

## Australia's Post-War Trade Strategy in the Middle East

Dr Blewett returned recently from a successful and productive visit to Saudi Arabia and Kuwait, where he led an Australian trade mission which included senior officials and businessmen. A prime aim of the mission was to demonstrate to the Kuwaitis that Australia is well placed to resume past trading links with Kuwait and has the capacity both to expand trade in traditional areas and to contribute to the reconstruction and restocking of Kuwait.

The visit took place from 10 to 14 March, within two weeks of the war's conclusion. The country was still in a state of confusion. Dr Blewett described the atmosphere as "like a scene from Dante's 'Inferno'." Thick black clouds of smoke from the oil fires hung in the air: "It was like perpetual dusk with the midday sun appearing as a pale moon."

Dr Blewett was warmly received in Kuwait. In particular, the Amir expressed the deep appreciation of the Government and the people of Kuwait for Australia's early and continued support during the crisis. "You were on our side before we knew where the rest of the world stood," he said.

The Amir and Dr Blewett agreed that the pre-existing trade relations between the two countries should resume immediately; that Australia was an important supplier of food and could assist in the reconstruction process.

Dr Blewett was also received by the Crown Prince (who is also the Prime Minister) as well as by the Ministers for Municipal Affairs, Communications and Finance and Planning. Throughout the visit, he was accompanied by the Kuwaiti Minister of State for Foreign Affairs, who visited Australia last year.

A clear message to emerge from the mission is that Australian companies are well placed to win business contracts in Kuwait but that they must compete on a commercial basis for individual contracts. Firms must pre-register with Kuwaiti authorities and pre-qualify for tendering processes. Austrade plays an important role in assisting firms through these procedures.

### **Australia's trade relations with the region**

Dr Blewett's visit was the first step in a new, post-war trade

strategy for the Middle East, which emerged from the Department's long-term planning for the conclusion of the Gulf War. Before the mission, the Department had analysed the implications of the crisis for our commercial relations in the region. The study provided a useful opportunity to re-evaluate our overall approach to the Middle East, as well as to plan for an Australian contribution to the reconstruction of Kuwait. The need to move quickly was recognised and reflected in the speed with which Dr Blewett's mission was mounted.

Australia's key trade objective in the Middle East now that the war is over is to re-establish our traditional trade in primary products with the region on a stable, long-term basis. In addition, we aim to continue to diversify our exports from commodity-based trade to greater value-added products and services and consultancy contracts.

Before the war, Australia exported around \$A2.5 billion annually to the region, primarily to Iran, Egypt, Iraq, UAE and Saudi Arabia, but with important markets also in Yemen, Bahrain, Israel, Kuwait and Oman. Wheat is our principal export, with sizeable markets also for barley, live animals, meat, butter, cheese and curd. Australia also exported a diverse range of other products to some Middle East markets, such as the UAE.

Imports from the region were around \$A1 billion per annum before the war, principally from Saudi Arabia and the UAE, though Israel and Kuwait were also sizeable import sources. Imports were dominated by petroleum, crude and refined, though small amounts of a diverse range of other imports were also recorded.

Already, the important and traditional live-sheep trade has resumed with an initial shipment of 21 000 Australian sheep berthing in mid-March in a Kuwaiti port cleared by RAN divers.

Moreover, during the trade mission the Australian Meat and Livestock Corporation made a detailed offer for the immediate supply of frozen Australian meat in containers refrigerated by units independent of the mains power supply.

Telecom Australia (International) has pre-qualified for work through its partner in Saudi Arabia and has announced that it will shortly establish a permanent presence in Kuwait. At the request of the Kuwaiti Minister for Communications, Telecom will be submitting a formal proposal to assist in the management of Kuwait's telecommunications infrastructure.

Other representatives of the engineering and manufacturing industries identified opportunities during the mission in areas such as power-transmission-line repair, prefabricated housing, piping and hospital equipment.

The opportunities for actual building construction may not be as large as earlier anticipated because damage is largely non-structural. Most of the work will be concentrated on the renovation of buildings, the rehabilitation of infrastructure and the supply of goods and services rather than wholesale rebuilding.

The visit to Kuwait also highlighted the extent of environmental damage caused by the oil well fires and by oil pollution in the Gulf. The environmental challenge facing Kuwait is unprecedented and will require a consolidated international response. Australia has contributed oil-spill clean-up equipment and a number of experts to assist regional environmental authorities.

The visit to Saudi Arabia centred on discussions with the Ministry of Commerce, which identified areas for expanding Australia's trade with and investment in the Kingdom. Possibilities were identified for the further expansion of trade in frozen sheepmeat and for more joint ventures between Saudi and Australian firms.

#### **Future representation**

A further element of the trade strategy relates to the nature of additional Australian representation in the Gulf region. Initially, an Australian Government presence on the ground in Kuwait has

been established through embassy officials from Riyadh visiting Kuwait for three or four days each week in order to maintain and build on the contacts Dr Blewett made during his visit. Austrade is also moving to establish a trade commissioner presence in Kuwait by placing additional trade commissioners in Riyadh who will visit Kuwait on a rotational basis.

To assist in focusing and facilitating Australia's trade with the region, Mr Paul Barratt (Special Adviser in the Department of Foreign Affairs and Trade) has been assigned the responsibility for energising and consolidating the Government's cooperation with industry on Middle East matters. In this task, Mr Barratt will work closely with Austrade, with other key Government departments, and with the private sector, both directly and through industry groups.

#### **Commercial opportunities in other regional countries**

Although the post-crisis scenario for Iraq is far from clear, there must ultimately be a requirement in post-war Iraq, like Kuwait, for infrastructure rebuilding and restocking. The demand for food and supplies will be strong for some time, though Iraq's capacity to fund reconstruction must be in doubt. Australia's trade with Iraq (principally wheat, cheese and curd) remains suspended.

Iran will remain a priority market in the region and its importance may even increase if it emerges from the crisis with more economic and strategic influence. Iran benefited from the higher oil price during the war and may use this revenue for infrastructure development and modernisation of its outdated oil-production capacity. There would be opportunities here for Australian investment and exports in areas such as resource consultancy, construction and telecommunications, along with traditional exports of wheat, butter, iron and steel.

New trade opportunities in the three "frontline states" of Egypt, Jordan and Turkey are likely to be more limited. Egypt has been Australia's prime market for wheat exports, and a major challenge will be to try to protect this market from potential subsidised grain sales from the US and Europe. Dr Blewett received assurances from US officials during his visit to Washington in February that third-country interests would be borne in mind in providing wheat to the region under the Export Enhancement Program and PL480 (Public Law 480, relating to the US aid vote).

With the changing political situation in Lebanon, there may also be opportunities for Australian industry to seek out commercial openings there. Historically, Lebanon has been a significant trading nation in the eastern Mediterranean and can be expected to seek to re-establish itself in the future. An important part of this process will be the rebuilding of destroyed and damaged infrastructure which has suffered from the ravages of the 15-year civil war.

A more detailed assessment of economic developments and commercial prospects in the region will be contained in a Departmental publication to be issued in early May.