending students to Australia would depend on opening a visa office in Tripoli. The National Oil Corporation sends about 2,000 staff overseas for training each year⁷⁴ and the number of

71 Centre for Middle East and North Africa Studies, *Evidence*, 1/8/05, p. 54.

72 Embassy of the Peoples Democratic Republic of Algeria, *Submission No. 1*, p. 11.

73 Austrade, *Submission No. 5*, p. 18.

74 Austrade, *Submission No. 5*, p 18.

Libyan students studying in the UK is now 5,000, funded both by the Libyan government and also by private means.⁷⁵

- 5.95 The Libyan Education Ministry indicated to the committee that it would like to establish a special relationship with Australian universities including an interchange with professors and students to study at research centres. The courses in which they would be interested are mainly medicine, engineering and sciences. The Education Minister saw the basic steps for cooperation to be:
- simplification of visa arrangements and the establishment of an MOU;
 - Government approval to send Libyans on scholarships –
 - they would also look to assistance from the Australian government
 - encouragement to those who are paying for themselves; and
 - establishing acceptance of academic qualifications.

Morocco

- 5.96 The committee noted that, as yet, there were few students from Morocco studying in Australia.

Tunisia

- 5.97 Speaking to the committee, the Tunisian Consul General noted that large numbers of Tunisian graduates undertake their postgraduate studies overseas, and that this opportunity was currently being explored in Australia.⁷⁶

Health and medical

- 5.98 Libya and Egypt offer some of the best opportunities for Australian companies in this sector, although DFAT advised that improvement of the health systems was high among the Tunisian Government's social policy priorities.⁷⁷

75 Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Austrade, *Evidence*, 1/8/05, p. 33.

76 Mr A Amari, Consul General, Consulate of Tunisia, *Evidence*, 4/11/05, p. 32.

77 DFAT, *Submission No. 9*, p. 18.

Egypt

- 5.99 Egypt can provide a gateway to Libya, because local medical and healthcare distributors have strong networks in surrounding markets. Though EU products dominate the Egyptian market, sources offering price and quality are welcomed. Egypt's interest in developing medical tourism⁷⁸ should also present opportunities, according to Austrade.⁷⁹

Libya

- 5.100 In Libya there is demand for laboratory equipment and technology, optical and ophthalmology, equipment for hospitals and health resorts, medicines, medical insurance, information technology in healthcare, rescue and emergency equipment and beauty and healthcare products.⁸⁰

Information and communication technologies (ICT)

- 5.101 Privatisation of telecommunications networks and banking sector reforms are occurring throughout the region, though at varying paces. Improvements in telecommunications infrastructure are planned, including land and mobile, broadband networks, satellite communications, cable technologies, IT and software, banking equipment and technologies and security systems.⁸¹
- 5.102 DFAT believes that the ongoing reform these economies will assist Australian exporters find niche markets for both high tech goods and services. Opportunities may also exist for the export of information technology systems and software to fill demand created by restructuring and modernisation of financial and banking sectors, industrial modernisation, and the improvement of health and education services.⁸²

78 This term refers to the trend for people from all around the world to travel to other countries to obtain medical, dental, and surgical care while at the same time touring and vacationing.

79 Austrade, *Submission No. 5*, p. 19.

80 Austrade, *Submission No. 5*, p. 19. This opportunity was confirmed to the committee during its visit.

81 Austrade, *Submission No. 5*, p. 19.

82 DFAT, *Submission No. 9*, p. 27.

Algeria

- 5.103 Algeria is committed privatising telecommunications and bringing investors into fixed-line and mobile phone operation systems.⁸³

Egypt

- 5.104 The Egyptian telecommunications infrastructure has undergone extensive modernisation recently. Most of the 6.3 million lines installed were digital and there is also an extensive fibre-optic transmission network connecting cities and districts.⁸⁴

Libya

- 5.105 The Central Bank of Libya recently launched the sale of some shares in a number of its banks. Once international banks have permission to operate in Libya this will open the banking sector to competition from international banks.⁸⁵

Tunisia

- 5.106 Tunisia has a 15-year plan to improve its domestic telecommunications system, by installing 450, 000 new lines, connect 800,000 new subscribers and to expand the GSM network.⁸⁶

Infrastructure

- 5.107 Infrastructure investment is occurring across the region, driven by growth in the tourism sector and the need to improve transport links for economic development. However opportunities for Australian exporters and investors lie largely in Libya and Egypt.

Construction

Algeria

- 5.108 During its visit, the committee was advised that Algeria is planning \$65 billion over the next five years for major infrastructure projects, including roads, ports, airports, railways, electricity, water and

83 Austrade, *Submission No. 5*, p. 6.

84 Austrade, *Submission No. 5*, p 19.

85 Austrade, *Submission No .5*, p. 19.

86 Austrade, *Submission No. 5*, p. 20.

housing. They plan to build more than 1,200 km of roads, one million new homes/apartments, and 33 desalination plants.⁸⁷

- 5.109 Algeria, the committee was told, would welcome Australian assistance in infrastructure development for mining and energy and desalination plants.

Egypt

- 5.110 In Egypt, the committee was briefed on the private port of Sokhna on the Red Sea south of the Suez Canal which has 9,000 hectares for development.⁸⁸ It is being developed by the Amiral Group which is keen to attract Australian investment in the port precinct. In particular they hope to develop:

- a magnesium smelter
- livestock holding and distribution yards
- an abattoir for distribution of meat to Europe (where no tariff and no quotas are placed on Egypt-produced meat)
- a sugar refinery
- a bio-diesel plant
- an ammonium production facility; and
- a wool scouring plant.

- 5.111 In 2005 they handled 300,000 containers amounting to 4 million tonnes. Container handling rates are comparable to those in Europe. The company is providing significant opportunities for Australian companies wishing to take opportunities for low labour costs but at a location close to Europe.

- 5.112 Australian companies are currently exploring market opportunities. An Australian firm has formed a partnership with Egyptian interests to establish a manganese plant and BHP Billiton is exploring the possibility of establishing an aluminium smelter in Egypt using cheap power sources.⁸⁹ The cost of the project, if built, would be worth some \$2.5 billion and employ some 9,000 workers.

87 Embassy of the People's Democratic Republic of Algeria, *Submission No. 1*, p. 8.

88 Sokhna Port, <http://www.spdc.com/home.php?go=masterplan/masterplan.php>

89 They are also evaluating Algeria for the same project.

Libya

5.113 Libya is looking for foreign supply of construction equipment for its Great Man Made River Water Supply project, which will draw fresh water from aquifers beneath the Sahara and convey it along a network of underground pipes. Other areas for Australian suppliers of infrastructure and related services include air transportation, rail and railway technology, road construction and technology, material handling equipment, port and cargo handling equipment and technology training and skills development.⁹⁰

5.114 Austrade told the committee that Libya proposes:

To spend \$US40 billion developing their infrastructure across roads, schools, hospitals and airports. We are already seeing Australian companies doing very well in the Middle East in those areas and we can see that opportunity also in North Africa.⁹¹

Morocco

5.115 The committee was briefed during its visit to Morocco on major plans for infrastructure development over the next five years, including:

- significant expansion plans for Tangiers developing into a major duty-free port;
- a network of high-speed TEU trains connecting Tangiers, Rabat, Marakesh, Fez and Agadir;
- 1,200 km of freeway including completion of the route from Casablanca to Marakesh;
- water desalination plants, power generation and general infrastructure programs;
- extensive private housing schemes to build 100,000 new homes a year; and
- building of further education institutions.

5.116 There was also, the committee was advised in Rabat, some interest by the Moroccan tollway operators in participating with Australian operators and this is being pursued with Macquarie Bank in Paris.

⁹⁰ Austrade, *Submission No. 5*, p. 21.

⁹¹ Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Austrade, *Evidence*, 1/8/05, p. 38.

Since 2000, the Moroccans have built an average of 100km of freeway each year, but by 2010 will have 15,000 km of freeway with plans to spend \$US3.5 billion

Tunisia

5.117 Tunisia has received aid and loans to update its infrastructure, and there has been considerable local and foreign investment in new hotels and resorts.⁹²

Oil and gas

Algeria

5.118 In Algiers Sonatrach, the Algerian Government-owned hydrocarbon company briefed the committee on its intention to:

- explore Algeria's hydrocarbon reserves;
- increase production to 2 billion barrels a day by 2010;
- expand oil and gas export capacity;
- maximise the value of Sonatrach production; and
- to refine 50% of all production.

5.119 They currently have six petrochemical projects. The value over the next five years projects-is \$24 billion, with 75% being upstream projects.

5.120 Algeria's oil wealth, boosted by high oil prices, means it does not need investment to finance its development projects. In evidence before the committee, Algeria's Ambassador to Australia, HE Kamerzermane Belramoul, noted that:

In the past we needed the finance, and we asked each country to finance this or that. Now, we do not need this. It is the opposite. We can use this money for infrastructure, development and boosting of the economy.⁹³

5.121 However, the committee concluded, oil and gas exploration in Algeria are of importance to Australian companies.

92 Austrade, *Submission No. 5*, pp. 21- 22.

93 Mr Kamerzermane Belramoul, *Evidence*, 1 August 2005, p. 8.

Egypt

- 5.122 Egypt is emerging as a major North African exporter of natural gas.⁹⁴ Opportunities in Egypt in this sector exist in oil and gas technology transfer, equipment sales (such as piping, instrumentation, air conditioning, communication) and specialised consulting services.⁹⁵

Libya

- 5.123 Libya is in need of expertise and infrastructure for well drilling, geophysical and seismic testing, construction, heavy duty machinery and modern engineering technology. The committee noted that for Australian oil exploration companies there is a very positive outlook. There was a potential demand for drilling and seismic equipment. World GDP growth and, in particular, the growth of the Chinese economy will ensure continuing and increased demand for oil and gas.

- 5.124 According to Woodside Energy, the Libyan government estimates that doubling of Libya's oil production by 2010 will require investments totalling around US\$30 billion. Libya possesses more than 3% of the world's total oil reserves and:

Undiscovered potential for Libya is estimated at 35 billion barrels of oil. It is also likely to possess significant... quantities of natural gas...

Libya's oil sector enjoys a number of advantages over other countries, in addition to its huge proven reserves, production costs in Libya are among the lowest in the world. Also, Libya produces high quality, low sulphur 'sweet' crude oil. And its proximity to the markets of Western Europe gives it a strong advantage over Middle East exporters.⁹⁶

- 5.125 Woodside currently has the third largest operated acreage position in Libya, with both onshore and offshore acreage. To date there have been no finds, but if oil is found they would be in Libya 20+ years. They will be spending \$500 million in investment. If successful, they expect to spend several billion dollars (Australian).

94 Woodside Energy Ltd, *Submission No. 12*, p. 9.

95 Austrade, *Submission No. 5*, p. 22.

96 Woodside Energy Ltd, *Submission No. 12*, pp. 8-9.

Tunisia

- 5.126 While Tunisia was considered to offer potential for exploration work, the committee was advised that, for larger Australian firms, the relatively diffuse and small scale of operations was a disincentive.⁹⁷
- 5.127 The expenditure plans announced for the next five years on major infrastructure programs, and the expected upsurge in demand for consumer products with the liberalisation of the economy, represent real opportunities for Australia.

Tourism

- 5.128 The tourism sector in the five North African countries is growing⁹⁸ and offers opportunities for Australian suppliers of boutique food, hotel equipment, construction of hotels and other accommodation and upgrading associated infrastructure.
- 5.129 According to Austrade:

When you see places like Tripoli you will see that it has a beautiful coastline and is in very close proximity to Europe. Most of the tourists to the Middle East are coming out of Europe. It is closer to go to North Africa and it is cheaper but they do not have the hotels and the infrastructure.⁹⁹

97 Dr A Kantsler, Director, Exploration and New Ventures, Woodside Energy Ltd, *Evidence*, 4/11/05, pp. 45-46.

98 North Africa tourist numbers increased by 25% between 2000 and 2004. *Overview international Tourism 2004*, http://www.world-tourism.org/facts/eng/pdf/highlights/2005_eng_low.pdf

99 Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Austrade, *Evidence*, 1/8/05, p. 38.

Table 5.6 North Africa: Tourism

Country	Million tourist /year
Algeria	1.1
Egypt	8.8
Libya	0.4
Morocco	5.5
Tunisia	6.0

Source Submissions from: Austrade, No 3, p. 5; DFAT, No 9, p. 15; Mr A Amari, Consul General, Consulate of Tunisia Evidence 4/11/05, p. 31; . Mediterranean news in brief: More tourists visiting Algeria <http://www.1stmediterranean.com/actuuk/archivesuk/resultat.php?id=379>; Libya, Link2exports, <http://www.link2exports.co.uk/regions.asp?lsid=1968&pid=1232>

Algeria

5.130 During its visit, the committee was told that Algeria would welcome Australian assistance in infrastructure development for tourism

Egypt

5.131 Austrade considers that, as with all of North Africa, tourism numbers into Egypt can increase.¹⁰⁰ In DFAT's eyes:

Companies that have developed systems for the protection of coral reefs in tourist areas may find opportunities in Egypt's south Sinai coast and Red Sea resort areas.¹⁰¹

Libya

5.132 The Libyan Government in particular is looking to foreign investors to develop infrastructure for tourism projects.¹⁰² The committee learnt when in Libya that there is an interest in development of tourism in cooperation with international companies and the government would look favourably on BOOT projects. UAE investors and developers have plans for the development of Tripoli City which is a \$3.5 billion project for shopping, residences and offices.

100 Mr P Linford, Consul General and Senior Trade Commissioner, Dubai, Austrade, Evidence, 1/8/05, p. 38.

101 DFAT, Submission No. 9, p. 27.

102 Austrade, Submission No. 5, p. 21.

5.133 Tourism training would represent real opportunities for Australian companies. Sanctions adversely affected the tourism opportunities in Libya. The Department of Tourism has developed a five-year plan and developed sites for tourism development. They observed the way in which Tunis developed their tourist sector and wish to follow their example.

Morocco

5.134 Morocco also has extensive plans for tourism. It currently receives 5.5 million international tourists each year, mainly from Europe. While visiting, the committee was told that Morocco plans to increase the number to 10 million by the year 2010 by two main means: the development of major tourist resort centres on the Atlantic near Agadir and on the Mediterranean near Tangiers. This will involve:

- development of infrastructure provided for the sites;
- expressions of interest would be called from the private sector for the construction of hotels. It is envisaged that an additional 230,000 beds will be provided;
- the provision of a high speed rail network between major cities, particularly Marakesh and Agadir and Casablanca;
- the development of feasibility studies for a tunnel crossing between Tangiers and Spain;
- the provision of networks of freeways between the tourist centres; and
- emphasis on training in tourism to prepare for the expected increased tourist numbers.

Tunisia

5.135 Tunisia has already developed significant export earning capacity from the tourism sector and further development is planned.¹⁰³

5.136 Austrade is currently focusing on this sector in Tunisia in the expectation that niche opportunities may emerge from increasing mass market tourism in the region.¹⁰⁴

103 DFAT, *Submission No. 9*, p. 27.

104 Philip Eliason and Associates, *Submission No. 7*; DFAT, *Submission No. 9*, p. 27.

Outlook

Algeria

- 5.137 Oil and gas will continue to dominate in terms of opportunities for Australian companies but opportunities also exist for mining and drilling equipment, meat supplies, agricultural and dry land farming equipment and education with increasing numbers of Algerians studying abroad.

Egypt

- 5.138 The situation for selling into the Egyptian market is more favourable than it has been for five years. DAFF is pursuing a trade and economic framework MOU with Egypt.¹⁰⁵
- 5.139 Opportunities exist for Australia in terms of live sheep, frozen meat, and students coming to Australia.

Libya

- 5.140 Australian investment in Libya in the short to medium term will primarily be focused in the oil and gas sector. Investment in other sectors will be dependent on improvements in the overall foreign investment climate in Libya as well as improvement in the laws and facilities.¹⁰⁶
- 5.141 Libya, with the highest GDP per capita in Africa has much potential. For Australian oil exploration companies there is a very positive outlook.
- 5.142 The tourism sector is a high priority as this is one of the sectors that can be developed to diversify the economy and reduce its dependence on oil.¹⁰⁷
- 5.143 Other sectors will require considerable work but opportunities exist as economic reform and the opening of Libya to the international community continues.

105 Dr M O'Flynn, Acting Executive Manager, International Division, DAFF, *Evidence*, 2/8/05, p. 5.

106 Austrade, *Submission No. 5*, p. 8.

107 Austrade, *Submission No. 5*, p. 8.

- 5.144 However, there will be difficulties and the opening of the Trade office in Tripoli will do much to assist export effort and the development of the Australia-Libya relationship. In this context, Libya would like to see a Trade Show with Australian products, particularly meat products and equipment designed for the agricultural, oil drilling and manufacturing sectors.

Morocco

- 5.145 Australian trade has to contend with the disadvantages of distance from the market and the pro-Europe orientation of Morocco. The Moroccan government, however, views its position as a platform from which otherwise protected markets might be accessed.

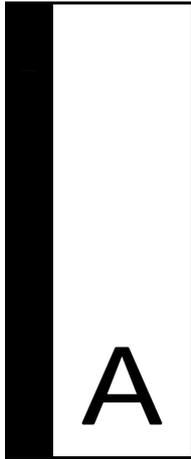
Tunisia

- 5.146 There may be opportunities here as the demand for tourism and its related infrastructure increases.

Conclusion

- 5.147 Compared with the Arab Gulf States, reviewed by the committee in January 2005, North Africa is a more populous, but less prosperous region, but opportunities do exist there for Australian exporters and investors across a broad range of sectors.

Senator Alan Ferguson
Chair
March 2006.



Appendix A: List of submissions and exhibits

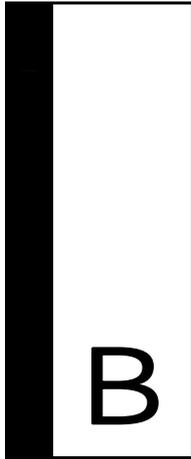
Submissions

1. Embassy of the People's Democratic Republic of Algeria
2. Centre for Middle East and North African Studies, Macquarie University
3. Embassy of the Arab Republic of Egypt
4. Australian Arab Chamber of Commerce & Industry Inc.
5. Australian Trade Commission
6. Australian Western Sahara Association
7. Philip Eliason and Associates
8. Confidential
9. Department of Foreign Affairs and Trade
10. Australian Dairy Industry Council Inc.
11. Meat and Livestock Australia Ltd.
12. Woodside Energy Ltd.
13. Fayman International Pty Ltd.
14. BHP Billiton
15. Confidential
16. Bureau d'affaires International Trading Principal
17. Department of Immigration and Multicultural and Indigenous Affairs

18. Department of Agriculture, Fisheries and Forestry
19. Australian Western Sahara Association (supplementary)

Exhibits

1. Supplementary information from the Consulate of Tunisia, Sydney:
 - a. Tunisia Press Kit, Tunisian Foreign Trade 2004;
 - b. Tunisia and Japan –Economic cooperation realised through the Japan Bank for International Cooperation (JBIC);
 - c. Overview of the Investment Environment in Tunisia-speech by Mohamed Nouri Jouni, Minister of Development and International Cooperation of Tunisia;
 - d. Business Opportunities in Tunisia for Japanese Companies;
 - e. The EU's relations with Tunisia.
2. Presentation from Australian Trade Commission to the Joint Standing Committee on Foreign Affairs, Defence and Trade on Opportunities in North Africa.



Appendix B: Witnesses appearing at public hearings

Canberra, Monday 1 August 2005

Embassy of the People's Republic of Algeria

His Excellency, Mr Kamerzermane, Ambassador

Mrs Marie Genevieve Valerie, Personal Assistant

Department of Foreign Affairs and Trade

Mr Paul Joseph Cornelly, Executive Officer, Africa Section

Mr Paul Foley, Assistant Secretary, Middle East and Africa Branch

Australian Trade Commission

Mr Leith Doody, Director, Corporate Services

Mr Lee Kennedy, Manager, International Liaison Unit, Europe, Middle East and Africa

Mr Peter Linford, Consul General and Senior Trade Commissioner, Dubai

Embassy of Egypt

Mr Moustapha El Kouny, First Secretary

His Excellency Mohamed Tawfik, Ambassador

Miss Ragaa Wakeel, Third Secretary

Department of Immigration and Multicultural and Indigenous Affairs

Ms Elizabeth Hoffman, Acting Assistant Secretary, Temporary Entry Branch,
Migration and Temporary Entry Division

Ms Arja Eski-Nummi, Acting First Assistant Secretary, Migration and
Temporary Entry Division

Canberra, Tuesday 2 August 2005

Western Sahara Polisario

Mr Kamal Fadel, Representative

Australian Western Sahara Association

Mr Nicholas Kevin Francis, President

Department of Agriculture, Fisheries and Forestry

Mr Mike Gilbert, Grains Export Manager, Australian Quarantine and Inspection Service

Ms Nicola Gordon-Smith, General Manager, International Trade Branch, International Division

Ms Fiona McKergow, Manager, Middle East, Africa and South Asia, International Trade Branch, International Division

Dr Melanie O'Flynn, Acting Executive Manager, International Division

Mr Steven Roberts, Senior Veterinary Officer, Technical Standards Branch, Australian Quarantine and Inspection Service

Mr Andrew Wallace, Acting Manager, Field Crops, Food and Agriculture Division

Ms Slava Zelman, Processed Food Policy Section, Technical Standards Branch, Australian Quarantine and Inspection Service

Australia Arab Chamber of Commerce and Industry

Mr Michael John Kavanagh, Chief Executive Officer

Canberra, Friday 4 November 2005

Libyan People's Bureau

Mr Bashir Abudher, Charge D'Affaires

Consulate of Tunisia

Mr Ammar Amari, Consul General

Dairy Australia

Mr Phillip Daniel Goode, Manager, International Policy

Meat and Livestock Australia Ltd

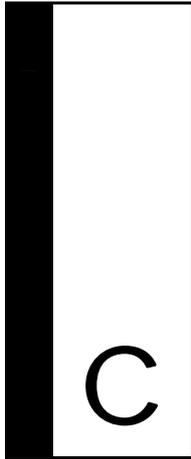
Mr David Maxwell Jones, Manager, Market Support Services

Woodside Energy Ltd

Dr Agu Jan Kantsler, Director, Exploration and New Ventures

Australian Trade Commission

Mr Lee Kennedy, Manager, International Liaison Unit, Europe, Middle East and Africa



Appendix C: Trade Sub-Committee visit to North Africa November 2005

MEMBERS

The Hon Bruce Baird MP (Chair)

Mrs Patricia Draper MP

Mr Barry Haase MP

The Hon Geoffrey Prosser MP

PROGRAM

<i>LOCATION</i>	<i>Meetings with</i>
MOROCCO	
Casablanca , 13/11/05	Australian Embassy
Rabat , 14/11/05	Mr Abdelwahed RADI President of the House of Representatives
	Mr Mustapha OUKACHA President of the Senate
	Parliamentary Committee for the Productive Sector
Casablanca , 14/11/05	Mr Mohammed SAJID Mayor of Casablanca
	Mr ALAMI Vice-President, CGEM - Federation of Moroccan Companies
	Mr Oussama ALAOUI A&M Intercommodity

PROGRAM

<i>LOCATION</i>	<i>Meetings with</i>
MOROCCO Rabat , 15/11/05	HE Driss JETTOU Prime Minister Mr. Mohand LAENSER Minister for Agriculture, Rural Development, & Sea Fisheries Mr Omar HILALE Secretary-General of the Ministry of Foreign Affairs and Cooperation Mr Othmane Fassi FIHRI General Manager, Societe des Autoroutes du Maroc Messrs OUCHARA and OUBELLA Owner & Manager, SOPCODA seafood importers Messrs Mohamed ESSALEHI and Ahmed CHERMATI Owner & General Manager, CASAGRAINS durum wheat millers
ALGERIA Algiers 16-17/11/05	Mr Lazhar FELLAH Deputy Speaker, National Assembly Mr Chakib KHELIL Minister for Energy and Mines Mr Hamid TEMMAR Minister for Privatisation and Investment Promotion Mr Mohamed MEZIANE President, SONATRACH - State Oil Company Mr Kamel CHELGHAM Secretary-General, Ministry of Commerce Mr Sofiane MIMOUNI Director-General, Asia & Oceania, Ministry of Foreign Affairs Mr Francis EGAN Vice-president for Algerian Assets, BHP-Billiton
TUNISIA TUNIS 16 -18/11/05	Word Summit on the Information Society

PROGRAM

<i>LOCATION</i>	<i>Meetings with</i>
LIBYA	
Tripoli 19/11/05	General Secretary of the General People's Committee for Tourism Secretary of the People's Committee for the National Supply Company
Tripoli 20/11/05	Deputy of the General Secretary of the General People's Committee for Economy and Commerce Secretary of the General Authority for Agriculture and Animal Wealth Woodside Energy (NA) Ltd Secretary of Foreign Affairs
Tripoli 21/11/05	Secretary of the General People's Committee for Higher Education Secretary of the Administrative Committee of the National Oil Company
EGYPT	
Cairo 23/11/05	Australian Embassy Mr Nicholas GOMERSALL Manager – Egypt AWB Ltd HE Eng Ahmed Abdel Moneim EL-LEITHY Minister for Agriculture and Land Reclamation HE Dr Amal OSMAN Deputy Speaker of the People's Assembly HE Mrs Fayza Aboul NAGA Minister for International Cooperation Mr Gordon GALT Managing Director, Magnesium International Ltd Mr Sami RAGHI Centamin Ltd Media Conference
Cairo 24/11/05	HE Dr Hassan Ali KHEDR Minister for Supply and Domestic Trade Dr Ziyad Baha EL-DIN Chairman, General Authority for Investment Ms Amina GHANEIM, Counsellor to Minister of Finance The Amiral Group

D

Appendix D – North Africa: visa applications, approvals and non-return

Table D.1 Visitor Visa Activity by Subclass : 2004-2005

Subclass		Algeria	Egypt	Libya	Morocco	Tunisia	Global
456 Business (Short Stay)	Applications	71	541	139	54	37	185,771
	Approvals	65	504	108	49	38	174,617
	Approval Rate %	98.48	94.56	94.74	92.45	100.00	95.27
675 Medical Treatment (Short Stay)	Applications	0	1	0	0	0	3,923
	Approvals	0	0	0	0	0	3,767
	Approval Rate %	0.00	0.00	0.00	0.00	0.00	98.33
676 Tourist (Short Stay)	Applications	63	1,419	17	127	48	428,296
	Approvals	47	1,036	12	106	31	383,694
	Approval Rate %	100.00	73.06	80.00	82.17	68.89	90.95
679 Sponsored Family Visitor	Applications	0	98	1	6	2	13,962
	Approvals	1	74	1	3	1	10,655
	Approval Rate %	100.00	82.20	100.00	75.00	100.00	79.83
685 Medical Treatment (Long Stay)	Applications	0	1	0	0	0	197
	Approvals	0	3	0	0	0	175
	Approval Rate %	0.00	100.00	0.00	0.00	0.00	90.21
686 Tourist (Long Stay)	Applications	6	332	1	9	3	45,803
	Approvals	5	282	0	6	3	41,003
	Approval Rate %	62.50	85.45	0.00	66.67	75.00	90.42

Note: Not all applications are decided in the program year that they are received.

Table D.2 Business (Short Stay) Visa Activity - 2003-2004 to 2004-2005

Country	Applications		Approvals	
	2003-2004	2004-2005	2003-2004	2004-2005
Egypt	537	541	454	504
Algeria	22	71	21	65
Libya	43	139	25	108
Morocco	57	54	43	49
Tunisia	42	37	39	38

Table D.3 Visitor Visa Approval and Non-Return Rates 2002-2003 to 2004-2005

Citizenship	Year	Approval Rate %	Visitor Arrivals	NRR %	Modified NRR %
Egypt	2002 - 2003	78.26	1,749	7.95	5.09
	2003 - 2004	77.14	1,676	5.94	4.39
	2004 - 2005	79.99	1,691	4.77	3.94
Algeria	2002 - 2003	67.24	107	2.80	0.93
	2003 - 2004	81.48	58	3.45	1.72
	2004 - 2005	87.41	83	1.20	1.20
Libya	2002 - 2003	88.24	44	4.55	4.55
	2003 - 2004	75.00	36	30.56	13.89
	2004 - 2005	93.08	81	1.23	1.23
Morocco	2002 - 2003	78.35	225	1.33	0.00
	2003 - 2004	73.74	118	4.67	4.67
	2004 - 2005	84.10	146	2.74	2.74
Tunisia	2002 - 2003	80.77	113	3.42	1.65
	2003 - 2004	86.59	67	2.99	2.99
	2004 - 2005	82.95	61	4.11	4.11
Global Average	2002 - 2003	98.05	3,498,294	1.60	0.85
	2003 - 2004	98.40	3,448,190	1.47	0.81
	2004 - 2005	98.50	3,735,251	1.22	0.69

Non-return rate

The 'non-return rate' (NRR) is a calculation of the percentage of visitors who arrive and do not depart within the validity of their initial visa. They may have:

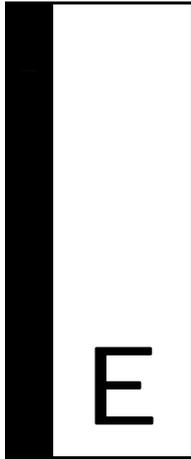
- remained in Australia unlawfully, or
- departed Australia on an expired visa, or
- have applied for a subsequent visa while in Australia. and have:
 - ⇒ since departed lawfully on the subsequent visa; or
 - ⇒ remained lawfully in Australia; or
 - ⇒ been granted a Bridging Visa.

Modified non-return rate

The 'modified non-return rate' is a calculation of the percentage of Visitors who have arrived, whose initial visa has expired within the reporting period and have either:

- remained in Australia unlawfully, or
- departed Australia on an expired visa, or
- applied for a subsequent visa other than one of the following (which are deemed to be of benefit to Australia): Business Visitor (Short Stay), Temporary Business Entry, Skilled or Business Migration, Tourist (Short Stay) or (Long Stay), Medical Treatment (Short Stay) or (Long Stay), Student visa.

Source DIMIA, *Submission No 17, Tables 3-5,*



Appendix E - Visa processing times: Australian Embassy, Cairo¹

Visa subclass	Number finalised 2004/5	Processing Times (Days)				Service Standard
		25% processed	Median	75% processed	90% processed	
Visitors						
456 Business (Short Stay)	604	8	12	18	28	0.5 month
676 Tourist (Short Stay)	1,377	7	11	17	30	0.5 month
679 Sponsored Family Visitor	113	16	28	50	104	1 month
686 Tourist (Long Stay)	358	5	12	22	43	1 month
Students						
570 Independent ELICOS Sector	96	48	75	95	130	Egyptian nationals: 1 week
571 Schools Sector	2	71	88	104	104	
572 Vocational Education and Training	94	40	73	101	129	Others: 2 months
573 Higher Education Sector	25	23	71	85	109	

In those cases where standard processing times were exceeded, the reasons generally related to issues outside of the post's control, including where:

- investigation of bona fides was required in those caseloads where fraud is prevalent;

¹ DIMIA, *Submission No. 17*, p. 11.

- applicants were required to undergo medical and/or x-ray examinations - especially among the over 70s age group;
- applicants were subject to exclusion periods;
- applicants did not provide relevant documentation - migration legislation provides for a 70 day response period to invitations to provide further information; and
- there was a requirement for character/security checking.