

Submission from the Australia/Israel & Jewish Affairs Council on the Feasibility Study on Strengthening Trade and Investment with Israel

Executive Summary

The Australia/Israel & Jewish Affairs Council (AIJAC) commends the Australian Government, including Trade Minister Dan Tehan, for its foresight in proposing a feasibility study on strengthening trade and investment with Israel with a view to a future free trade agreement.

AIJAC believes a proposed free trade agreement between Australia and Israel can look beyond merchandise exchanges to consider trade more broadly – in terms of shared knowledge, technological collaboration and a gateway for each country to the other’s region. These collaborations are already being built but are largely based on strong people-to-people links and state-based initiatives. Commonwealth-level support via a significantly upgraded trade relationship would enhance these collaborations, both in quantity and quality.

The key areas of focus under an upgraded Australia-Israel trade relationship could extend to the following areas:

- **Strengthening trade in areas of national priority** – Minister Tehan noted that Australia would benefit from increased trade with Israel in innovation, cyber-security and defence. These areas are obvious first steps, however a closer look at the Australian Government’s economic priorities reveals a range of additional areas where Australia could take advantage of synergies with Israel.
- **Enhanced access to each other’s regions** – Australia currently has no FTAs with Middle Eastern states, given the Australia-GCC FTA is stalled. Israel currently has no operational FTAs in the Indo-Pacific. An FTA with Israel – coupled with the new opportunities provided by the Abraham Accords – would leave Australian business well-placed to reach a large market in the Middle East. It would also facilitate better economic ties between Israel and the Indo-Pacific, including states with which it currently does not have a diplomatic relationship.
- **Increased collaboration on shared challenges** – Australia and Israel would both benefit from collaboration in areas including water security, bio and medical

research and digital technologies. These areas were set as trade priority areas by previous Trade Minister Senator Simon Birmingham¹.

There are also a number of tangible steps that Government could take, both within a free trade agreement framework and beyond it, to enhance trade.

Recommendations:

- Seek agreement on intellectual property rights to protect innovators in both Israel and Australia. This could be modelled on similar provisions in the Canada-Israel FTA.
- Build on the Victorian and NSW government efforts to attract Israeli business, including delegations and collaborative innovation grants with a view to introducing a similar national program.
- Develop a national approach to attracting investment from Israeli pension funds looking to invest safely outside of Israel.
- Realign the organisational structure at Austrade to locate Israel in the Middle East group, rather than the Europe group.
- Engage in visa deregulation, particularly for Israelis who wish to travel to Australia for business purposes.

¹ Birmingham, S (2020) "Investment Statement", Department of Foreign Affairs and Trade, December 11, <https://www.trademinister.gov.au/minister/simon-birmingham/speech/investment-statement>

Introduction

AIJAC is the premier independent public affairs organisation for the Australian Jewish community and conveys the interests of the Australian Jewish community to government, media and other community organisations.

AIJAC thanks the Australian Government for the opportunity to contribute to the feasibility study, both in this written form and via an interview with Kate Luxford and Ben Craig at the Department of Foreign Affairs and Trade.

The trade relationship between Australia and Israel has grown significantly in both real terms and sophistication. Merchandise trade has increased, investment has boomed, and State and Commonwealth government level agreements with Israel have been signed across a range of areas. These existing agreements seek to promote collaborative innovation (grants offered by both Victorian² and New South Wales Government³) or target key sectors, such as the defence industry, cyber-security and aviation security⁴.

On simple trade terms, in 2000, Australia exported \$244 million worth of goods to Israel and \$418 million of Israeli goods were imported⁵. By 2019-20, exports had grown to \$345 million and imports more than doubled to \$1.02 billion.

There are many opportunities to increase trade. In acknowledgement of this, successive Australian governments have set up structures in Israel to try to leverage more from the trade relationship. In Tel Aviv, Australia has an Austrade office and a Landing Pad facility that offers Australian entrepreneurs access to opportunities in Israel. In Jerusalem, Australia has a Trade and Defence Office, which enhances the work of Austrade in Tel Aviv to identify opportunities for Australia, particularly in medical technology, environmental technology, defence and fintech⁶. Furthermore, until the pandemic prevented international travel, Australian Stock Exchange executives regularly visited Israel in a bid to entice local companies to list in Australia.

Israel too has a Trade Commission office in Sydney, which assists Israeli companies looking for opportunities in Australia.

² "Victoria-Israel Science and Technology Research and Development Fund", Business Victoria <https://business.vic.gov.au/grants-and-programs/the-victoria-israel-science-innovation-and-technology-scheme-visits/victoria-israel-science-and-technology-research-and-development-fund-vistech>.

³ "NSW-Israel Research and Development and Technological Innovation Program", NSW Government Support for Business, <https://www.business.nsw.gov.au/support-for-business/innovation-and-research/nsw-israel-r-and-d-program>.

⁴ "Israel country brief", Department of Foreign Affairs and Trade <https://www.dfat.gov.au/geo/israel/Pages/israel-country-brief>.

⁵ "Australia's Relations with the Middle East" (2001), Joint Standing Committee on Foreign Affairs, Defence and Trade 2001, Australian Parliament House.

⁶ "Austrade's Offices in Israel", Austrade, <https://www.austrade.gov.au/international/how-austrade-can-help/offices/israel>.

There have also been multiple state government level, private organisation, university and research delegations visiting both countries and developing linkages across a range of areas.

As a result of these activities on both sides, Australian investment in Israel was valued at \$1.2 billion, with \$342 million of Israeli investment in Australia in 2019⁷.

At this point, it is important to express a word of caution. There is a very small, but vocal, community, mostly in Western, liberal countries, that seeks to stop countries trading with Israel as a method of persuading Israel to change its government policy. The cause most often associated with this community is Boycott, Divestment and Sanctions (BDS) and Canadian BDS campaigners have made limited attempts to disrupt negotiations and expansions of the Canada-Israel Free Trade Agreement⁸. They have also criticised various state government MOUs with Israel. While this group's opposition is a legitimate contribution to political discussion, BDS itself is an antisemitic movement whose leadership seeks the destruction of a Jewish state of Israel⁹.

Israel is a liberal democratic country with a free judiciary. Concerns over Government policy are regularly raised in Israeli's Parliament (Knesset) and perceived injustices are prosecuted in Israel's legal system. It is worth acknowledging that if a free trade agreement with Israel is proposed, local BDS activists will likely express their opposition. AIJAC would urge the Australian Government to continue its commitment to making decisions in the national interest – which a possible Australia-Israel free trade agreement should certainly be regarded as serving.

⁷ "Feasibility study on strengthening trade and investment with Israel: submissions", Department of Foreign Affairs and Trade, <https://www.dfat.gov.au/trade/engage/feasibility-study-strengthening-trade-and-investment-israel-submissions>.

⁸ "Artists and Academics in Montreal Oppose Canada-Israel Free Trade Agreement in Stand for Palestinian Rights" (2021), BDS Freedom, Justice, Equality website, January 8, <https://bdsmovement.net/news/artists-and-academics-montreal-oppose-canada-israel-free-trade-agreement-stand-for-palestinian>.

⁹ "Boycott, Divestment and Sanctions against Israel (BDS)" (2020), AIJAC, April 5, <https://aijac.org.au/fact-sheets/boycott-divestment-and-sanctions-against-israel-bds/>.

Strengthening trade in areas of national priority

By comparing Australia's current economic and trade priorities with Israel's existing economic strengths, it is apparent that closer trade ties, including a future free trade agreement, is in Australia's interests. Close trade ties are also in Israel's interests, as it would provide Israeli companies with greater access to the world's 12th largest economy.

Treasurer Josh Frydenberg announced the JobMaker Plan in the 2020-21 Budget and flagged it would prioritise providing opportunities to Australian industries by modernising manufacturing, investing in low-emissions technology and strengthening Australia's research sector¹⁰.

In 2020, then-Minister for Home Affairs Peter Dutton published Australia's Cyber Security Strategy 2020. More recently, Foreign Minister Marise Payne launched Australia's International Cyber and Technology Engagement Strategy¹¹. As part of Dutton's strategy, Australia plans to invest \$1.67 billion over 10 years to, among other things, protect Australia's critical infrastructure from cyber-attack, investigate cyber-crime and build stronger cyber defences for government networks¹². As part of Payne's strategy, nearly \$30 million will be used to strengthen cyber capabilities and resilience in Australia's region.

Also in 2020, then-Trade Minister Simon Birmingham set nine trade priority areas including resources and energy to advanced manufacturing, digital technologies, agrifood, health, infrastructure - including in tourism - and the circular economy¹³.

Advanced manufacturing, low-emissions technology, cyber and other digital technology, agrifood and health – all of these were flagged by these senior Government ministers as of national priority. They also happen to be areas in which Israel excels.

Israel is likely to be able to assist Australia with solutions to and experience in each of these priority areas.

Manufacturing

On modern or advanced manufacturing, the world's leading technology companies including Intel, Microsoft, Google and Cisco have set up R&D and manufacturing centres in Israel. New and established Israeli companies are eligible for government grants and tax credits to

¹⁰ "Budget Paper One" (2020), Commonwealth Treasury, https://budget.gov.au/2020-21/content/bp1/download/bp1_w.pdf.

¹¹ Payne, M. (2021) "Media release: Launch of Australia's International Cyber and Critical Technology Engagement Strategy" Department of Foreign Affairs and Trade, April 21, <https://www.foreignminister.gov.au/minister/marise-payne/media-release/launch-australias-international-cyber-and-critical-technology-engagement-strategy>

¹² "Australia's Cyber Security Strategy 2020" (2020) Department of Home Affairs, August 6, <https://www.homeaffairs.gov.au/about-us/our-portfolios/cyber-security/strategy>

¹³ Birmingham, S (2020) "Investment Statement", Department of Foreign Affairs and Trade, December 11, <https://www.trademinister.gov.au/minister/simon-birmingham/speech/investment-statement>

incentivise them to set up modern manufacturing facilities, including in fields such as renewable energy¹⁴.

Recommendation

Closer trade ties between Australia and Israel would give Australia opportunities to learn how Israel has created an environment where local companies are willing to invest in modern manufacturing processes and global giants are prepared to re-locate and build cutting-edge manufacturing and R&D. These ties could be facilitated by the Australian and Israeli governments identifying key players in relevant industries and bringing them together for collaborative events or even reciprocal visits, once travel is permitted. This could follow a model set by the Victorian Government, where a relevant minister led a delegation of Victorians involved in business and academia to Israel with a set of defined commercial objectives¹⁵.

Cyber-security

Israel's start-up sector benefits heavily from close ties to Israel's defence forces. Thousands of words and dozens of research papers have been written about the effective training the IDF provides for Israel's entrepreneurs.

Israel has a highly trained, highly skilled workforce that is acutely familiar with cyber-security and the nature of cyber-threats. Closer trade ties between Australia and Israel would allow these Israeli experts to lend their expertise to Australia in meeting the objectives of the cybersecurity and critical technology strategies.

For example, in 2020, Russian foreign intelligence services exploited vulnerabilities in software provided by SolarWinds and gained access to the networks of thousands of US-based organisations, including US government agencies and private companies.

According to Israeli trade representatives in Australia, there are a number of Israeli innovators who offer cyber security services that can assist organisations to minimise the exact cyber risk present in the SolarWinds attack¹⁶. Government can encourage the take up of these type of technology solutions to mitigate risks to key Australian targets in the public and private sectors.

Recommendation

It is recommended, if there is to be closer collaboration on tech and cyber issues, that there is a mutual recognition of intellectual property rights. A model for this recognition is

¹⁴ Verma, U (2018) "Israel sets incentives to boost R&D and manufacturing in periphery", *Times of Israel*, January 10, <https://www.timesofisrael.com/israel-sets-incentives-to-boost-rd-and-manufacturing-in-periphery/>.

¹⁵ "The Hon Philip Dalidakis MP – travel report – Israel – November 2016" (2017) Victorian Department of Jobs, Precincts and Regions, February 10, <https://djpr.vic.gov.au/about-us/overview/our-ministers-and-parliamentary-secretaries/ministerial-travel-reports/the-hon-philip-dalidakis-mp-travel-report-israel-november-2016>

¹⁶ "Could Israeli Cyber Firms Prevent the Next Solarwinds?" (2021) Israel Trade Commission Australia, January 15, <https://israeltrade.org.au/2021/01/15/could-israeli-cyber-firms-prevent-the-next-solarwinds/>

provided in the Canada-Israel FTA. Australia's FTA with Japan also acknowledges arrangements to protect intellectual property.

Low-emissions technology

Australia's Treasurer Frydenberg and Finance Minister Birmingham have both flagged energy and low-emissions technology as national priorities.

Australia's previous chief scientist, Dr Alan Finkel, introduced a National Hydrogen Strategy in late 2019 predicting that hydrogen will be part of Australia's low-emissions future and that Australia seeks to be a major global player in clean hydrogen by 2030.¹⁷

The technology that allows hydrogen to compete with other fuel sources on both emissions and cost remains in its infancy. However, Israeli universities and start-ups are at the forefront of developing this technology¹⁸. Australian researchers and innovators would benefit from increased collaboration with Israelis in order to fulfil the objectives of Australia's National Hydrogen Strategy.

Recommendation

As well as collaborating to develop low-emissions technology there are opportunities for investment. Israel, like Australia, has a sophisticated pension provision and workers contribute to mandatory defined savings plans. While much of these contributions are invested in Israel, pension funds are permitted to invest abroad. Whether it is an investment into hydrogen development in Australia, or other desirable sectors, the Australian Government, via Austrade, could take steps to attract investment from Israeli pension plans in Australia.

¹⁷ Australia's National Hydrogen Strategy" (2019), COAG Energy Council, November 22

<https://www.industry.gov.au/data-and-publications/australias-national-hydrogen-strategy>.

¹⁸ Surkes, S. (2020) "Promise of hydrogen-fueled future lights a fire under Israeli innovators", *Times of Israel*, October 13, <https://www.timesofisrael.com/promise-of-hydrogen-fueled-future-lights-a-fire-under-israeli-innovators/>.

Enhanced access to each other's regions

There are significant mutual benefits for Australian and Israeli businesses operating in each other's country and beyond. For Australia, attracting Israeli business leads to job creation, an opportunity to form R&D partnerships and appealing prospects for Australian investors. For Israeli businesses, former trade minister Simon Birmingham put it effectively: "Companies have long recognised Australia's educated and creative workforce, our proximity to Asia, our focus on innovation and R&D, and our robust economy."¹⁹

Middle East

Australia currently has no FTAs with any Middle East states. A 2016 report by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade's "Australia's Trade and Investment Relationships with Countries of the Middle East", suggested Australia prioritise resuming negotiations on the stalled Australia-GCC free trade agreement²⁰. Given the low likelihood of this due to ongoing political differences between GCC states, Australia must look elsewhere.

The signing of the Abraham Accords between Israel, the UAE and Bahrain in 2020 heralds a new era in Middle East cooperation. The Accords facilitate official ties between the three states, including economic ties. The Accords highlight that the parties "support science, art, medicine, and commerce to inspire humankind, maximize human potential and bring nations closer together."²¹ They also provide an opportunity for Australia to boost trade with the UAE, a regional powerhouse, via Israel.

Already in the few short months since the Accords were signed, internationally-focused commercial groups are promoting trade opportunities. In March, the Trans-Tasman Business Circle hosted a seminar, titled "Israel-UAE Innovation Opportunities for Australia and New Zealand Companies", supported by the Israeli Embassy in Australia, the UAE Embassy in Australia, the Australia-Israel Chamber of Commerce and the Australia-United Arab Emirates Business Council²². Similar industry-led initiatives are taking place, including January's UAE-Israel Business Summit. Even without Australian Government encouragement, individuals and corporations are looking to take advantage of this progress towards a more cooperative Middle East. With Government backing and encouragement through, for example, Austrade, the advantages presented by the Abraham Accords could be maximised for Australian businesses.

Indo-Pacific

¹⁹ Birmingham, S (2020) "Investment Statement", Department of Foreign Affairs and Trade, December 11, <https://www.trademinister.gov.au/minister/simon-birmingham/speech/investment-statement>

²⁰ "Australia's Trade and Investment Relationships with Countries of the Middle East" (2016), Joint Standing Committee on Foreign Affairs, Defence and Trade, Australian Parliament House.

²¹ "The Abraham Accords" (2020), US Department of State, <https://www.state.gov/the-abraham-accords/>

²² "Israel-UAE innovation opportunities for Australia and New Zealand companies" (2021), Trans-Tasman Business Circle, March 5, <https://www.youtube.com/watch?v=n8eG9Qd5sEg&t=40s>.

As much as Israel offers Australian businesses a gateway to the Middle East, Australia offers Israeli businesses a gateway to the Indo-Pacific. Take, for example, the 21 Israeli companies that have listed on the Australian Stock Exchange. As well as providing access to investment, an Australian listing propels these companies into Australia's region, with all the opportunities that provides. Given Israel currently has no FTAs in the Indo-Pacific, while Australia has close to a dozen, there are opportunities for more Israeli companies to set up locally and take advantage of the favourable trade conditions.

In addition, Australia has excellent relations, including free trade agreements, with countries with which Israel has no formal relations. For political reasons, Israel has not yet established direct diplomatic relationships with certain Muslim-majority countries, including Indonesia and Malaysia. Australia has trade agreements with both countries. By establishing subsidiaries in Australia, Israeli businesses would get access to the rapidly growing Indonesian economy and the highly sophisticated Malaysian economy.

From a different perspective, Israeli defence giant Elbit Systems, which already does business in the Indo-Pacific region, has also established a subsidiary in Australia in order to tap into the local market and to develop local R&D. The company employs 250 Australians²³ and has a partnership with the Victorian Government to run the Human and Machine Team Centre of Excellence. At the time the Centre was announced, Victoria's Treasurer Tim Pallas said: "By partnering with defence innovators like Elbit we are investing in Victoria's future – creating jobs, attracting global tech leaders and cementing our position as a first-class destination for businesses from all over the world²⁴." When it comes to cutting-edge Israeli enterprises, Elbit is one of many. The advantages of attracting more Israeli companies to Australia is obvious.

Recommendation

In a 2001 report by the Joint Standing Committee on Foreign Affairs, Defence and Trade titled "Australia's Relations with the Middle East", it was suggested that changes be made to Austrade's organisational structure to locate Israel within the Middle East group²⁵. Currently, the Austrade official responsible for Israel is based in Milan, Italy. With the political shift precipitated by the Abraham Accords, the time is right for Israel's AusTrade representative to be administratively included in the Middle East group and managed out of Dubai.

On a people level, currently there are delays for Israelis who wish to travel to Australia for business purposes. Australia should consider committing to easier travel for skilled travellers entering the country from Israel for the purposes of providing services, investing or

²³ "Victorian Research Centre of Excellence Artificial Intelligence, Autonomy and Robotics Partnership Launch" (2021), Elbit Systems, February 17, <https://www.elbitsystems.com.au/pr-new/victorian-research-centre-of-excellence-artificial-intelligence-autonomy-and-robotics-partnership-launch/?pageid=PR%20-20%20News&ind=0>.

²⁴ "Global Innovator Elbit to Establish Melbourne Centre" (2021) Premier of Victoria, February 1, <https://www.premier.vic.gov.au/global-innovator-elbit-establish-melbourne-centre>.

²⁵ "Australia's Relations with the Middle East" (2001), Joint Standing Committee on Foreign Affairs, Defence and Trade 2001, Australian Parliament House.

conducting other business in a way that is similar to the provisions in the Australia-Korea FTA²⁶.

²⁶ "KAFTA and the movement of natural persons" (2018), Department of Foreign Affairs and Trade, <https://www.dfat.gov.au/trade/agreements/in-force/kafta/fact-sheets/Pages/kafta-and-the-movement-of-natural-persons>.

Increased collaboration on shared challenges

The advantages of enhanced trade ties between Australia and Israel – with an eye to a future free trade agreement – would not simply benefit merchandise trade or increase investment. An FTA would allow for collaborative problem solving of shared challenges.

Already there are a number of collaborations between Australian and Israeli universities, research institutions, and hospitals on medical challenges. In most cases, these collaborations have come about due to strong people-to-people links between Australia and Israel, rather than national leadership. For example, Australian doctors are being taught by Israeli doctors who have experience with trauma medicine and working together to find a treatment for dementia.^{27 28}

Australia and Israel also have shared environmental challenges, including water security and a need to shift to renewables. Already, Israeli precision irrigation company Netafim is a leading supplier to Australian farmers, demonstrating the advantages of further collaboration and trade in this area.

The Commonwealth has put in place memoranda of understanding with Israel around cyber-security and defence. There are also MOUs in place at a state level (NSW and South Australia) on water challenges. Developing further national-level MOUs in areas of common interest would be a positive step in building trade relations and collaborating on shared challenges.

²⁷ Braitberg, G (2021) “Please pass this on through your networks. Terror section is being co-written with our Israeli collaborators from @ICT_org. Students will get a fascinating insight from leading world experts in disaster and terror medicine and health management”, February 25, <https://twitter.com/bbergs57/status/1364893156366372869>.

²⁸ *Our Impact*, AUSiMED, <https://www.ausimed.org/our-impact/>.

Conclusion

AIJAC thanks the Department of Foreign Affairs and Trade for the opportunity to participate in this feasibility study. AIJAC requests the Government to consider the recommendations in this paper and invites further conversation on this issue with the aim of deepening Australia-Israel trade links to the mutual benefit of both nations.

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