

Indian Ocean Dialogue

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Australia's Engagement with the Gulf: Opportunities and Challenges

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Distinguished guests, ladies and gentlemen,

I'd like to thank Major General John Hartley for the opportunity to contribute to what's a very important initiative: the Indian Ocean Dialogue. Indeed, the fundamental objective of Future Directions International, investigating and promoting Australia's position as a two-ocean continent and, in particular Western Australia's unique place in this dynamic region, is one to be applauded. Today, I've accepted the ambitious task of talking about Australia's engagement in one of the most vibrant and yet most misunderstood regions. I want to first talk very briefly about the establishment of the Gulf-Australia Business Council, before turning to a very short introduction to the Gulf Co-operation Council.

The Gulf-Australia Business Council (or GABC), has been established as the pre-eminent business organisation, providing a forum for the major commercial and investment interests between Australia and the Member States of the Gulf Co-operation Council, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The overall objective of the GABC is to promote increased bilateral trade, commerce and investment between Australia, the GCC and their respective regions by harnessing the support of the top 25 companies involved in this dynamic and evolving relationship. The GABC was launched in Sydney in December 2009 by His Highness Sheik Saud Bin Saqr Al Qasimi, the Crown Prince and Deputy Ruler of Ras al-Khaimah, in the United Arab Emirates. The GABC provides active support for the proposed Australia-GCC Free Trade Agreement currently under negotiation and also works to promote awareness in Australia of the legal systems, regulatory environment in general and business culture of the GCC and its member states, and vice versa. The GABC will be supported by an advisory Board of Governors, made up of Australian business leaders involved in the Gulf-Australia relationship. The GCC is Australia's ninth-largest trading partner and has a combined GDP estimated by the IMF at \$1.2 trillion dollars. In 2008, GCC trade was estimated to be approximately \$6.8 billion. While the GCC is not immune to fiscal issues and concerns, it remains a strong and growing global economic trading group. The GCC is Australia's tenth-largest

export market. There are approximately 40 million people living in the member states of the GCC. Over the past five years, GDP growth has been stable at seven per cent. Non-oil GDP is growing faster than oil GDP.

Australia is an extremely important trade partner for the member states of the GCC. It is ranked ninth in the World Bank *Ease of Doing Business* survey. It's an attractive investment market for the member states. Australia's trade foundation with the Gulf has been in traditional areas such as wheat, barley, rice, dairy products and live sheep. We are seeing new markets developing for Australian exports, particularly in services such as engineering consultancy, architecture, information and communication technologies, travel and tourism, interior design, landscaping, financial services, veterinary services and even event management. Organisations like the GABC need support to enable free communication between interested parties across the economies, establishing strong commercial, political and cultural relationships. If we think of the politics of oil, sovereign wealth funds, terrorism and political violence, food and water crisis, agribusiness, population growth, energy (be it coal, nuclear or green), the Gulf region is at the forefront of these themes and I will, in this little time, attempt to highlight some opportunities for Australian engagement in a couple of areas I believe deserve special attention: education, food and water security and the broader role Australia can play in developing a stronger foreign policy platform in the region.

I want to begin by offering a very short introduction to the member states of the GCC. A reminder, the member states of the Gulf Co-operation Council are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Gulf Co-Operation Council was formed on 25 May 1981, with the objective, as stated in the preamble of the GCC Charter, of confirming the special relations, common qualities and similar systems founded on the creed of Islam, faith in a common destiny in sharing one goal, and that the co-operation among these states would serve the sublime objectives of the Arab nation. More candidly, the forming of the Gulf Co-operation Council was a strategic alliance between the member states offering immediate and advantageous outcomes to the security and economic challenges that the region presented.

Today, while there is a recognised healthy rivalry between the member states of the GCC, the foundations and objectives upon which the GCC was formed remain relevant and strong. Each of the member states, however, has a very different story to tell. Bahrain was the first GCC state to discover oil. Today it's the state with the lowest reserves, and was the first GCC nation to have its sovereign ratings cut as the Global Financial Crisis loomed over the region. Like other Gulf States, Bahrain subsidises fuel and electricity and maintains a tax-free environment; all policies the IMF is encouraging Bahrain to review. In 2002, the country had its first Parliamentary elections with 40 elected members sitting in the Lower House and 40 members in the Upper House, or *Shura*. The Upper House members are, however, appointed by the king, His Majesty King Hamad ibn Isa Al Khalifa. Bahrain maintains a Standard and Poor's rating of A-stable and a Moody's rating of A2.

Despite Kuwait's struggle to diversify its oil-dependent economy, it still produced a budget surplus of US\$22 billion in the first eight months of the fiscal year. The Government has, for the first time in 20 years, announced a five year development plan, to the value of US\$125 billion. The State has a relatively moderate Parliament and, in 2009, returned four women to Parliament. However, power struggles within the ruling al-Sabah family continue to produce red tape and restrictions on foreign

investment, making Kuwait, in reality, one of the most difficult places in the Middle East to establish business. Kuwait maintains an AA-minus rating with S and P and a Moody's rating of AA2-negative.

The most liberal, progressive state in the GCC, with a constitution that is enforced, that bans discrimination on the grounds of sex, religion, ethnicity and social class, Oman has survived the Financial Crisis with little trouble. Government spending totalled \$16 billion in 2009. The revenue from oil and gas is being used to diversify the economy with tourism, real estate development and the establishment of industrial zones receiving added attention. Oman's political environment is stable, His Majesty Sultan Qaboos bin Said Al Said has, for the last 40 years, been the absolute ruler. He is the Prime Minister, the Commander of the Armed Forces, the Finance Minister and the Minister for Foreign Affairs. The closest thing to a Parliament is an elected consultative council. Oman has a Standard and Poor's rating of A-stable and a Moody's rating of A1-stable.

Qatar has received some unprecedented attention in the past five to ten years – second only to Dubai – and it's today one of the fastest growing economies in the world, owing to its vast oil and gas reserves. For the last three years, Qatar has been the world's leading exporter of liquefied natural gas, with output predicted to remain at current levels for the next 20 years. Qatar's budgetary break-even point is estimated at US\$24 a barrel, a lot lower than other GCC states. Qatar is also committed to diversifying its economy and has pursued major offshore investments through the Qatar Investment Authority and other investment vehicles. QIA is estimated to have a portfolio of over \$40 billion. Qatar is home to one of the largest US military bases in the region, heightening risks of political violence. However, the Head of State, Emir Sheikh Hamad bin Khalifa Al Thani, is positioning himself as a regional peacemaker; an area I will talk a little bit more about later in the speech under the theme of Smart Power. Qatar enjoys a sovereign rating of AA-minus with SMP and an AA2-stable rating with Moody's.

Saudi Arabia is, without doubt, the powerhouse of the region. Not only acting as protector of the two holiest sites in Islam, Mecca and Medina, but also because it maintains massive reserves and outputs of oil that really dwarf the other GCC states. Saudi Arabia has also pursued strong diversification of its economy, making significant investments in establishing financial and industrial cities and is going to great measures to address the needs of a booming and young population. I'll also address this subject a little bit later on.

Despite attempts by the Head of State, King Abdullah, to advance progressive and economic social performs – there is even talk of a future parliamentary democracy – the Saudi royal family is large and bureaucratic and is continually negotiating internal political crises at the hands of Islamists and religious clerics, who oppose the Saudi alliance and support of Western foreign policies in the region. Like Kuwait, Saudi remains quite a difficult place in which to establish a business. The economy does, however, remain strong and has an SMP rating of AA-minus and a Moody's rating of AA3.

The subject of the United Arab Emirates' engagement with Australia could easily be the subject of an hours-long presentation, if not more, given that country has maintained the strongest direct bilateral relations with Australia of any of the GCC states and, of course, the opportunity for the growth of this relationship remains very strong. The UAE consists of seven Emirates: Abu Dhabi, Dubai, Sharjah, Ras al-Khaimah, Fujairah, Ajman and Umm al-Quwain. Abu Dhabi is the capital and the ruler of Abu Dhabi is, by default, the President of the UAE. While Dubai, for more than a decade, has been the

shining star of not only the UAE, but the GCC, the financial downturn has seen investments and growth significantly halted. Abu Dhabi has always had the lion's share of the nation's wealth; it perhaps just managed a more subdued marketing campaign. Abu Dhabi claims it can sustain a surplus as long as oil prices remain above US\$48 a barrel; they are currently trading, I think, at about US\$82. The significance of this is that the Abu Dhabi Investment Authority is probably today regarded as the largest sovereign wealth fund in the world. Prior to the Global Financial Crisis, it was valued at over a trillion dollars. Today it's back to, I think, about \$680 billion; you never know exactly what they've got, what they own or what these funds are worth. The UAE-Abu Dhabi maintains an SMP rating of AA-stable and a Moody's rating of AA2-stable.

If asked what was the one single issue that GCC states are putting at the forefront of their agendas, I would answer: education, even above security. The commitment Gulf States are making to expanding and advancing local, secondary and tertiary educational institutions is unprecedented. In doing so, Gulf States are heavily reliant on partnership and the co-operation of Western nations with advanced educational institutions. Australia, with its world-recognised educational institutions, specialised faculties and institutes of research is a natural choice for collaboration. The vast majority of sovereign rulers in the Gulf States have personally been exposed to Western curriculums, having studied and attained tertiary qualifications from universities throughout the United States and Europe. The desire by Gulf States is to now import these private, internationally-recognised institutions into their home regions to afford their youth an opportunity to gain the highest level of education and practical skills needed to participate in the global economy. The UAE Minister for Education recently announced a 200 million *dirham* fund – about \$70 million – to be established for a professional development programme for educators. Not long before, the summit of Arab leaders in Kuwait came to the conclusion that the Gulf States needed to increase their focus on education and give greater expenditure to teaching and scientific research.

The former UK Minister for Higher Education, Bill Rammell, stated 'In an era of globalised international relations, it's not only inevitable, but desirable for universities worldwide to co-operate and to get the best talent spread across the world.' The demand for higher tertiary education is only rising and the employment opportunities resulting from the development of these institutions are also needed. To illustrate, the World Bank reported that 80 million new jobs will have to be created in the Arab world by 2020 in order to employ a population where 70 per cent are under the age of 25 and 45 per cent are under the age of 15. A major gap presents itself in employment prospects. The GCC employee cannot provide the necessary skills and knowledge that employers require for business operations that need to compete internationally. As summarised by the Qatar Foundation's Robert Wallace Baxter, 'a system that has so far been reliant on rote-learning has produced a brain-drain society which lacks skills of analysis, curiosity and creativity.' Only one per cent of UAE and Qatari nationals are employed by the private sector. The other 99 per cent are employed in public sector jobs, or not employed at all. In addition to reducing the drive of the public sector, the aim of educational reform is to elevate standards to the international level. Saudi Arabia is a prime example of this. Twenty-five per cent of the population is under the age of 30 and it has felt the pressure to support the needs of the private sector. It has currently responded with a 25 year education plan with substantial international expert assistance, which is almost complete.

In Qatar, the Qatar Foundation is the driving force of the state with the objective of turning the economy's focus on gas to knowledge. Its leading initiative is Education City which accommodates

branches of international universities that replicate the renowned graduate courses of their home country. For example, Georgetown University has recently set up a campus there providing courses in International Relations. Qatar's determination and drive to attract leading Western educational institutions saw the Qatar Foundation offering to pay one hundred per cent of the set-up and relocation costs of foreign universities to set up in Education City. Students are fully sponsored by Qatari corporations or the Supreme Educational Council, which almost guarantees full classes, efficient use of resources and profitable operations.

Funding for government educational institutions is strategically decreasing. The general opinion across the GCC states, as stated by Dr. Abdullah Al Karam of the Dubai Knowledge and Human Development Authority, is that if we increase the budget for public universities, we will only increase unemployment. So, essentially, the more money they put into their public institutions offers a guarantee that unemployment will rise.

A significant role has, of course, been played by 9/11. The change in the security and immigration policies of Western nations has shifted the balance of students travelling to the West for tertiary education. That, in addition to the growing employment opportunities in the Middle East, means that there is a great opportunity for the West to bring its educational institutions to the sophisticated cities of these Gulf students. The United States, without doubt, leads the way in forging stronger bilateral relations with the member states of the GCC, and in the education sector this is no exception. This year represents the year of the inaugural class of the New York University of Abu Dhabi. It is the first liberal Arts and Science campus to be opened overseas by a major US University. In addition, the famous Massachusetts Institute of Technology – more commonly known as MIT – is assisting the creation of a similar education model in the Masdar Institute of Science and Technology in Abu Dhabi. Australia is represented by the University of Wollongong in Dubai, providing courses in English and degrees in business administration, information technology and arts. UAE nationals currently account for 20 per cent of postgraduate enrolments. In Dubai Academic City, there's also the Murdoch University International Study Centre which is offering courses in business, media communications and culture. Furthermore, Australian educators or education professionals have played an important consultative role with the UAE Commission of Academic Accreditation. Currently, demand in the educational sector is strong in the fields of undergraduate and postgraduate business, IT, engineering, telecommunications, education, health and media. Corporate training and the purchasing of Australian course material is also very strong. Vocational training and marine fisheries, tourism and hospitality and, of course, short-term English language study tools are also very popular.

Last month, I met with the United Arab Emirates Education Minister, His Highness Sheik Hanif Hassan Ali and was invited to lunch with approximately 85 international students visiting the UAE as part of the *Education Without Borders* programme. Sheik Hanif expressed to me his desire to engage educational institutions from Australia. The Gulf-Australia Business Council is, as a result, launching an initiative called the Gulf-Australia Education Dialogue that is aimed directly at exposing Australian educational institutions to the vast opportunities that currently exist in the region.

Three months ago, in Saudi Arabia, an announcement was made on the state of food security in the Arab world that left me astounded. The Director-General of the Arab Organisation for Agricultural Development, Dr Tariq bin Moosa Al-Zadjali, said that the Arab world needs to invest more than

\$100 billion dollars in agriculture over the next 20 years in order to meet the food demands of the population. Contrast this with the current total value of Australian exports to the region. With a population estimated to reach 550 million people by 2030, Al-Zadjali stressed that the private sector must provide half of this investment otherwise the Arab world would face a food gap of \$71 billion by 2030. In the short term, the Arab world would need to invest \$27 billion until 2015 just to fill the gap in local agriculture. That's \$27 billion over the next five years. If Australia delivered ten per cent of this, and we're in a strong position to do so, it would increase our total value of exports to the region by 33 per cent. Arab countries as a whole produce 47 per cent of their food and grain needs and import the rest. They import two-thirds of their needs in relation to sugar and cooking oil. Of course, here we're talking about the Arab world and include the more fertile regions of Syria, Egypt and parts of North Africa. The situation, of course, for the member states of the GCC is far more desperate.

Al-Zadjali highlighted the need to invest in agriculture as a means to reconcile the food shortages of the Arab world. We do not expect to attract more than \$100 billion, but if we could get 75 per cent of this amount, we'll be able to bridge the food gap to a fair extent. He continues, 'Everyone talks about the risk of investment in agriculture, but was there a greater risk than our inability to import our food two years ago, while we had enough money to buy it?' The solution seems obvious and news of Gulf States attempting to be self-sufficient seems illogical. In May this year, the Wall Street Journal issued a special report on Saudi Arabia's desperate food crisis titled *Desert Kingdom's Quest for Food Security*. The report highlighted Saudi Arabia's efforts at attempting to farm land, with satellite pictures of the Arabian Peninsula showing green dots in the Saudi desert. These circular farms are approximately 54 times the size of soccer fields and are created by a combination of huge government subsidies, the latest farming techniques and water pumped from underground caverns to rotating sprinklers. Contrast this against what we might consider a more economically viable approach: imports. Import your food needs. Acquire agricultural land offshore in more fertile parts of the globe. This has, however, attracted its own challenges.

Saudi Arabia, along with every other GCC state, has been doing exactly this and has, as a consequence, been accused of land grabbing and agricultural imperialism. But what choice does Saudi Arabia have, or Qatar or the UAE? The nation's population is growing at a rate of two per cent a year; it is expected to reach 29 million people in 2015 and 32 million people by 2020, resulting in Saudi Arabia having one of the biggest or the highest rates of population growth in the world. According to the US Department of Food and Agriculture, Saudi Arabia imported 1 million tonnes of rice, mainly from India, Thailand, Pakistan and the US. It consumes around 3 million tonnes of wheat a year, and that's only Saudi Arabia. It makes sense that they would want to pursue a strategy of owning the source. The opportunities for Australia here are significant and one example is an Australian, John McKillop, who's the Managing Director of Clyde Agriculture, an Australian based farm manager, who recently visited Dubai as part of a regional road show to sell his company's portfolio of 12 farm properties. McKillop commented that the motivation for the likes of Saudi Arabia is food security, whereas a US investor might be focussed on return of investment or the growth of the asset. Without detailing the numerous opportunities that this presents to Australia, at all levels within the agricultural sector, Australia has much to offer the member states of the GCC, and the Arab world more broadly. Qatar is a prime example of the opportunities open to Australia. Unlike Saudi Arabia and other Gulf States that have traditionally invested in developing nations,

Qatar has favoured buying farmland in developed nations. Hassad Food is an organisation owned by the Qatar Investment Authority and which is mandated to oversee the agricultural investments made on behalf of the state. It announced in December of last year the formation of an Australian-based subsidiary to the Hassad Food Organisation called Hassad Australia. Hassad Australia has been mandated to buy farmland for wheat and livestock production here in Australia, and I believe that Hassad is looking to make a total investment of up to \$500 million in Australia. Qatar, however, like Saudi Arabia, has far from abandoned its ambitious programme to become self-sufficient. Dr Mahendra Shah, of Qatar's National Food Security programme, has announced that it is an immediate priority of Qatar to put in place resources to enhance domestic production. He has, however, also acknowledged that only a tenth of the nation's 65,000 hectares of Arab land is being used for agriculture, due to a lack of fresh water supplies, and that new methods are being examined to desalinate water through the use of solar energy to minimise water use straight from the wells. Again, sitting here in Australia, one can't help but think that surely there's a better option than to farm in the desert.

According to Dr Shah, the cost is relative to what happens in the world market and, in the end, even if the cost is high, Qatar has to start supporting local production because that's what gives food security. Beyond Australia, Qatar could potentially explore farmland opportunities. This has, of course, come about through research undertaken by the Qatar National Food Security Programme. They're exploring farmland opportunities in sub-Saharan Africa, detailing a report that shows there's approximately 395 million hectares of unused farmland and South America as having a further 413 million hectares of unused land, according to that study. They're certainly out there scouring the globe for opportunities to get their hands on some unused farmland.

The subject of food security is, of course, vast and not only relates to the Arab world. More importantly, this is not just a matter of addressing the future food shortage by attempting to secure the globe's fertile land. The question should go directly to addressing land management practices – and this is what we call smarter practices – that will significantly increase output. This is, of course, a key area of research for FDI and some very valuable research has already been conducted under the patronage of Major General Michael Jeffrey. I'm looking forward to participating in the Food and Water Crisis dialogue that FDI are co-coordinating and I believe that this research, that needs to be undertaken into better land management practices, will probably be the greatest contribution that we will make to addressing the food security crisis of these Gulf States.

If there is one thing that I've learnt from my experience in the Gulf, and one piece of advice that I would offer to any person or organisation wanting to engage this region for whatever desired outcome, it's that relationships matter. Your success will come from your ability to cultivate a relationship based on a genuine desire to understand cultural differences and adapt to a fundamentally different work ethic. A relationship built on integrity and accountability. While this might seem straightforward, so many continue to get it wrong. Having travelled the globe extensively, I'm proud of what Australia's achieved in terms of realising a multicultural society; the result being a culturally aware population, a population that has insight into how societies are structured and different methods of constructing businesses. This makes Australians desirable employees in business communities in the Gulf States and today, Australians are well over-represented in senior management positions throughout the GCC. Australia does have a good reputation in the GCC, but can further embrace a role as an exporter of not only talent through

education and research institutions or through corporate Australia having successful partnerships with organisations in the GCC, but through government; government showing a commitment to engage on matters not only relating to trade, but also society and culture. It's on this point that I want to raise the subject of smart power.

In one of FDI's latest newsletters, Leighton Luke who is here today, of the Indian Ocean Research Programme in a piece titled *Signs Pointing Towards Resumption of Yemen Violence*, mentions the Emir of Qatar and his efforts to be a mediator in the conflict between the Yemeni Government and the rebels. He's done this, he's played this role in much the same way that he's recently been involved in Sudan, where one of the negotiators for Darfur's main rebel groups commented 'Qatar is a good place for negotiating, because the climate here is good for it.' They're not seeking to benefit from the negotiation, unlike Chad and other neighbouring countries. Equally, Qatar was given recognition as having averted a potential civil war in Lebanon in 2008 by leading mediation between the Lebanese factional leaders, a feat the Arab League, the UN, France and others failed at. I would argue that what we're seeing here from Qatar is an approach not too dissimilar to a form of smart power that Hillary Clinton has advocated as the US Secretary of State. I don't want to pursue a philosophical debate here, but in the context of Australia's ability to contribute and engage this dynamic region, examining the combination of traditional military hard power and more diplomatic soft power, should be given serious consideration. After all, Australia has a long history of involvement in military interventions and coalition forces in the region. One cannot talk about security in the Gulf region, including consequences for Australia, without understanding US foreign policy, or to put it in the words of Hillary Clinton, 'America cannot solve the most pressing problems on our own, and the world cannot solve these problems without America.' She added that the best way to advance America's interests in reducing global threats and seizing global opportunities is to design and implement global solutions. She adds that this isn't a philosophical point, this is our reality.

We must use what's being called smart power. The full range of tools at our disposal: diplomatic, economic, military, political, legal and cultural. Picking the right tool or combination of tools for each situation with smart power diplomacy will be the vanguard of foreign policy. Though made famous by Hillary Clinton, it was Joseph Nye who coined the term "smart power" to describe foreign policy tools that nations can use to achieve desired outcomes through retraction rather than coercion. In the context of this smarter approach to foreign policy, I believe Australia has much to contribute and a lot more to gain. In the context of education, proactively pursuing opportunities in the Gulf for Australian universities to contribute to the education of future generations of Gulf nationals is equally an exercise in building stronger bilateral relations and diplomacy as it is an exercise pursued for commercial gain.

Identifying practical solutions through research, and contributing to the Gulf States' struggle to meet their food demands is another example. Our relationship with the member states of the GCC is young but, at the same time, positive.

On the many delegations to the Gulf that I've been part of, we have always been warmly welcomed, the only criticism being that we don't see you enough. As the Federal Election dawns in Australia, I hope that either a Gillard Government or an Abbot Government will pursue a more active engagement with the member states of the GCC. It's here that I applaud the efforts of Premier Colin

Barnett and his initiative in establishing a Western Australian trade office in the UAE that reports directly to the Office of the Premier and Cabinet. Every state in Australia should have a Trade Representative there to further promote and build relations with the region. What happens in this region matters to Australia and the platform is there to strengthen a relationship where a two-way flow of capital means Australia can contribute to the growth of the economies of the GCC and, at the same time, continue to present this nation as an attractive place for investment.

I want to now leave you with some words left to me by His Highness Sheik Saud Bin Saqr Al Qasimi, the Crown Prince of Ras al-Khaimah, when he was here in December after the successful launch of the Gulf-Australia Business Council. He said to me that his father once told him, 'there are three things that you've got to learn son. Number one, never let your fear be your worst enemy and stop you doing something; number two, never let your arrogance be your worst enemy, it stops you from gaining ideas from others; and, number three, never let your humility be your worst enemy, so you don't trust your mind.'

Thank you.

QUESTION AND ANSWER SESSION

QUESTION: ... [Inaudible] ...

ANSWER: If we look specifically about food security for example, I'm happy to raise this and even put it to the floor to see whether there are people in the audience that have concerns. One of the challenges is that there is a fear, if you like, that the wealth of these Gulf States means that they can come to Australia and buy up large parcels of land. Now, I won't go into detail about what the consequences of this would be for the future of Australia. That is a challenge, I think that how we manage those investments, and what sort of investments are made, are certainly areas that I think we can take a more strategic approach to towards understanding what this means. I know that FDI are doing some very good work in that area in actually doing the background work to see what are the consequences of these large foreign investments as we've seen in the mining sector, mining investments from China and India. The other challenge, of course, is in the area of terrorism and political violence. Again, this is an area that, I think, is to some degree outside our control. The best thing that we can do is to be engaging this region, to be present, have a dialogue, so that we can contribute along with the United States and Europe to this dialogue. I think to date we have done that, but my belief is there is a greater role for Australia to play in building direct bilateral relations with this region. We will always be part of a coalition in terms of dealing with terrorism and political violence, but I think there's a direct role for Australia to play. We can only do that from being there and the business community is a great way to establish this dialogue.

QUESTION: Is Australian trade affected by piracy?

ANSWER: Personally I haven't come across any real incidents of real piracy in terms of our trade and noting our trade is generally, or the strength of it at the moment, is in wheat, barley, sugar, livestock and that sort of thing. I haven't heard any major incidents of piracy affecting Australia, but I don't know if anyone else has. I know that it is an issue for Gulf States, the UAE, Qatar, Kuwait, particularly piracy in terms of trade with India. But, again, this is one of those issues that we on the ground here don't hear too much about, and we certainly don't hear much about how that's managed. I know that it is a problem and has been a problem in that part of the world for centuries.

QUESTION: Just referring to food security it seems from what you've said that there is a debate in the Gulf States about two approaches to that challenge: one is grow it yourself and the other is to acquire agricultural land somewhere. I'm interested in the status of that debate, I'm getting the impression that the tendency is to look to sources of land, rather than grow it yourself, but there are probably many good examples of desert agriculture using water management, genetic technologies, so on and so forth to enable desert land to produce enormous quantities of food.

ANSWER: I've seen lots of examples of Gulf States attempting to farm in the desert. In Saudi Arabia, the debate is mixed. Saudi, I believe, off the record, has almost given up. It's a very, very expensive process – the water, the electricity – this is also a part of the world where there's a major power crisis. The UAE have a major electricity crisis if you like, but certainly what we've seen in Saudi, in that example I used of those aerial shots of these green patches in the desert, I just don't think that's sustainable. I don't think that the Saudis believe that that's sustainable. Qatar is a little bit different, we're talking about a smaller land mass, there's more money to throw at these projects, but Qatar has certainly recognised that – and they've learnt from the Saudis – they've recognised that this is a very expensive project, if you like. But contrast that against the desperate need for food and, as the Qataris said, this is the only thing that really guarantees their food, to have it in their own backyard. They can have control over it then.

QUESTION: What about the current political circumstance and the debate that's going on now – how's that having an impact on the relationship between the region and Australia?

ANSWER: I was just watching a programme the other night on how the Gold Coast has become a magnet for the Arab states. All the talk about the hiccups and the role that Muslims are playing in Australia – personally, I don't think that sways these guys. I don't think they're moved by it, but they note it. It's like when the Cronulla riots happened; they all took an interest in it, but does it actually affect the trade relationship? I don't think so. I don't think they look at these things. We've got to keep in mind that the Lebanese, say Muslim community, in Australia is different to the Lebanese community in Lebanon. I think they take the view, as most Muslims would in Australia, that it's not something that affects foreign relations at all. They always ask with interest, they hear these news headlines and I always get various questions asked. In particular, only yesterday, about this issue of

allowing the *burqa* in our court system. It's something that certainly generates interest, but I don't think that'll stop them from coming out here for tourism or for dealing with Australia in matters of trade.

QUESTION: ... [Inaudible]... strengthening the cultural relationship between the Gulf and Australia

ANSWER: Well, naturally, it's platforms like the Gulf-Australia Business Council, the Arab Australia Chamber of Commerce and Industry that do a lot of that good work. One of the objectives, or the background to setting this up, is to play a proactive role in inviting these Arab leaders out here. I think we're not there enough. As I mentioned whenever we go to the region, whenever I go as part of delegations, not enough delegations are happening, not enough Australian politicians are visiting the region. There are a large number of Australian politicians, ministers in both governments that have never been to half of these Gulf States, and equally, we're trying to play that proactive role in bringing them out here. I think something that's immediately recognised is that our relationship with this region can't be compared to that of the United States or Europe. But I see platforms like business councils and Chambers of Commerce as playing a very important role in building that relationship.

QUESTION: ... [Inaudible] ... education side of things.

ANSWER: This was one of the issues that was raised when I was last there with the Education Minister, and I guess the initiative of having this Education Dialogue specifically, was to address those concerns, because there are a number of institutions going there that – I don't know if it's that the due diligence, I guess, hasn't been done, or whether the course choices were not appropriate, I don't know – but I know that there are examples of those that haven't succeeded. The Education Dialogue is an initiative that His Highness the Education Minister wants to pursue, to first sit down and talk about what are the areas that are most in demand and which Emirate can we put these campuses in and what the structure's going to look like. It's a very different story in Qatar, where you've got the government backing you one hundred per cent, but they pick and choose of course, it's not just any institution that wants to go there. We're not all MIT's and there are a number of factors that they certainly look for. The Dialogue, I hope, will address those issues so we don't have situations of campuses just wanting to go and set up. It's a very difficult market to crack and, even with the case of Wollongong University, only 20 percent of the postgraduate courses are local, which means that 80 per cent are the expat communities that are mainly Indian, Pakistani and the like. These are factors that have to be taken into account, too. The Arabs might say "we want them here" and they're thinking in terms of their local population, but the reality is probably going to be that your enrolment is more non-Arab than Arab.

QUESTION: With the planning now to increase tertiary education very significantly, large numbers of unemployed, highly educated people could be a real challenge for the internal stability of the

society, one that bears directly on how are new businesses going to get created in those nations to provide the employment to the avoid the problem.

ANSWER: I think if we look at – this goes back to Gulf States trying to diversify their economies, it goes back to taking the wealth of the state from oil and gas and putting it into industrial cities and financial cities. Saudi Arabia is certainly doing that. I don't know whether these industrial zones and financial cities are going to work. I mean, one that I was looking at recently, the King Fahd Industrial Zone, claims that they want an industrial zone where it creates everything from a screw to a car at the other end. This is one of the issues now with the FTA over automobiles. The Saudis want to build an automobile plant and they believe that this will be a means of employing the local population. Will Saudis work in an automobile plant? I don't think they will. Will Qataris work in similar surface sectors? I don't think they will, but there is a growing population, that's a fact; jobs do need to be created. Those jobs are seen as belonging to the private sector where there's a need for these local citizens to participate in this global economy. They recognise they need the skills, but what services and whether these local Gulf citizens are going to take up employment in these services, I don't know. Personally, I can't see that. I think that with an automobile plant or something of a similar nature, it'll end up being 80 per cent Indian, Pakistani, Bangladeshi. This is the reality.

QUESTION: So you're forecasting that they'll end up as highly educated, unemployed people?

ANSWER: Possibly. The other question, really, is what we're yet to see with these new institutions that are being created there, and whether these Emiratis are going to graduate. They're all taking up enrolment, but how many of them are going to remain in third or fourth year studies and actually graduate from the institute? This is yet to be seen, too.

QUESTION: Water usage. What types of desalination are being considered? Are they looking at saline agriculture? What are the cultural issues, or gender issues, relating to water?

ANSWER: Talk to Veolia Water. Veolia, for example, run the entire de-sal project operation for two emirates. The entire water needs of the Emirate of Ajman are by Veolia. There's another one there: the Matito Company. Matito is an Arab-based de-sal, it's probably second only to Veolia in the region, but they've got huge operations throughout the region. Certainly, Veolia.

QUESTION: You mentioned a new Saudi Arabian education plan. I was wondering how likely it is that they will be able to change their education system and, hence, diversify their economy, given that their curriculum is predominantly religious?

ANSWER: This goes back to the point that I was making earlier about what the actual ruler or the royal family want to do – King Abdullah, in particular – and how this contrasts against the Islamist movements on the ground. That is a very important question, and an issue that they're going to have to deal with over the next 25 years. Bear in mind this plan is a 25 year plan that's been announced. The money's there to create these institutions. We're hearing from month to month that there's now a university that's being established at a major campus where the government has

enforced that girls are allowed to be in the same classroom as the boys, and this is huge for Saudi Arabia. At the same time, at the university level, this major university that has been developed in Saudi, the government has said that women will sit in the same class as men. Importantly, they've announced that women will be allowed to drive on campus; that was a huge sticking point as well. It's been announced, it's there and the government will enforce it. In fact, the religious police will not be permitted to enforce whatever it is that they enforce – pulling people up and the like. That will not take place on campus. Unless we see enforced government policy that creates that platform and allows these universities to flourish, then it is a problem. But at the tertiary level at least, I think that these announcements will be enforced, I think that we'll see that and I think that the citizens will embrace this.

QUESTION: ... [Inaudible] ...

ANSWER: This was the subject of my thesis at University. I deliberately left it out because I could easily talk about this for hours and hours. It does represent a threat – nobody is as concerned about the threat of Islamism as the Gulf States themselves. They're on this side of the debate, it's not the case that they're supporting these movements and backing these movements and all sorts of things that we hear from time to time. Today there is a power vacuum in the Middle East. We were talking earlier about Lebanon being on the brink of war again with Israel – that's a serious concern and, of course, you can't talk about Lebanon without talking about Iran, because the issues in southern Lebanon are directly related to Iran. You can't talk about Iran without talking about Israel and you can't talk about Israel without talking about Syria.

Without going into detail here, what's Australia's role? Australia, of course, needs to be part of this dialogue. Terrorism is an issue that we've engaged in and talked about being part of global strategies to combat it. We're part of coalition forces, of course, in Afghanistan and Iraq and the like. We will continue to do that. I think it's fair to say that we will continue to be working with the United States on foreign policy in relation to that region, but it goes back to my point too, that I think we have an independent role to play in establishing stronger dialogue so we can be part of that forum. One of the best ways to engage is with the UK and the United States, but also directly. If you sit with any of these leaders, you will see how concerned they are – Saudi Arabia, Qatar, the UAE – they are very concerned about this threat. As we've seen from the Emir of Qatar, it's one about engagement, too. There is no real power in the Arab states. The two forces there, the real powers, are either Iran – that's not Arab – or Turkey, and that's not Arab. These have historically been the two power forces of this region. The Arab states are perhaps trying to engage them in much the same way as the US is trying to engage them. If you accept that this is the core of the problems, and the issue of the Israel-Palestinian conflict is again a whole other area.

QUESTION: [Inaudible] ... Why are they so obsessed with banning Blackberrys?

ANSWER: Can I deal with the Blackberry one first? I think this relates directly to issues of security. If we accept that these Gulf States are as equally concerned about combating terrorism and political violence as the West is, then you look at the UAE. This is a hub for these political – I don't want to

say terrorist, organisations – but organisations that we may consider to be terrorist organisations. The issue of this encryption was one that represented a security threat to both the UAE and Saudi Arabia; it was as simple as that. There was not more that could be said about it. They didn't have access to information that they believed that was potentially going to be a threat.

The issue of Saudi; it's probably the largest royal family of any of the Gulf States. It is ageing, but there is a succession plan. If I look at the next, probably two or three or four – they are all over the age of 75. It's probably for one of these reasons that the current ruler, King Abdullah, has explored other models for government including what I touched on: parliamentary democracy. The result of that? Well, I can see a potentially very dangerous situation. We've got to recognise that this is a state that has the largest Wahhabi Muslim population of any Arab state and they are quite at the right of Islam – the more extreme end – and they continue to represent a threat if there's any talk of an elected representative council or parliament. Where does the future lie with these older, ageing rulers? I don't know. It is a very difficult question and it's one that the United States is right on top of too, but it'll be one of those things that we'll look at with interest, I guess.

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