

**Address to the Australia-Arab Chamber of Commerce and Industry
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Anthony Bubalo

Introduction

Good morning ladies and gentlemen, distinguished guests.

I would like to thank the Australia-Arab Chamber of Commerce and Industry for inviting me to address this forum and expo.

And I would like to congratulate the Chamber for the great - and often unheralded - work it has done in promoting Australia's economic relations with the Arab world.

Next year is something of an anniversary for me. It will be twenty years since I set off for Egypt as a young foreign-service officer to start two years of Arabic language training.

Over the last twenty years pretty much my entire professional life has revolved around the Middle East. I have lived in three countries in the region and served in two of our Embassies. I have worked on Middle East issues in a variety of government positions in Canberra. My current job as Director of the West Asia program at the Lowy Institute has allowed me to continue traveling the region.

All of this has allowed me to watch the evolution of Australia's relationship with the Middle East in what has perhaps been its most dynamic phase ever. There have been ups and downs of course but by and large the relationship has grown and expanded.

In the 1990s we saw the rapid growth in economic ties and, in particular, changes in the nature of the trading relationship. Where once it all been about wheat and sheep the focus suddenly changed to cars and services.

There was also a rapid growth in the number of Australians living and working in the Middle East, particularly in the dynamic economies of the Gulf region.

In the first decade of this century we have seen Australia's military and political engagement with the Middle East expand, mainly as a result of Australia's participation in two wars, in Iraq and Afghanistan.

It wasn't just about the basing and servicing of Australian forces in the region. We also saw a growth in military exchanges and joint exercises, and a regular if still small Gulf military presence in Defence training institutions in Australia.

Moreover, the amount of regular contact between key Australian ministers and their Gulf counterparts increased significantly to the point where some strong personal relationships were developed. In some cases there developed a regular and substantive level of close consultation on a range of Middle East issues, especially after the Arab uprisings.

Yet for all the progress that has been made over the last two decades I think we are approaching something of a crossroads in Australia's ties with the Middle East.

The relationship faces three key challenges and I want to outline what they are. But I also want to talk about the opportunities that correspond with each of these challenges for further developing Australia's relations with the Middle East.

Arab uprisings

The first challenge for Australia's ties to the Middle East comes from within the Arab world - namely the Arab uprisings.

Long-running regimes have been overthrown in Tunisia, Egypt, Libya and Yemen. In Syria the toll in civilian lives continues to grow as the Syrian regimes shows its bloody determination to resist change. We have also seen major protests in other parts of the Arab world.

Collectively the events have created a picture, certainly in the media, of a region in turmoil. And this is a major challenge for Australia's engagement with the Arab world, given the uncertainty that has been created about the stability and economic health of the region as a whole.

Indeed, we should not be under any illusions that this instability will end any time soon. Even those countries whose regimes face little real prospect of being overthrown will feel the impact of the Arab uprising in a variety of ways.

From greater demands for freedom of expression and political participation to a greater call for the benefits of economic development to be shared more equitably.

At the same time, the Arab uprisings have also demonstrated what those of us who have spent a lot of time in the region have long known. Not all Arab countries are the same.

Many are in fact coping with the challenges posed by the Arab uprisings far better than others, including some of Australia's most important trading partners in the Gulf.

But even in some of those Arab countries where the uprisings have created great uncertainty, they have also created great opportunity for Australia's ties with the region.

Look at Egypt. It is hard to be optimistic about the country's immediate future. Its transition to democracy has faltered and its economy seems to edge closer and closer to breaking point.

Yet, knowing Egypt and its people, I am reasonably confident that the country can come through this difficult period. And if it does it will empower a new generation of tech-savvy, dynamic and outward-looking political, social and business leaders.

The challenge for Australia is to build relations with these young new leaders now, even while the situation seems so uncertain, to build a solid foundation for future partnerships.

Australia, with its successful economy and education sector, and without the political baggage of many of Egypt's traditional partners in the West, is better placed in this regard than many people in Australia assume.

Middle East and Asia

The second challenge to Australia's relations with the Middle East comes from within Australia and it is more an attitudinal challenge.

As I noted, in the 1990s our economic relationship with the Gulf Arab world grew quite quickly. In the noughties our political and military relationship expanded. But for a range of reasons, in coming years these relationships won't grow as fast.

In trade terms there has been some decline in overall growth in recent years for a range of reasons, including the GFC and the high Australian dollar.

Militarily, we will be drawing down our forces in Afghanistan over the next couple of years, which will mean a drawdown in our supporting presence in the Gulf. In fact, there may well be pressure to wind up that military presence altogether.

Alongside this we hear almost daily that this will be the Asian Century, and of the need for Australia to refocus its attention on its immediate region. Economically this has of course been happening for a number of years as our trading relationship with China has grown dramatically.

But politically and strategically there is a growing sense that we must refocus our attention on East Asia as China rises, in line with the current US Administration's declaration that it will be rebalancing away from the Middle East towards East Asia.

There is no question that global economic power is shifting towards Asia and that Asia is emerging as the key theatre of global geo-strategic competition. But it would be a mistake for us to assume that this means that the Middle East and Arab world will, as a result, become less important to Australia in coming years.

Economically, even as we seize economic opportunities in China and other parts of Asia, we should not lose sight of opportunities elsewhere. Like Australia, the resource-exporting economies of the Arab world are still faring a lot better than other economic zones like Europe and North America.

Strategically, America may well wish to rebalance toward the Asia Pacific, but the Middle East is going through its most tumultuous period in its modern history. It is not just the Arab uprisings, but the conflict over Iran's nuclear program and the prospect that extremist groups will exploit the current regional instability that will all make it difficult for the US to rebalance towards Asia.

Given America's shrinking national security budget, I expect the US to continue looking to Australia for help in the Middle East in the future, as they have in past.

In fact, an opportunity exists here for Australia to redefine the Middle East, especially the Gulf region, not as a region distinct from Asia, but as a region that is part of Asia.

Of course, geographically, much of the Middle East is part of the Asian continent. But it is in the development of its economic ties that the Middle East is becoming more and more part of Asia.

In 2009 the Saudi Oil Minister Ali al-Naimi said in a speech to Peking University that he felt at home in China because he was 'an Asian'. He added that 'when a Saudi Arabian studies, or conducts business, or travels to savor the culture and natural beauty of China, he is at home on his native continent.'

It would be easier to dismiss al-Naimi's statements as excessive politeness or enthusiasm were it not for the fact that today over 50 per cent of Saudi Arabia's oil exports head east with little prospect of it going anywhere else in coming years.

China has become the most important source of manufactured imports in the Middle East. The UAE is importing its nuclear reactors from Korea, and India remains a vital source of both skilled and unskilled labour.

But there is also an opportunity here for the Arab world to use Australia's strong economic institutions and fundamentals and its Asian-literate population as a base or as a partner for its own efforts to capitalise on economic opportunities in Asia.

Moreover, in Australia we need to remember that Asia is not just its eastern coastline. There are rapidly growing opportunities in infrastructure and resource development in western China and Central Asia that are much more easily accessed via the Gulf than from Guangzhou.

Balanced relationships

Which brings me to the third and final challenge that I see in Australia's relations with the Middle East. And that is the challenge of maintaining balanced relationships with key countries in the region.

When I say balanced I mean two things. First, that there is a reasonable degree of balance between different aspects of a bilateral relationship. It is not good enough to just have a healthy economic relationship. We need to keep political, cultural and other aspects of the relationship strong as well.

This is certainly the case with respect to our relations in the Gulf. Many Gulf rulers see a bilateral relationship as a package. Good political ties, a good defence relationship and people to people ties round out a good commercial relationship. In fact, I would go so far as to argue that when one part of the relationship falls out of balance with the others then all parts of the relationship suffer.

This is not to say that having a good political or defence relationship with Gulf countries will necessarily win Australian companies contracts. But having a well-rounded relationship in which it is clear that the commitment to the relationship is shared equally by Australian business and government and is there for the long term will help ensure that all parts of the relationship prosper.

When I say balanced relationships I also mean a balanced partnership. Australian government and business can certainly do more to develop our country's ties with the Middle East.

But at the same time we also need to see more from some of Australia's key partners in the Middle East. We need, for example, to see more visits to Australia, not just by Arab trade ministers but by foreign, defence and prime ministers.

If there is an opportunity here it is that in every relationship between Australia and an Arab country, even the most successful relationships, there is still a lot of unfulfilled potential.

There is still a lot that can be done.

Thank you.