



# South Australia - Europe

## Engagement Strategy

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# Foreword from the Premier and Minister



## Leveraging opportunities for foreign investment, export and cultural exchange is pivotal to South Australia's ongoing economic transformation.

As we build on traditional strengths and create future industries, our focus will always be on developing and promoting international connections and engagement based on visionary but realistic plans, respective strengths and a mutual commitment to success.

Europe has long been a significant partner for the State and its businesses. It is a major source of foreign direct investment, a substantial market for our exports, and recognised for its technological leaders who value new products, ideas and approaches.

The recent Federal Government decision to contract European designers for its \$89 billion Future Naval Shipbuilding Program has further highlighted the strength of that relationship. Twelve new submarines will be built in Adelaide, and we believe there is enormous potential to expand that relationship into other exciting areas.

The new *South Australia - Europe Engagement Strategy* was developed to take that potential a step further. It advances a whole-of-Government suite of activities and resources to create business opportunities that will deliver jobs, investment and growth for South Australia.

The Strategy sets out an action-oriented agenda that takes account of the State's strengths, of existing economic complementarities with target markets, and where new strengths or complementarities can be built.

Government, industry and research institutions working in partnership to build and drive the actions identified in this engagement strategy will give us the greatest opportunity for success.

**Jay Weatherill**  
Premier of South Australia

**Martin Hamilton-Smith**  
Minister for Investment and Trade

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# 1. The South Australian Approach

**International engagement, whether through trade and investment, immigration or the development of cultural, sporting and personal linkages is vital for all modern economies. It brings in technology, know-how and ideas and drives innovation, productivity and global competitiveness.**

Our aim is to focus on sectors, products and services that are the most promising for South Australia and to develop an action-oriented agenda to sell these products and services and to attract investment and technology into these sectors.

We recognise that international markets are highly competitive and often difficult for newcomers to enter. Government assistance, focused on the small companies and new exporters for whom internationalisation is hardest, can be vital for success.

This assistance needs to be based on an integrated approach to markets – identifying opportunities, preparing companies to take advantage of them, targeting in-market activity, and building long-term, Government and other connections and networks.

These were the drivers for the development of this *South Australia - Europe Engagement Strategy*.

Given the size and complexity of Europe – comprising not just the 28 European Union countries but also other economies such as Norway and Switzerland – the Strategy does not attempt to be exhaustive, but rather advances initial proposals to target specific countries based on an assessment of current and future opportunities.

It acknowledges that even for countries with which South Australia has strong traditional links, such as Britain, emerging changes, such as those that will come from the recent Brexit vote, will need to be carefully monitored.

## **The Strategy focuses on actions that deliver outcomes in three broad areas:**

- **Attracting foreign direct investment** by companies that will create jobs, introduce new skills and technologies, develop supply chain opportunities and stimulate the economy
- **Increasing exports** by helping existing exporters find new clients and guiding new exporters into 'starter markets'
- **Increasing research and development activity** by attracting R&D oriented companies to the State, identifying R&D partnering opportunities for South Australian companies and organisations and working to commercialise South Australian ideas.



## 2. The European Opportunity

**Europe is a significant source of foreign direct investment into Australia and over the decade to December 2014, Europe provided 1247 projects, creating nearly 121,000 jobs. There is even greater potential in the future, however, as companies that delayed investment plans during the aftermath of the global financial crisis again look to expand.**

South Australia is well placed to benefit from this activity with more than 100 European companies already having invested in the State, such as BAE Systems, Sundrop Farms, Siemens, Liebherr, Electrolux and SAAB.

Most of these entities are thriving and undergoing expansion. Some may also have sister companies interested in Australia or supply chain gaps which could attract further companies to invest alongside them. Re-investment or co-investment opportunities of this sort can be as important as new greenfield projects.

The European Union (EU) is an important destination for South Australian goods and services, accounting for 9.5 per cent of our exports, worth nearly \$1.2 billion a year.

Of increasing significance in a globalised world is that cross-border production arrangements have become more common. As economies become interconnected, they are increasingly specialising in aspects of production and participating in Global Value Chains (GVCs).

GVCs are a powerful driver of productivity and job creation, because they encourage specialisation, enabling firms or countries to vacate parts of the total product or export value chain in which they do not have a competitive advantage. Germany, Switzerland, the Netherlands, Scandinavia and the United Kingdom provide nodes for many of these GVCs.

This Strategy places emphasis on investment – attracting leading firms in GVCs – and research because these are key to facilitating access to GVCs for South Australian firms.

South Australia has a world reputation in a number of areas of research through its universities and institutions like the South Australian Research and Development Institute (SARDI) and The Waite Research Institute. They perform contract research for private companies overseas, and there are opportunities to leverage this into even more active participation in global value chains.

*Appendix A provides a more detailed overview of the European opportunity for South Australia.*



# 3. ACTION PLAN

The following action plan will support South Australia's new engagement with the European market:



## **Action 1:** Taking full advantage of defence contracts

*Action 1 > Identify and develop investment and export capacity and approaches for defence and defence adjacent industries*

## **Actions 2-5:** Attracting Foreign Direct Investment

*Action 2 > Review, refine and articulate South Australia's investment proposition for non-defence opportunities*

*Action 3 > Define an investor profile for the opportunity*

*Action 4 > Develop and leverage South Australia's network of influence to engage with the investor*

*Action 5 > Establish a dedicated program of 'aftercare' for existing investors*

## **Actions 6-10:** Increasing exports

*Action 6 > Prepare businesses for the European and South Australian markets and develop sister region relationships*

*Action 7 > Leverage the Government's business mission program to the expand trade into Europe*

*Action 8 > Help South Australian companies identify opportunities for the export of new products*

*Action 9 > A new State presence in Paris, France to deepen relationships in mainland Europe*

*Action 10 > Expand freight and passenger channels and utilisation to increase exports*

## **Actions 11-12:** Increasing research and development (R&D) activity

*Action 11 > Connecting research institutions in South Australia with those in Europe for joint funding and research opportunity*

*Action 12 > Attract private sector investment from Europe into South Australia's research institutions and companies for innovation and commercialisation of local ideas*

# Taking full advantage of defence contracts

## **Action 1** > *Identify and develop investment and export capacity and approaches for defence and defence adjacent industries*

The very recent game-changer in South Australia's relations with Europe is the Commonwealth's decision to award the Future Submarines contract.

A 'French Strategy Group' has been established in the Department of Premier and Cabinet by the Government of South Australia to lead the '*South Australia - French Engagement Strategy*' (outlined in full in Appendix B), which is focused on maximising opportunities through a coordinated approach aligned to the strategic themes of:

- 1) Defence industry activities**
- 2) Defence-adjacent activity**
- 3) Non-defence economic and socio-cultural activity.**

The '*South Australia - French Engagement Strategy*' provides an implementation approach that delivers a single portfolio view of opportunities, processes and owners, thus providing a centralised avenue for communication between all levels of Government, industry and France on key issues and opportunities.

Delivery of 'Project Pont' – the implementation framework for the '*South Australia - French Engagement Strategy*' – will have positive economic, social and cultural outcomes for the State across key opportunity areas:

- **Defence industry:** Supply chain aspects, infrastructure and targeting of suppliers to shipbuilding programs to increase presence in South Australia. These activities are primary to Defence SA's strategic plan and role
- **Research and education:** Reskilling the workforce, establishing joint university programs and establishing French curricula schools in South Australia
- **Advanced manufacturing technologies:** Opportunities in renewable energy, nuclear energy storage, climate change, space industries, the Internet of Things and technology
- **Trade and investment:** On the back of the Future Submarines contract and the increasingly close relations, many broader business and investment opportunities are expected to arise across a wide range of sectors
- **Tourism:** Maximise and leverage aviation opportunities with existing and recently secured airlines that service South Australia from European markets. These include Emirates, Qatar, China Southern, Cathay Pacific, Singapore Airlines and Malaysia Airlines
- **Food, wine and agribusiness:** Leverage opportunities for knowledge transfer from food, wine and agribusiness
- **Culture and the arts:** Leverage from existing exchanges and linkages and exploring new opportunities from the arts, cultural and sporting events (such as cycling, football, soccer etc.)
- **Government relationships:** Through the establishment of a sister-region relationship with Brittany, and by facilitating the establishment of sister-city relationships between strategic French and South Australian counterparts, the broader collaborative relationship can be focused, deepened and further developed to the mutual benefit of the parties.

This *South Australia - Europe Engagement Strategy* will pursue engagement with other European countries as the Commonwealth Government determines the outcome of other defence programs such as large Frigate and Offshore Patrol Vessel contracts, and as other opportunities are identified. Defence SA will play a lead role in this activity as the defence programs are confirmed.



## Attracting Foreign Direct Investment

### **Action 2 > Review, refine and articulate South Australia's investment proposition for non-defence opportunities**

The South Australian Government will work with industry partners to review, refine and articulate South Australia's investment proposition for European markets.

- **Review and refine the investment proposition**

The South Australian Government's Investment Attraction South Australia (IASA) agency will continue to identify investment opportunities suitable for FDI. Information on industry sector highlights and investment opportunities is provided in:

- resources (iron ore, copper, uranium and graphite) and energy, including renewable energies
- advanced manufacturing and future industries
- high tech and creative industries
- agribusiness and food including dairy, cropping, citrus, wine, seafood, potatoes and;
- financial services and capital markets.

IASA's effort is also complemented by rich opportunities from Renewal SA for property development, Health Industries South Australia for health and biomedical, and the South Australian Tourism Commission for tourism infrastructure development. Further work is being undertaken to refine and update these opportunities and expand the areas of coverage.

- **Leveraging major contracts for further FDI outcomes**

South Australia will identify the broader opportunity to leverage existing major contracts for investment attraction, and with their high-tech manufacturing capabilities, deepen engagement with European companies to more fully integrate them into the South Australian economy.

### **Action 3 > Define an investor profile for the opportunity**

The South Australian Government will inform its investment attraction proposition for the European region by understanding the plans and needs of potential investors. For this purpose, potential investors may be considered as those that have already made an investment in Australia or those that may have a connection and are considering Australia as an opportunity.

- IASA will work with the Office of the Agent-General (OAG), Austrade, overseas Governments and the private sector to gain an understanding of what opportunities potential investors are looking for, what their appetite to invest in the near future is, and how they will make their decisions
- Research will be commissioned to identify all European Union companies which have set up, or plan to set up, operations throughout Australia but not in South Australia. Results will then be analysed and a target list drawn up to include:
  - Multiple investors in Australia that have not yet created a presence in South Australia
  - Large companies within key target sectors
  - Companies which the South Australian Government would like to see in the State to complement existing sectoral strengths
  - Companies which already supply clients in South Australia but do not yet have a presence here
  - Companies which are growing and would benefit from creating or relocating their regional or subsidiary operations into a more cost-competitive location.

These companies will be analysed to determine how location decisions are taken, and then approaches made to open up relations with South Australia. IASA and the OAG will work in collaboration to ensure information provided to the potential investor is appropriately tailored. These connections generally require ongoing, long-term relationship development and regular meetings to keep abreast of business plan and opportunity changes.

**Action 4 > Developing and leveraging South Australia's network of influence to engage with the investor**

With business, universities and Government all leading interactions globally on what South Australia has to offer, and through trade and investment missions, South Australia will differentiate itself from larger jurisdictions to the investor.

The South Australian Government has already established a successful chapter of the South Australia Club in London in the United Kingdom, led by the Office of the Agent-General. The members of the Club are those that live and work in the United Kingdom and have a shared interest in pursuing the development of the State. They are regularly brought together to network and are briefed on major activities and developments occurring in South Australia, providing advocates with material to promote opportunities to engage with the State.

Under the wider marketing campaign being devised for FDI, the South Australian Government will connect, and in most cases, reconnect, with key allies in relevant networks. New branches of the South Australia Club will be established to expand the State's networks in the region.

Face-to-face meetings, regular communication and marketing material will be targeted towards the expanded FDI network. These marketing activities will be less generic and focused on relevant sectors that are of interest to the State's allies. Broadly, the campaign will clearly articulate the operating environment in South Australia, highlight key incentives to attract investment, such as the Economic Investment Fund administered by IASA, an account management approach to prospective investors, and provide market intelligence on the opportunities in relevant sectors.

**Action 5 > Establish a dedicated program of 'aftercare' for existing investors**

'Aftercare' and the potential for reinvestment by existing investors are equally important to attracting new investors. The leading investment attraction agencies around the world point out that up to 80 per cent of their captured investment is re-investment. Sustainability will be a strong consideration in the *South Australia - Europe Engagement Strategy* and other strategies for FDI. The challenge is to balance resources to cover both new and existing investment projects.

'Aftercare' is also critical in ensuring that the South Australian economy optimises the benefits from the presence of the investor. Building, maintaining and enhancing local supply networks, where local suppliers have the capacity to provide competitive inputs required by investors, should be a focus for an 'aftercare' program.

Investment Attraction South Australia and the State's overseas posts will ensure that a program of aftercare activities will continue to be delivered and enhanced to investors.

Key actions include:

- The implementation of an effective Customer Relationship Management System to allow South Australian agencies both in Adelaide and offshore, to correspond on key projects and investors
- Significant investors will be allocated an Account Manager. Larger sized companies considered to be key accounts will have a Key Account Manager assigned to map out their international structure and develop strong relationships with local, regional and international headquarters
- Working with investors to establish what input needs they have that can be supplied by local SMEs, and with local SMEs to meet these needs reliably and competitively
- High level visits from Adelaide to Europe will include meetings with these key investors to discuss issues or expansion projects. Ongoing regular contact and visits by locally based staff will take place together with invitations to the South Australia Club networking events. The London branch of the South Australia Club has an Investors Forum for companies with a presence in South Australia, which includes an annual lunch with the Premier of South Australia.

The Government's initiative to establish bilingual schools – the first French bilingual/binational program will be offered in a Government school in 2017 – also has a role to play. Given the high priority that European families place on the continuous education of their children, the availability of such bilingual/binational programs would serve to attract new European business and investment to South Australia and expand the State's European networks.



## Increasing exports

**Action 6** > *Prepare businesses for the European and South Australian markets and develop sister state relationships*

The South Australian Government aims to increase the number of South Australian businesses exporting by at least 50 per annum and is progressing well towards this target.

Even in relatively easily accessed markets, planning is critical prior to attempting to enter a first export market. Before entering European markets, businesses must consider as a minimum:

- *Logistics*
- *Language*
- *Norms and cultural considerations*
- *Competition*
- *Packaging*
- *Distribution channels*
- *Promotion*
- *Price points*
- *Production capacity*
- *Patents and legal issues*
- *Trade controls and regulations.*

In South Australia, TradeStart Export Advisers deliver a combination of Austrade and Department of State Development services, and have access to Austrade's overseas posts, market intelligence, training and systems. Given the sophistication and size of the European market, TradeStart and Department of State Development staff will encourage exporters to review their marketing strategies and tailor them to Europe. The Export Partnership Program, which in 2015-16 assisted 75 South Australian businesses to pursue their export marketing plans, will also continue and expand its focus on assisting businesses to enter European markets.

In addition to the TradeStart service and the Export Partnership Program, the South Australian Government will prepare exporters for market entry through a Europe Business Education Program. Delivered in partnership with market specialists, this program will assist new exporters wanting to enter the region as a 'starter market' through education and planning on the areas previously mentioned.

Prior to deployment on business missions to Europe, delegates participate in training on business practices and cultural etiquette in European markets, and will be given guidance on 'pitching' their propositions to these markets.

A new 'Exporters Hub', comprising relevant industry associations and international business chambers, is being established within the Department of State Development to provide a dynamic, co-located work space that fosters collaboration in international engagement and can be leveraged to open new pathways to European markets.

South Australia will seek out sister region and sister state relationships in individual European nations as a pathway to better cultural and business cooperation and understanding.

**Action 7 > Leverage the Government's business mission program to expand trade into Europe**

Government-led business missions provide an opportunity for export and investment ready companies to explore new market opportunities as well as build upon existing business activity in the markets being visited. The South Australian Government has developed a schedule of international business missions, which is released at the beginning of each calendar year, to help businesses plan their involvement.

The calendar is available on the Department of State Development's website

[www.statedevelopment.sa.gov.au/businesscalendar](http://www.statedevelopment.sa.gov.au/businesscalendar)

Each business mission program features key sectoral streams to ensure that the visits are outcome-focused. Relevant agencies including the Department of Primary Industries and Regions South Australia (PIRSA), the South Australian Tourism Commission (SATC), Defence SA, SA Health and the Investment Attraction South Australia agency (IASA) will support these key sectors where there is a strategic objective for their clients. Bespoke programs will be designed so that sectoral groups can attend targeted meetings during the broader mission. This may require side programs in multiple countries.

TradeStart Export Advisers play a key role in the recruitment, business matching and preparation for existing exporters to participate in Government-led business missions. Businesses will be encouraged to apply for the Export Partnership Program to claim back 50 per cent of their costs for tailoring marketing strategies for Europe in preparation for participation in missions.

In addition to the outbound business mission program, inbound missions will be arranged each year to progress business activity between South Australia and Europe. Inbound missions provide an opportunity for the State to showcase its strengths to potential distributors.

**Action 8 > Help South Australian companies identify opportunities for export of new products**

The South Australian Government has embarked upon a body of research to consider how the State can maximise, or at least increase, its profitable contribution to global value chains, in a joint project between the Economic Development Board and the Department of State Development.

South Australia is looking at the characteristics of 750 Australian export products, with the intent to identify where South Australia has revealed or implied comparative advantage, and in what product domains there is a large potential opportunity gain. This will then inform inward investment priorities. This information can also be overlaid over similar data from the different European countries to identify areas where South Australian exports would have a high opportunity or fit.

This is a new approach, which has been successfully employed overseas, to guide companies and assist them into niche, high value markets and global supply chains. It will particularly inform the process of identifying and maximising opportunities in Europe in advanced technology fields. It builds on demonstrated existing capacities to produce competitively specialised goods for export markets, by pointing to new products which can be based on these capabilities.

Capable South Australian companies whose products are identified through this combined 'structural holes' and 'economic complexity' analysis of the South Australian economy will be given TradeStart service assistance to develop their opportunity for export, and other assistance as appropriate to particular products.



**Action 9 > A new State presence in Paris, France to deepen relationships in mainland Europe**

The State needs to build and maintain a close partnership with major European companies so that local capability can be assessed against opportunity and potential South Australian suppliers are presented to major European contractors in both defence and non-defence industries. Defence SA, Investment Attraction South Australia, the Department of State Development and other key South Australian Government agencies are advancing the work with European defence contractors across OPV, Future Frigate and submarine contracts. To support activity in the region, the South Australian Government will establish a presence in Paris, France.

The work will include pursuing opportunities for trade and investment outcomes in defence, adjacent defence and non-defence areas that might be leveraged from the presence in South Australia of large, technologically advanced companies.

**Action 10 > Expand freight and passenger channels and utilisation to increase exports**

Sea and air freight and a reliable cold chain are particularly important for European markets. Air freight is primarily used for high value, often perishable shipments, such as fresh or chilled meat and seafood – precisely the sort of products that are most suitable for these rich, consumer-driven markets.

The South Australian Government will look to identify air freight capacity constraints. The State will also look at opportunities for more direct flights to and from Adelaide to reduce costs for exporters.

South Australia now enjoys significantly increased international aviation links with key markets including very good servicing of European markets.

A focus of the Strategy will be on maximising and leveraging aviation freight opportunities with existing and recently secured airlines that service South Australia from European markets including Emirates, Qatar, China Southern, Singapore and Malaysia Airlines.

Investigation of potential freight opportunities between the markets needs to be the top priority in order to grow exports and capitalise on significantly increased freight capacity supplied by international airlines that service South Australia.

The South Australian Government will prioritise its Government and private sector air travel and freight towards those airlines which connect directly into Adelaide from overseas airports. These companies have supported South Australia and the State will support them subject to competitive pricing.





## Increasing research and development (R&D) activity

**Action 11** > *Connecting research institutions in South Australia with those in Europe for joint funding and research opportunity*

International R&D collaborations are globally recognised to be a catalyst for:

- **Building and promoting capabilities and expertise**
- **Improving the competitiveness of products and services**
- **Improving the vibrancy, liveability and sustainability of the environment.**

Each of these elements improve the comparative advantage of South Australia's tradeable goods and services, as well as the attractiveness of the State's investment proposition. By increasing and improving the State's R&D, company exports can be increased and new FDI attracted.

Global collaborations have the advantage of bringing with them wider sources of international funding, as well as the integration of world-class expertise.

The South Australian Government will work closely with a wide range of R&D participants including universities, research centres/institutes, Governments (local, state, national and international) and industries and industry associations to develop strategies to increase cooperation and forge strategic R&D partnerships with like-for-like institutions across Europe. Sister region relationships between South Australia and European regions will be used to connect on R&D and IP.

R&D will feature as a strategic stream in each of the business missions led by the South Australian Government into Europe, with opportunities to facilitate connections between local and global R&D institutions prioritised.

Mission participants will have the opportunity to:

- Meet potential investment partners
- Develop skills and expertise in order to attract investors with similar capabilities
- Enhance their international profiles by identifying and fostering international connections and partnerships
- Establish a systematic exchange of researchers and PhD students, including joint PhD programs.

The development of a research capability directory featuring South Australian and European organisations will assist to prioritise sector efforts. Initial analysis shows that the European Union and Australia are already committed to engagement in sectors such as health, biotechnology, agriculture, food and clean energy.

Austrade is a key ally for R&D and its global reach can be leveraged to achieve stronger networks and business opportunities for South Australia. The South Australian Government will continue to work with Austrade to capitalise on opportunities presented through initiatives such as *Australia's Global Innovation Strategy* announced in December 2015, implemented from July 2016.

It will be important to identify appropriate partnerships in frameworks which can ensure funding for joint activities. Frameworks such as Horizon 2020 with the European Union, and the various pro-scientific research international foundations and bilateral agreements between Australia and European countries will be explored in detail. This will be to provide updated and prompt information to local stakeholders, which include universities, research organisations and private companies.



**Action 12** > *Attract private sector investment from Europe into South Australia's research institutions and companies for innovation and commercialisation of local ideas*

There are clear linkages between innovation and internationalisation: firms need to innovate in order to compete in foreign markets.

The South Australian Government's Economic Priority 'Growth through Innovation' recognises that 'by competing on the basis of value, not lowest cost, innovative South Australian businesses will prosper in our increasingly globalised world'. It notes that while South Australia has a strong research community, entrepreneurial businesses, creative communities, high-quality education and an ability to collaborate, supported by dependable infrastructure and existing links to national and global markets; only by committing to innovation can businesses develop new, niche, high value-added products that are internationally competitive and linked to global supply chains.

The largest share of the South Australian Gross Expenditure on Research and Experimental Development (GERD) is represented by the private business sector, accounting for around 49 per cent in 2011-12, but this is less than the Australian average of 58 per cent. The aim is to increase this private sector investment into R&D institutions and companies in South Australia for innovation and commercialisation of local ideas.

A major challenge is to identify and redirect research investments by private companies in Europe to projects in South Australia. The South Australian Government will work with key R&D institutions and companies to match the direction, interest and appetite of companies participating in global R&D investment with South Australian research capability and business needs. Synergies with the market in which the investment is sourced will need to be explored to ensure the application of results is of the greatest potential.

Boosting South Australia's international R&D collaboration profile will form part of a holistic approach aimed to generate increased recognition of the benefits of engaging with key South Australian partners.

## 4. Our Focus

In order to avoid dissipating effort over too wide a range of potential markets, an initial focus on six countries will be pursued: France, Germany, the United Kingdom, Sweden, Switzerland and the Netherlands. Factors considered in this prioritisation include current links between South Australia and the markets concerned; complementarity of economies, sectors of strength for South Australia and R&D strengths in the proposed markets.

Appendix A provides a table that summarises the assessment criteria applied; attached to this approach are more detailed accounts of each market setting out other factors involved in the prioritisation.

This prioritisation is not intended to suggest that only activity in these six countries will be supported. Major opportunities will be pursued wherever they occur. However, it is more likely that they will occur in these six countries. Prioritisation will be kept under review as the Strategy is implemented to ensure that these remain the most promising markets and that opportunities elsewhere are not being missed. As a first order of priority, and as referred in Action 1 and detailed in Appendix B, the South Australian Government is pursuing a new engagement with France, the first country-specific strategy to sit under the State's program for European engagement.

## 5. Coordination

The South Australian Government's International Engagement Advisory Board led by the Premier of South Australia, will guide, prioritise and advise on the State's international engagement effort and will measure the outcomes of the State's international engagement and trade promotion in Europe.

The detailed implementation of the *South Australia - Europe Engagement Strategy* will be led by the Minister for Trade and Investment through the Department of State Development, with the Director of Europe engaged by the International Engagement division to coordinate stakeholder involvement in activity across the Action Plan.

A '*French Strategy Group*' comprising key South Australian Government agencies has been established within the Department of Premier and Cabinet to lead the '*South Australia - French Engagement Strategy*' and deliver 'Project Pont' – the implementation framework for the '*South Australia - French Engagement Strategy*' in congruence with other agencies.

Budget and support for the *South Australia - Europe Engagement Strategy* will be coordinated by the Department of State Development, with involvement from the Department of Premier and Cabinet, Investment Attraction South Australia, Defence SA, PIRSA and other agencies.



# Appendices



- A** What Europe offers
- B** The South Australia - French Engagement Strategy
- C** South Australia's proposition



# Appendix A

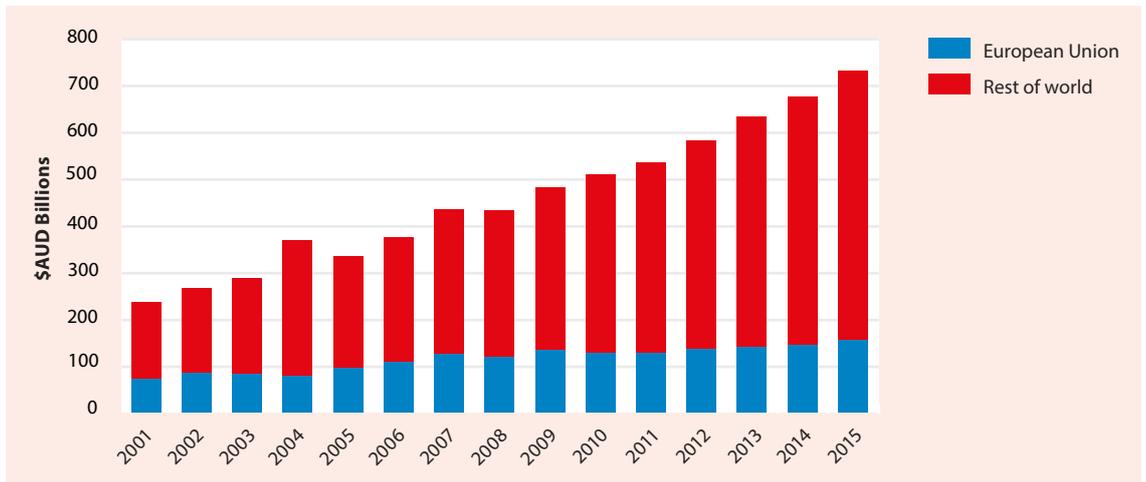
## What Europe offers

Europe is a critical source of Foreign Direct Investment (FDI).

Western Europe is a key market for inward investment into Australia. FDI from Europe is on an upward trend, both in terms of companies creating subsidiaries in Australia and capital investment in infrastructure projects by pension funds and other financial organisations.

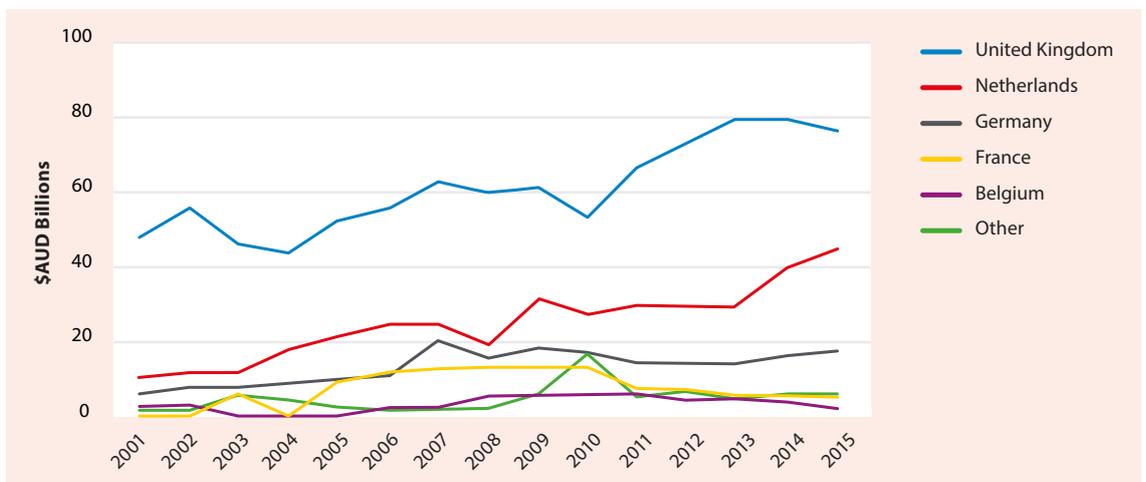
Over the period January 2004 to December 2014, Europe has provided 1247 projects into Australia, creating nearly 121,000 jobs. Of this figure, the United Kingdom alone contributed 549 projects and over 47,000 jobs.

**Foreign Direct Investment in Australia, 2001 to 2015**



Source: ABS<sup>1</sup>

**Foreign Direct Investment in Australia by Top 5 EU Countries, 2001 to 2015**



Source: ABS<sup>2</sup>

<sup>1</sup> ABS International Investment Position Catalogue Number 5352.0

<sup>2</sup> ABS International Investment Position Catalogue Number 5352.0

As shown in Table 1, the countries of Europe represent amongst the most sophisticated economies in the world as measured by technology intensive manufacturers and services sectors, as well as leading multi-national corporations and universities.

South Australia hosts over 100 European companies that have invested in the State. Significant companies with offices in South Australia include BAE Systems, Sundrop Farms, Siemens, Liebherr, Electrolux, SAAB, and LVMH (RM Williams). Their activities create millions of dollars and many jobs for South Australia.

Most of these entities are thriving and, as a result, many are undergoing expansion. Some may also have sister companies interested in Australia or supply chain gaps which could attract further companies to invest alongside them. Re-investment or co-investment opportunities of this sort can be as important as new greenfield projects.

Europe is now recovering from the global financial crisis, some countries (for example, the United Kingdom) faster than others. Multi-nationals that may have delayed investment plans to conserve cash are now looking again at expanding further internationally, and these companies will form the core of the State's investment opportunities.



**Table 1: Technological sophistication of European economies**

Country	Estimated GDP growth 2016	Estimated GDP growth 2017	Current account balance % of 2016 GDP	Budget balance % of 2016 GDP	Trade Balance	High and medium-high-technology manufacturing sector	Knowledge-intensive service sectors	Economic complexity index	Number of Forbes 2000 companies	2015 Defence material export (US\$M)	Number of universities in the Leiden ranking
<b>UK</b>	1.9	2.1	-4.7	-3.6	-	3.7	48.7	1.48	95	1214	47
<b>Australia</b>	2.5	2.8	-4.1	-2.0	-			-0.63	42	113	24
<b>Austria</b>	1.1	1.4	+2.5	-2.0	-	5.9	37.9	1.70	11	N/A	9
<b>Belgium</b>	1.3	1.5	+0.8	-2.3	+	4.8	47.5	1.08	11	N/A	7
<b>France</b>	1.3	1.4	-0.3	-3.5	-	4.4	45.7	1.29	64	2013	24
<b>Germany</b>	1.5	1.6	+7.6	+0.4	+	9.7	39.7	1.92	50	2049	49
<b>Greece</b>	1.4	2.5	+2.1	-3.9	-	1.2	36.2		10		7
<b>Italy</b>	1.0	1.2	+1.9	-2.5	+	6.0	34.5	1.36	30	570	37
<b>Netherlands</b>	1.5	1.7	+9.9	-1.6	+	2.7	46.6	0.97	24	444	13
<b>Spain</b>	2.8	2.3	+1.0	-3.4	-	3.9	36.2	0.82	28	1279	32
<b>Czech Republic</b>	2.8	2.7	-0.1	-1.6	+	11.2	32.6	1.64	1	120	4
<b>Denmark</b>	1.3	1.7	+6.4	-2.8	+	5.0	49.5	1.09	10	15	5
<b>Hungary</b>	2.8	2.5	+3.7	-2.5	+	8.9	35.7	1.50	2		4
<b>Norway</b>	1.5	1.7	+11.6	+7.2	+	3.0	51.2	0.71	10	155	4
<b>Poland</b>	3.5	3.4	-2.1	-1.9	+	5.2	31.4	0.93	8	14	13
<b>Sweden</b>	3.4	2.8	+6.0	-0.6	+	4.3	52.5	1.71	26	186	10
<b>Switzerland</b>	1.1	1.5	+9.5	+0.3	+	6.0	45.9	1.87	48	369	7
<b>Estonia</b>	2.8	3.3	-0.5	0.0	-	3.5	36.1	0.95			1
<b>Finland</b>	0.8	1.6	-0.2	-1.8	-	5.0	45.1	1.60	12	16	8
<b>Ireland</b>	3.3	3.0	+5.5	-1.7	+	4.9	44.8	1.32	17	N/A	6
<b>Latvia</b>	3.4	3.6	-2.7	-1.1	-	1.6	35.7	0.60		N/A	0
<b>Lithuania</b>	3.0	3.3	-2.2	-1.7	-	1.9	32.8	0.64		N/A	1
<b>Portugal</b>	1.5	1.6	+0.9	-2.6	-	3.0	34.9	0.57	6	7	6
<b>Slovakia</b>	2.8	2.7	-0.7	-2.4	+	9.4	34.0	1.40	N/A	N/A	1
<b>Slovenia</b>	1.9	2.3	3.1	-2.7	0	8.6	34.7	1.47	N/A	N/A	1

Source: ABS<sup>3</sup>

<sup>3</sup> ABS International Trade Catalogue Number 5368.0

Europe is already a huge export market for South Australia, offering an existing base for expansion.

The European Union (including the United Kingdom) ranks fourth among all countries and groups, and represents nearly \$1.2 billion in exports, or 9.5 per cent of South Australia's exports. Although there was a 1.3 per cent average annual decline in exports to the European Union over the past 10 years, recent data (12 months to March 2016) shows a recovery in South Australian exports to the European Union, with an increase of 16 per cent over the past 12 months – faster than growth in most other regions over the same time span.

**Table 2: South Australia's leading export markets**

Market	Value
China	\$2.19 billion (down 20.2%)
*ASEAN	\$2.07 billion (up 13.3%)
United States	\$1.66 billion (up 14.9%)
<b>European Union</b>	<b>\$1.16 billion (up 16.0%)</b>
Middle East	\$766 million (up 4.0%)
India	\$660 million (down 15.5%)

*\*Brunei, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and Cambodia Source: ABS, Cat. No. 5368.0*

As important as the volume of exports, is the nature of the exports. These are developed countries with high per capita incomes – a high proportion of wealthy consumers with a demonstrated taste for the type of products and services, such as premium food and wine, which South Australia can provide. They are also mature markets, not subject to the sudden swings in value with commodity and resource price changes that can occur in exports to less developed countries.

These are also easier markets to do business in, with 11 of the top 20 places in the World Bank's Ease of Doing Business Index filled by countries from Europe. Businesses revealed that they were interested in Europe due to improved export conditions, as well as a familiarity and a level of comfort in dealing with the business structures and practices in Europe.

There are longstanding historical ties and common cultural heritages which give us credibility, high levels of awareness, and trust which can work in South Australia's favour in growing commercial relationships.

In Europe, Australia has a positive image which has been built over time by the Australian Government via Austrade, political leaders and extensive migration over many years from Europe to Australia. The South Australian Government's London-based Office of the Agent General (OAG) has operated since 1856 (only 20 years after proclamation) to build and maintain business and Government relationships. The Office takes advantage of the strong Australian brand, and highlights South Australia's capabilities in key sectors including renewables, mining and defence.

South Australia's proximity to and increasing familiarity with the Asia Pacific market provides an opportunity for the State to strengthen the value of its existing European partnerships, acting as a hub between these markets. The free trade agreements now in operation with a number of Asian partners, including Australia's three biggest export destinations, should further boost the interest of companies in Europe which see a market for their products and services in Asia. Many European firms have been active in Asia for a long time.

Innovation is being recognised as increasingly critical for economic growth. The countries of the European region are technological leaders, with great strengths in advanced manufacturing, innovation and research and development.

The expenditure in research and development (R&D) in Europe is estimated to have been more than US\$330 billion in 2014. The European Union as a bloc is the third biggest spender on R&D in the world; France, Germany and the United Kingdom as individual countries are in the top eight with some other European countries not far behind.

South Australia already puts more funding into R&D than the Australian average, and has some existing significant research collaboration with countries in Europe. Initiatives like Tonsley, Tech in SA and the South Australian Health and Medical Research Institute (SAHMRI) precincts add to the potential for new R&D collaboration.

South Australia has a challenge, however, in increasing private sector funding for research. The share of gross expenditure on research and experimental development accounted for by the private sector in South Australia in 2011-12 was 49 per cent against the Australian average of 58 per cent.

New partnerships and strategic alliances with universities, research centres and, most of all, private high-tech companies undertaking R&D in Europe can be an important component of transforming the South Australian economy. Directly, it can source more funding for the State's own research sector, the capacities of which are highly regarded internationally. Indirectly, it can assist leveraging South Australia into global value chains, opening up new export and investment opportunities, and enhancing the State's high end industries.

In the broader context, this *South Australia - Europe Engagement Strategy* is aimed at long-term sustainability, diversification and spreading the risk associated with a changing economic landscape.



## Global value chains: Another opportunity

With globalisation, cross-border production arrangements have become more common. As economies become more interconnected, they are increasingly *Specialised in Specific Activities and Stages of Global Value Chains (GVCs)*, rather than in *industries*.

Today, between 30 per cent and 60 per cent of G20 countries' exports consist of intermediate inputs traded within GVCs; more than half of the world's manufacturing imports are intermediate goods (primary goods, parts and components, and semi-finished products); and more than 70 per cent of the world's services imports are intermediate services, such as business services. This trend is continuing.

Firms today can disperse production across the world like this because trade costs have decreased – due to rapid advances in information and communications technologies, containerised shipping, standardisation, automation and greater inter-modality of freight. Trade liberalisation has resulted in falling trade barriers, in particular tariffs; liberalisation of investment has allowed firms to disperse their activities; and liberalisation in emerging economies has helped to extend GVCs beyond industrialised countries. Regulatory reforms in key transport and infrastructure sectors, such as air transport, have also helped bring down costs.

GVCs are a powerful driver of productivity and job creation, because they encourage specialisation, enabling firms or countries to vacate parts of the total product or export value chain in which they do not have a competitive advantage. But more specifically, from the perspective of a small economy distant from most of its major markets:

- The major driver of the development of GVCs is that the tyranny of distance is no longer so important, as trade and investment liberalisation and technology have advanced
- GVCs create opportunities for relatively small firms, such as characterising the economy of a small State, to enter global markets as components or services providers, without having to build a product's entire supply chain
- GVCs enable South Australia to exploit its higher education and research sector, by occupying knowledge-intensive parts of a supply chain – research, design and other higher value inputs.

But while GVCs certainly offer lucrative opportunities for small to medium enterprises (SMEs), many face challenges in things like managerial and financial resources, upgrading and protecting intellectual property (IP), training or R&D. Most final exports in value chains, therefore, come from a relatively small number of larger firms, and links with these are very important. Governments can help by investing in the necessary infrastructure to improve supply-side capacity, particularly investment in skills and education, and by encouraging the development of linkages with large international firms.

These are key reasons for a *South Australia - Europe Engagement Strategy*. Germany, Switzerland, the Netherlands, Scandinavia and the United Kingdom provide nodes for many of the GVCs. The *South Australia - Europe Engagement Strategy* will place emphasis on investment – attracting leaders in GVCs – and research, because these are key areas facilitating access to GVCs for South Australian firms. South Australia has a world-wide reputation in a number of areas of research through its universities and institutions like the South Australian Research and Development Institute (SARDI) and the Waite Research Institute. These already perform contract research for private sector companies from overseas, and there are opportunities to leverage this into greater participation in the value chains of those companies.

The defence sector will be critical in this. South Australian suppliers are part of a global network of suppliers to the defence industry. BAE Systems Australia's global supply chain program is an example of how local SMEs are involved in international supply chains.

The awarding of Australia's \$50 billion Future Submarines contract to the French company DCNS is dominant. Other defence contracts or prospective contracts that will bring work to South Australia also have the potential to link South Australian companies more extensively into the supply chains of European defence industries in particular. All of the short-listed tenderers for both the Offshore Patrol Vessels (OPV) project and the Future Frigates project are European. The \$10 billion LAND 400 armoured vehicles program also provides opportunities as the two shortlisted are BAE Systems Australia and Rheinmetall Land Systems for the \$5 billion Land 400 Phase 2 program.

## Our Focus

This table outlines the assessment criteria used to establish the State's initial focus on the countries of France, Germany, the United Kingdom, the Netherlands, Sweden and Switzerland. More detailed profiles of these countries follow.

**Table 3: Assessment criteria**

	Germany	France	United Kingdom	Netherlands	Sweden	Switzerland
Exports: in top 25 SA global markets (ABS 2014 -15)	No	Yes	Yes	Yes	No	Yes
FDI: in top 5 European sources of Australia's projects	Yes	Yes	Yes	Yes	No	No
Tourism: in top 20 global sources of SA international visitors (2015, SATC figures)	Yes	Yes	Yes	No	No	Yes
R&D spend: in global top 20 countries	Yes	Yes	Yes	Yes	Yes	Yes
Innovation: in top 20 countries globally (Bloomberg index 2015)	Yes	Yes	Yes	Yes	Yes	Yes
Defence contracts or companies present in SA	Yes	Yes	Yes	No	Yes	No
In top 30 countries globally, World Bank Ease of Doing Business Index	Yes	Yes	Yes	Yes	Yes	Yes
Strength in: > defence	Yes	Yes	Yes	Yes	Yes	Yes
Strength in: > resources and energy	Yes	Yes	No	Some	Yes	Some
Strength in: > METS, AgETS, AqETS & FETS	Some	AgETS, AqETS	No	AgETS, AqETS	Yes	Some
Strength in: > premium food and wine and the associated input & value chain	Wine, Packaging and Capital Equipment	Yes	Food and Capital Equipment	Food and Capital Equipment	Food and Capital Equipment	Food, Packaging and Capital Equipment
Strength in: > health research and ageing	Yes	Yes	Yes	Yes	Yes	Yes
Strength in: > tourism	No	Yes	Yes	No	No	Yes
Strength in: > knowledge education services, innovation, business services, cleantech & migration	Yes	Yes	Yes	Yes	Yes	Yes
Strength in: > sectors grounded in key enabling technologies (or general purpose technologies)	Yes	Yes	Yes	Yes	Yes	Yes

# France

France is a leading industrialised country with a mature and sophisticated market economy. A member of the European Union, France has a population of 64.3 million (2015).

The services sector, particularly tourism, is a key strength of the French economy. Other strong industrial sectors include telecommunications, aerospace/defence, shipbuilding (naval and specialist ships), pharmaceutical, construction and civil engineering, chemicals, textiles, and automobile production. France is also a world leader in nuclear energy and is known for its high quality agricultural produce.

France is the world's fifth largest exporter and the European Union is its most important trading partner. Paris is one of the leading financial centres of the Eurozone.

France's economy has, however, experienced sluggish growth recently - its GDP decreased by 14.5 per cent to US\$2,422.7 billion in 2015. Inflation was low at 0.1 per cent and unemployment remained high at 10.1 per cent . France has a high budget deficit (an estimated 4.2 per cent of GDP in 2015) and high levels of public debt, which are close to 100 per cent of GDP. These local market conditions have resulted in many French companies looking to high growth global markets for trade and investment opportunities.

The balance of trade between Australia and France is strongly in France's favour. In 2015, Australian exports to France were A\$1,117 million; and French imports to Australia A\$4,483 million. France is ranked as the 25th largest target market for Australian exports, taking 0.4 per cent of total exports, major exports to France being coal, aircraft, spacecraft, and oil-seeds and oleaginous fruits. France ranked 15th as a source of imports to Australia, accounting for 1.6 per cent of Australia's total imports.

Excluding confidential items, major export goods from South Australia to France in 2015 included rape and colza seeds, almonds, rail and tramway construction materials and lamb meat. Major goods imported into South Australia from France in 2015 included sparkling wine, wooden casks, barrels, boxes for non-passenger vehicles, brandy from grape wines and red wine (bottles).

The trade in services is also in France's favour, with Australia's exports of services to France at A\$881 million in 2015, showing growth of 12.7 per cent for the 12-month period, and imports of services from France at A\$1,795 million, with growth of 17 per cent. In 2015, France was Australia's 18th largest service export market, and its 12th largest import source. Major Australian services exports include personal travel at A\$410 million and business-related travel at A\$171 million.

Total Australian investment in France in 2015 was valued at A\$45.6 billion. Total investment by France in Australia was valued at A\$22 billion in 2015 (A\$5.4 billion of which was FDI).



**Key French companies (based on parent company HQ) that have made investments in Australia between August 2006 and August 2016**

Top 10 by number of projects	Top 10 by average capital expenditure per project
Lagardere Services (Lagardere Travel Retail)	Engie (GDF SUEZ) (Gaz de France)
Chanel	Neoen
Louis Vuitton	Tenesol
Sephora	Turbomeca Australasia
Gucci	Safran Helicopter Engines (Turbomeca)
Hermes International	OVH
Acorn Recruitment	Areva Solar
Christian Louboutin	DCNS
LS Travel Retail Asia Pacific	Orange Business Services
Thales Australia	Scor Global Life

Source: Financial Times Ltd (2016), fDi Markets, accessed 13/10/2016, [www.fdimarkets.com](http://www.fdimarkets.com)

France is the fourth largest source of international students from Europe studying in Australian universities, English-language colleges and vocational education and training institutions, with 4072 French enrolments in 2013. Thirty-six Australian universities have 466 active international agreements with French higher education institutions.

Over the year (ending 30 September 2015), approximately 15,000 French nationals visited South Australia, representing a 12.9 per cent share of the Australian market.



## Areas of opportunity

The South Australian Government has developed a *South Australia – French Engagement Strategy*, provided in Appendix B, which outlines the State’s immediate focus of engagement.



# United Kingdom

The United Kingdom is a developed economy with a GDP of US\$2,850 billion in 2015.

In GDP terms, the United Kingdom ranks as the world's fifth largest economy. Although the United Kingdom experienced a downturn during the Global Financial Crisis (GFC), its GDP is now four per cent higher in real terms than before the GFC. Its growth was 2.9 per cent in 2014 and 2.2 per cent in 2015. The United Kingdom now has a low inflation rate of 0.1 per cent and an unemployment rate of 5.6 per cent.

On 23 June 2016, the United Kingdom held a referendum to consider its membership of the European Union and voted to leave by a margin of 51.9 per cent to 48.1 per cent. In due course, the United Kingdom Government will leave the European Union, however, until such time, it remains a member state and is subject to European Union legislation.

The United Kingdom is the second largest source of total and direct foreign investment in Australia. As at the end of 2014, the total United Kingdom foreign investment in Australia was valued at A\$484.16 billion. Direct United Kingdom foreign investment in Australia was valued at A\$87.37 billion. British companies have invested in a wide range of industries in Australia, including infrastructure, pharmaceuticals, energy and travel industries.

## Key United Kingdom companies (based on parent company HQ) that have made investments in Australia between August 2006 and August 2016

Top 10 by number of projects	Top 10 by average capital expenditure per project
Rio Tinto Group	Anglo American
Anglo American	Rio Tinto Diamonds
BankWest	Rio Tinto Group
British Petroleum (BP)	Clarke Energy
Rio Tinto Diamonds	Altona Energy Plc (Altona Resources Plc)
Clarke Energy	Castrol Offshore
Altona Energy Plc (Altona Resources Plc)	Renewable Energy Systems (RES)
QGC	Global Switch
Castrol Offshore	British Petroleum (BP)
Renewable Energy Systems (RES)	BankWest

Source: Financial Times Ltd (2016), fDi Markets, accessed 13/10/2016, [www.fdimarkets.com](http://www.fdimarkets.com)





The United Kingdom is Australia's largest trading partner within the European Union, with total merchandise trade of \$A10.9 billion. The United Kingdom was Australia's 12th largest export market, at around A\$3.78 billion, or 1.5 per cent of exports, during 2015.

During 2015, the United Kingdom was also South Australia's largest trading partner and the largest market for South Australian exports within the European Union, with an export value of A\$438 million or 3.8 per cent of South Australia's total exports. South Australia has, however, experienced an average annual decline of 2.9 per cent in exports to the United Kingdom over the past five years.

Australia was the United Kingdom's 10th principal import source during 2015, at around \$A7.13 billion, or 2.6 per cent of total value of United Kingdom imports.

The major Australian exports to the United Kingdom were gold, alcoholic beverages, lead and pearls and gems. South Australia's largest exports to the United Kingdom are wine (63.6 per cent of the value of total exports), lamb meat, copper, iron railway material and mutton. The market in the United Kingdom for Australian wine remains strong, and currently one of every five imported bottles of wine consumed in the United Kingdom is Australian.

Australia's exports of services to the United Kingdom was valued at around A\$5 billion in 2015, showing growth of 8.8 per cent for the 12-month period, and imports of services from the United Kingdom at A\$7.2 billion, with growth of 10.5 per cent. In 2015, the United Kingdom was Australia's third largest service export market, and its second largest import source of services.

Over the year (ending 30 September 2015), approximately 58,000 visitors from the United Kingdom travelled to South Australia, representing a nine per cent share of the Australian market.



## Some initial areas of opportunity

British businesses have considered Australia as an attractive location to base regional operations and have invested in a wide range of areas.

As the United Kingdom exits the European Union and the terms and conditions negotiated for the exit are defined, the future economic implications will become clearer. South Australia will need to monitor developments in the Brexit process, and react in its engagement strategies to identify and capitalise on opportunities.

# Germany

Germany ranks as the world's fourth largest economy with a GDP of US\$3,357 billion in 2015, and is the European Union's most populous nation with 81.9 million in 2015.

After experiencing strong rates of growth of 3.9 per cent and 3.7 per cent in 2010 and 2011 respectively, the economy has grown at more modest rates of 1.6 per cent in 2014 and 1.5 per cent in 2015. Inflation is low at 0.2 per cent for December 2015, with the unemployment rate at 4.6 per cent.

Germany is the world's third largest exporter, with goods and services exports of US\$1.8 trillion in 2014, equating to nearly half of Germany's total GDP. Its export strength lies in manufacturing, while its services exports is relatively less developed. Germany's primary production industries include automobiles, machinery and equipment, electrical engineering and electronics, chemicals, renewable energy and food processing. Germany's most innovative sectors include those technologies related to renewable energies, information technology and biology.

Germany is the fifth-largest destination for Australian investment abroad. Australian investment in Germany in 2014 was A\$65 billion and Germany's investment in Australia was A\$40 billion. In late 2015, the German and Australian Governments signed an accord to jointly develop trade and investment links and remove some of the barriers to more companies setting up in each other's jurisdiction with the aim of accelerating investment activity.

Over the past five years the key sectors investing in Australia from Germany have been food, transportation, industrial machinery equipment and tools, communications, software and IT services.

## Key German companies (based on parent company HQ) that have made investments in Australia between August 2006 and August 2016

Top 10 by number of projects	Top 10 by average capital expenditure per project
Aldi	E.On
DB Schenker	Epuron
DHL	Belectric Australia
Metronode	BOC
DHL Express	Fuchs Lubricants
DHL Supply Chain	Schuco
Hugo Boss	Metronode
SAP	Lidl
Siemens	Aldi
Adams Armaturen	Hellmann Healthcare Logistics (HHL)

Source: Financial Times Ltd (2016), fDi Markets, accessed 13/10/2016, [www.fdimarkets.com](http://www.fdimarkets.com)





Leading German companies that have established in South Australia include Phoenix Solar AG, ABX Logistics Australia, Allianz Group, Baulderstone Hornibrook, Bayer Australia Limited, Kuehne & Nagel, Liebherr Australia Pty Ltd, Pacific Datacom, Sarstedt Group, Schefenacker Vision Systems, Schenker Australia and Siemens VDO Automotive.

Germany was Australia's 18th largest market for exports in 2015, with merchandise exports of around A\$1.9 billion or 0.7 per cent of Australia's exports. Major exports included gold coin and legal tender coin, precious metal ores, coal and oil seeds and oleaginous fruits. At A\$12.5 billion, the value of German imports into Australia in 2015 was far larger than the value of Australian exports to Germany. Major imports to Australia included passenger motor vehicles, medicaments, pharmaceutical products and measuring and analysing instruments.

Germany was South Australia's 15th largest trading partner and 31st largest export market during 2014-15. Germany received only 0.48 per cent of South Australia's exports, but provided 3.22 per cent of South Australia's imports. German imports into South Australia stand at A\$2.6 billion as compared to A\$54 million of South Australian merchandise exports to Germany in 2014-15.

The German tourism market is important to South Australia. The number of German visitors to the State increased by two per cent in the year ending September 2015, with 30,000 German nationals visiting the State, representing 16.5 per cent of the national share.

Germany is the third-largest source country for European students after Italy and the United Kingdom, with 4571 German students enrolling to study in Australia in 2014.



## Some initial areas of opportunity

With a focus by the German Government on investment in renewable energy; innovation; as well as education, research and science funding, opportunities for joint projects and R&D collaborations by the renewable energy, innovation and advanced manufacturing sectors in South Australia could be explored.

Given Germany is a world leader in the production of pharmaceuticals, opportunities for joint projects and attraction of investment into South Australia's health sector and medical research institutions may exist.

Agriculture accounts for a very small proportion of Germany's GDP. There is opportunity for growth in a number of agricultural products into this region, nuts, wine, wool, seeds, etc.

Attraction of greater numbers of tourists and international students to South Australia is also an opportunity, with large migrant communities established in South Australia offering strong connections.

# The Netherlands

The Netherlands, the sixth largest economy in the European Union, is a small, wealthy trading nation with a population of 16.9 million (2015).

The country plays an important role as a European transportation hub, with a consistently high trade surplus and stable industrial relations. Its GDP was US\$738.4 billion in 2015, and its inflation remains low at one per cent.

The Netherlands' economy was hit hard by the Global Financial Crisis (GFC), and, with its reliance upon trade, its recovery has been slow due to the weakness of its major trading partners. Although the Netherlands emerged from the GFC in 2014, its unemployment rate remained at 7.2 per cent by the end of 2015.

The Netherlands is Australia's 20th largest trading partner. Australia exported merchandise worth A\$2.35 billion to the Netherlands in 2015, which was a 0.9 per cent share of Australia's total exports. The Netherlands ranks as Australia's 16th largest export destination.

Major Australian exports to the Netherlands include coal, other ores and concentrates, medical and veterinary instruments and oil seeds and oleaginous fruits. In 2015, Australia was the Netherlands' 22nd ranking principal import source, at 0.8 per cent of its total imports.

The Netherlands is South Australia's 22nd largest export market, with merchandise exports valued at A\$99.4 million in 2014-15, or 0.88 per cent of the total value of South Australian exports for the period. The Netherlands ranked as South Australia's 19th largest import source, with A\$58 million in imports in 2014-15, or 0.72 per cent of total imports.

South Australia's exports to the Netherlands include chemical products (\$62 million in 2014-15, an increase of 152 per cent), wine (\$53.7 million in 2014-15, an increase of 10 per cent), meat (\$17.0 million in 2014-15, an increase of 81.8 per cent) and vegetable products, including seeds and nuts (\$10 million in 2014-15, up 18.9 per cent). Total South Australian exports to the Netherlands increased by 3.7 per cent in the 12 months to 30 June 2015.

Australian exports of services to the Netherlands in 2015 totalled A\$448 million, which was 0.7 per cent of total services exports. Major Australian services exports to the Netherlands in 2015 were personal travel excluding education at A\$128 million and professional, technical and other business services at A\$87 million. Imports of services from the Netherlands to Australia during 2015 were A\$1,295 million, which represents 1.7 per cent of Australia's total services imports.





**Key Dutch companies (based on parent company HQ) that have made investments in Australia between August 2006 and August 2016 include**

Top 10 by number of projects	Top 10 by average capital expenditure per project
KPMG	Royal Dutch Shell Plc
Rabobank Australia	Shell Development Australia (SDA)
TNT Express	Spar Australia
Rabobank Group	Dulux
Shell Australia	Damen Shipyards
TNT (TPG)	Puma Energy International
Nidera	TNT Express Australia
Quintiq	Sevenstar Yacht Transport bv
Shell	Awlgrip
Van Leeuwen Pipe and Tube Group	DSM Biologics

Source: Financial Times Ltd (2016), fDi Markets, accessed 13/10/2016, [www.fdimarkets.com](http://www.fdimarkets.com)



## Some initial areas of opportunity

With the Dutch Government’s commitment to invest in infrastructure, reduce emissions to combat climate change, improve the mobility, deployability and training of its defence forces, opportunities for South Australian companies may exist in sustainable construction and energy solutions; inbound FDI in South Australia’s renewable energy sector as well as technology and knowledge exchanges and sharing of regulatory best practices; and in training opportunities in the defence sector.

As world leaders in water management, cooperation and investment in water resource management is also a possibility.

In addition, the Netherlands has a highly developed health and ageing research and services sector. Exploring opportunities for joint research and inbound investment in South Australia’s new Health and Medical Research Institute is an opportunity.

As a world leader in intensive horticulture and agriculture innovation, South Australia needs to continue to engage with the horticulture industry in the Netherlands on technologies, clustering and value chain development to enhance productivity and efficiency.

# Sweden

The Kingdom of Sweden (Sweden) is the fifth largest country by area in Europe (449,964 square kilometres) with a population of just 9.6 million (2015).

The Swedish economy is heavily dependent upon a highly developed, globally successful industrial sector, with many Swedish brands having a global reputation and presence. Sweden's key sectors include telecommunications equipment, industrial products, wood pulp and paper products, motor vehicles, pharmaceutical products, iron and steel.

Sweden's GDP was US\$492.6 billion in 2015. Sweden experienced real GDP growth of 3.4 per cent per year in the first three quarters of 2015, up from 2.3 per cent in 2014. Job creation was also solid over this period, bringing the unemployment rate down to 7.2 per cent. Inflation was low at 0.5 per cent for 2015.

Sweden is a medium-sized trade partner for Australia, ranked 29th. Australia exported merchandise worth A\$276 million to Sweden in 2015, which was a 0.1 per cent share of Australia's total exports. Sweden ranks as Australia's 48th largest export destination, with major Australian exports to Sweden including coal, alcoholic beverages, fruit and nuts and vehicle parts and accessories. In 2015, Australia was Sweden's 25th ranking principal import source, at 0.7 per cent of its total imports.

Sweden is South Australia's 42nd largest export market and ranked as South Australia's 21st largest import source, in 2014-15. The trade relationship between Sweden and South Australia is volatile, with the main exports from South Australia being red wine, almonds, white wine, electrical boards and panels and footwear. Major imports include vodka, kraft paper and paper board.

Australian exports of services to Sweden in 2015 totalled A\$267 million, which was 0.4 per cent of total services exports. Major Australian services exports to Sweden in 2015 were personal travel excluding education at A\$134 million and education-related travel at A\$57 million. Imports of services from Sweden to Australia during 2015 were A\$289 million, which represents 0.4 per cent of Australia's total services imports.

Sweden, like Australia, is an active member of the United Nations, a strong advocate for free trade, and a significant contributor to international development assistance.

## Key Swedish companies (based on parent company HQ) that have made investments in Australia between August 2006 and August 2016 include:

Top 10 by number of projects	Top 10 by average capital expenditure per project
Hennes & Mauritz (H&M)	IKEA
IKEA	Svenska Handelsbanken
COS (Collection of Style)	Omniveta
Omniveta	Kinnarps
Sandvik Mining and Construction	IFS
Ericsson	Snow Software
Handheld	Dapresy
Acne Jeans	Wrapp
Axis Communications	SKF
Chimney Group	Hennes & Mauritz (H&M)

Source: Financial Times Ltd (2016), fDi Markets, accessed 13/10/2016, [www.fdimarkets.com](http://www.fdimarkets.com)



## Some areas of opportunity

The Swedish Government has invested heavily in renewable energy, particularly solar, water, biofuel and wind power. Opportunity may exist for export of services and R&D cooperation in wind and hydro energy.

Sweden also has one of the highest per capita spend in Europe on R&D in the health and pharmaceutical sector. Joint research, medical innovation and pharmaceutical commercialisation opportunities may exist.

Sweden is an important market for the South Australian wine sector and there is potential for growth.

Sweden is among Europe's leading mining jurisdictions and there may be the potential to collaborate on commercialisation of new technologies and applied R&D in the resources sector.



# Switzerland

Switzerland has an open, modern market economy with one of the highest standards of living and one of the highest per capita incomes in the world. Its highly-skilled labour force, technological expertise in manufacturing and a strong financial services sector have all contributed to the prosperity of the country. It has a population of 8.2 million (2015).

Switzerland's GDP was US\$664.6 billion in 2015 and its unemployment sits at around 3.3 per cent (2015).

Although it is not a member of the European Union, Switzerland is deeply connected to the region, with France, Germany, Austria and Italy the destination for around 35 per cent of its exports. It has also concluded more than 100 sector-specific bilateral agreements with the European Union.

Australia and Switzerland have a trade and investment relationship, particularly in the areas of services, scientific research and development, education, and two-way investment.

In 2015, total two-way merchandise trade was valued at A\$3.9 billion. Australia's merchandise imports from Switzerland (medicaments, watches, clocks, orthopaedic appliances and gold) was A\$3.2 billion and Australian merchandise exports to Switzerland (gold, silver, platinum and meat) valued at A\$0.7 billion.

Australia's services exports were valued at around A\$1 billion and services imports from Switzerland were valued at A\$0.64 billion.

Switzerland is Australia's 10th largest source of foreign investment.

## Key Swiss companies (based on parent company HQ) that have made investments in Australia between August 2006 and August 2016 include

Top 10 by number of projects	Top 10 by average capital expenditure per project
Xstrata PLC	Bulga Joint Venture
deVere & Partners (deVere Group)	Xstrata Copper
Omega	Xstrata PLC
ExecuJet	Xstrata Zinc
Lindt & Sprungli	CSA Copper Mine
Lindt & Sprungli Australia	Nespresso
Nespresso	Lindt & Sprungli Australia
ABB (Asea Brown Boveri)	RUAG Australia
Clariant	Lindt & Sprungli
Kuehne + Nagel International	Liebherr-Australia

Source: Financial Times Ltd (2016), fDi Markets, accessed 13/10/2016, [www.fdimarkets.com](http://www.fdimarkets.com)



## Some initial areas of opportunity

Switzerland is consistently ranked among the world's largest per capita food importers. Although the Swiss market is small, its consumers have an interest in unique, high quality premium products, providing an opportunity for South Australia's agriculture and food sectors.

Switzerland has a significant comparative advantage in the fields of health care and related technology, the biotechnology sector is organised in three clusters around the cities of Basel, Zurich and Geneva. Opportunities exist for joint research, exchanges and broader cooperation.

Switzerland's defence market has been growing fast in recent years. Opportunities may exist in communications systems and technology as well as IT and cyber security.



# Appendix B

## South Australia - French Engagement Strategy

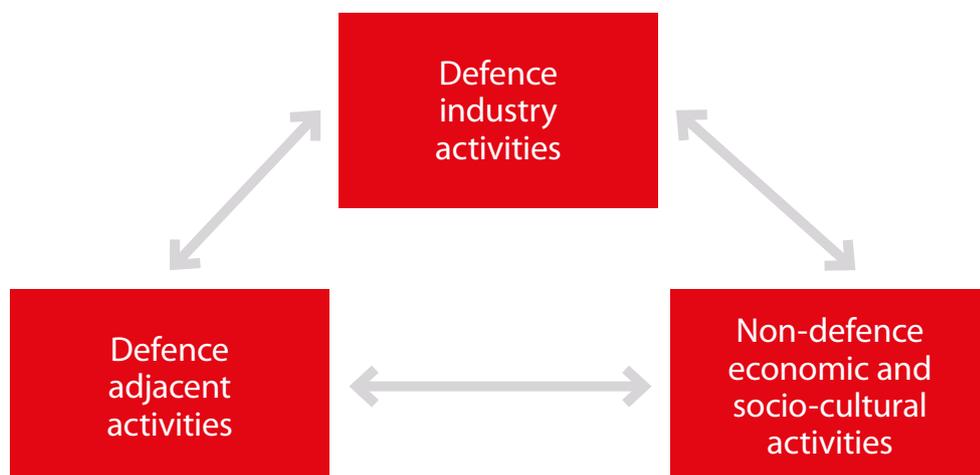
### Vision

To maximise opportunities for South Australia arising from the Australian Government's Future Submarine Program.

**The *South Australia - French Engagement Strategy* is a South Australian Government initiative following the Australian Government's announcement that French company DCNS has been selected as the preferred partner for Australia's \$50 billion Future Submarine Program. The South Australian Government will partner with the Australian Government to deliver the program.**

South Australia has a unique opportunity to develop deep ties with France by increasing opportunities arising from the Future Submarine Program. These opportunities include maximising industry development and investment attraction with suppliers along the value chain and making the most of broader opportunities in areas such as trade, investment, education, tourism, culture, sports and the arts. The *South Australia - French Engagement Strategy* is a component of the *South Australia - Europe Engagement Strategy*.

The *South Australia - French Engagement Strategy* is focused on maximising opportunities through a coordinated approach aligned to the strategic themes of:



## What are the objectives?

The *South Australia - French Engagement Strategy* provides an implementation approach that delivers a single portfolio view of opportunities, processes and owners, thus providing a centralised avenue for communication between all levels of Government, industry and French counterparts on key issues and opportunities.

The implementation framework for the *South Australia - French Engagement Strategy* will have positive economic, social and cultural outcomes for the State across key opportunity areas:

- **Defence:** Supply chain aspects, infrastructure facilities (digital shipyard) and targeting of suppliers to shipbuilding programs to increase presence in South Australia
- **Research and education:** Reskilling the workforce, establishing joint university programs and establishing French curricula schools in South Australia
- **Advanced manufacturing technologies:** Opportunities in renewable energy, nuclear energy storage, climate change, space industries, the Internet of Things and advanced technology
- **Trade and investment:** Many broader business and investment opportunities are expected to arise across a wide range of sectors
- **Tourism:** Promoting South Australia as a tourist destination and progressing opportunities for tourism collaboration
- **Food, wine and agribusiness:** Leveraging opportunities for knowledge transfer from food, wine and agribusiness
- **Culture and the arts:** Leveraging from existing exchanges and linkages and exploring new opportunities from the arts, cultural and sporting events (such as cycling, football and soccer)
- **Government relationships:** Establish deeper relationships between strategic French and South Australian counterparts.

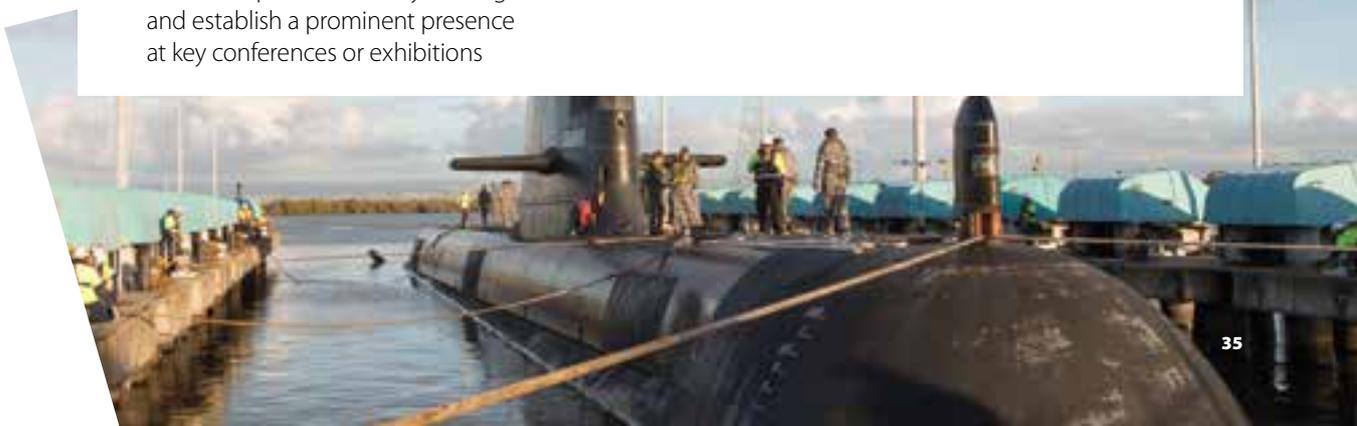
## South Australia will:

### 1. Leverage existing competitive advantages:

- > National centre for Australia's naval shipbuilding
- > Existing world-class infrastructure at Techport
- > A highly skilled workforce and cutting edge R&D enabling technology transfers
- > Labour costs are 11 per cent lower than the Australian average making South Australia an attractive destination for companies to relocate
- > South Australia is a clean, green destination and the 5th most liveable city in the world
- > Safe and stable business environment

### 2. Enhance specific capabilities to support the *South Australia - French Engagement Strategy*:

- > **Alliances and Relationships** – foster a close working relationship with French and Australian representatives
- > **Approach to target European companies** – develop a strategy to approach key European companies
- > **South Australian representative in Paris** – the on-ground representative will build tangible relationships with France
- > **Winning experience** – implement initiatives that deliver a 'winning experience' for French expats and companies relocating to South Australia
- > **Industry relationships** – develop relationships with industry-leading bodies and establish a prominent presence at key conferences or exhibitions



# Appendix C

## South Australia's proposition

### a) The South Australian Advantage

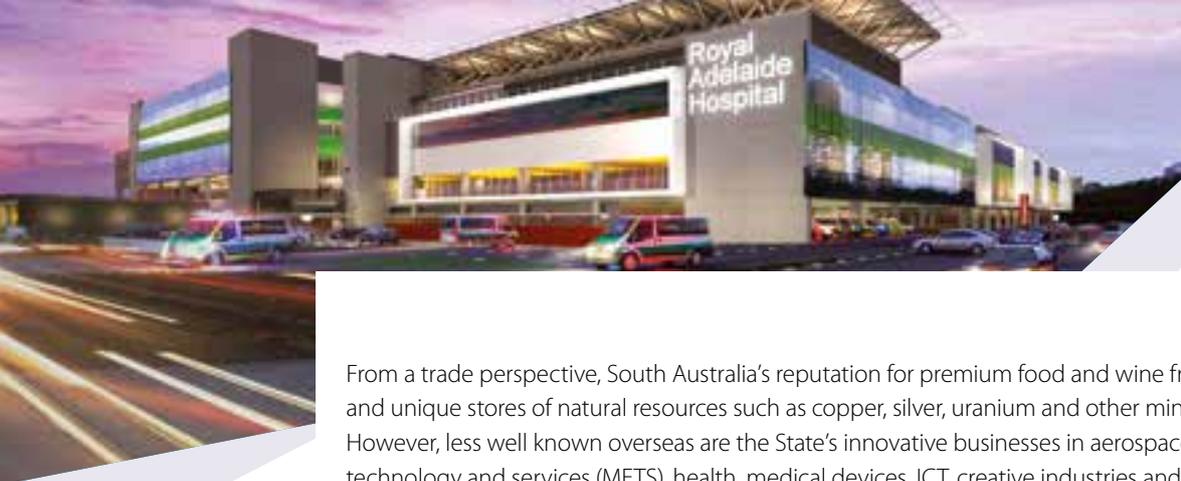
#### **South Australia is an attractive proposition for business. The State offers:**

- A central geographic position, which allows access to and from both seaboard in a day. This position is ideal for head offices or service operations requiring a central office
- The lowest cost of living of all Australian capital cities, according to the National Centre for Social Economic Modelling
- It ranks as the world's fifth most liveable city, according to The Economist Intelligence Unit
- A KPMG competitiveness index of 88.2 (US country index = 100), ranking as the most competitive city location in the Asia Pacific, with Australia the fifth most competitive country among 10 advanced economies surveyed at an index of 89.4 (US = 100) <sup>4</sup>
- \$14.3 billion in goods and services exported annually <sup>5</sup>
- An \$18.2 billion food and wine industry, accounting for 46 per cent of South Australia's total merchandise exports <sup>6</sup>
- 80 per cent of Australia's identified resources of uranium and 23 per cent of the world's uranium
- 600 researchers in the South Australian Health and Medical Research Institute (SAHMRI)
- 43 per cent of South Australia's electricity generation is from renewable sources, with world-leading per capita levels of renewable energy penetration
- A 32 per cent share of defence's in-country material expenditure
- 80 per cent of Australia's premium wine produced in South Australia
- Low staff turnover rates. Once trained, staff remain with their employers in Adelaide for longer than in other more congested cities. Investment made in training staff stays within the company. This further reduces on-costs for staff intensive operations
- Key sector concentrations. South Australia has a leading position in Australia in defence, health, climate change and renewables industries. Within each sector, there are opportunities for companies in advanced manufacturing, information and communications technology, simulation, cyber security and the whole range of horizontal services
- South Australian Government initiatives, which include the Royal Commission on the Nuclear Fuel Cycle, Carbon Neutral Adelaide, and the target of 50 per cent renewable energy usage by 2025. These are sectors which present major opportunities to European companies where much of the world's expertise in clean-tech, low carbon and sustainable energy is based
- Soft Landings. This is a one stop shop [www.softlandingsaustralia.com](http://www.softlandingsaustralia.com) offering advice on every element of a project for a feasibility study. This service is not offered by any other Australian state. It has the potential to funnel projects, small high-tech projects in particular, towards South Australia
- Investment Attraction South Australia (IASA), set up in October 2015 with a \$15 million Investment Fund to assist overseas partners to set up in the State, topped up with another \$20 million in the 2016-17 State Budget. It also has dedicated account managers to assist prospective investors in navigating through the necessary Government processes.

<sup>4</sup> ABS International Investment Position Catalogue Number 5352.0

<sup>5</sup> ABS International Investment Position Catalogue Number 5352.0

<sup>6</sup> PIRSA Food and Wine Scorecard



From a trade perspective, South Australia's reputation for premium food and wine from a clean, safe environment and unique stores of natural resources such as copper, silver, uranium and other minerals are well known. However, less well known overseas are the State's innovative businesses in aerospace, mining equipment technology and services (METS), health, medical devices, ICT, creative industries and services; businesses that are export ready and outward looking.

Key measures to free up businesses financially to spend more time with their customers in overseas markets include:

- A review into the way export support funding has been provided by the South Australian Government. This led to the creation of the Export Partnership Program, which allowed businesses that had previously exhausted their allowable claims to access critical funding for their export activities. Flexible measures were also introduced to allow businesses to determine how their grants are spent
- Payroll tax concessions for SMEs. These will effectively halve the payroll tax on small businesses with payrolls of up to \$1 million, with the concessions also on payrolls up to a maximum of \$1.2 million. Under these reforms businesses will pay up to \$9800 less
- The introduction of a business mission calendar. Missions provide support and access to businesses while highlighting South Australia as a destination to do business. The first business mission to Europe in October 2016 brought South Australian businesses face-to-face with European businesses and decision-makers, with the aims of increasing the State's exports and attracting foreign investment for economic growth and jobs with a focus on defence and the food and beverage sectors
- Dedicated export advice through the TradeStart Program. In 2015-16, South Australian TradeStart Export Advisers assisted 52 companies to achieve over \$49 million worth of export sales and 16 new distribution agreements. The TradeStart Export Advisers work with an active client list of over 660 companies. Over 100 companies were signed up to the TradeStart network in 2015-16, of which over 60 were first-time exporters. Not only does TradeStart assist local businesses, but advisers can also match the needs of buyers with clients to help them directly source the right products and services, reducing time spent on research and negotiations.

The South Australian Government is also committed to supporting businesses through further tax reforms, which will ensure that the cost of doing business falls substantially for both new and existing businesses. From July 2018, any business that purchases a commercial property in South Australia will pay the lowest stamp duty of any state in the nation, as the State:

- Abolishes share duty
- Abolishes stamp duty on non-real property transfers
- Abolishes stamp duty on non-residential property transfers
- Abolishes stamp duty on genuine corporate reconstructions.

The South Australian Government contributes significantly more funding to R&D than the other states. 6.5 per cent of the budget's gross expenditure is spent on R&D; average expenditure across all states and territories was 3.5 per cent<sup>7</sup>.

#### **South Australia's key attractions in the R&D space are:**

- > Tonsley Innovation Precinct
- > The South Australian Health and Medical Research Institute (SAHMRI)
- > The New Royal Adelaide Hospital
- > Tech in SA
- > The Defence Precinct, and
- > The Waite Research Institute

With established projects, a strong track record in R&D and a Government that is committed to striving towards innovation, South Australia is an attractive prospect for R&D partnerships and investment.

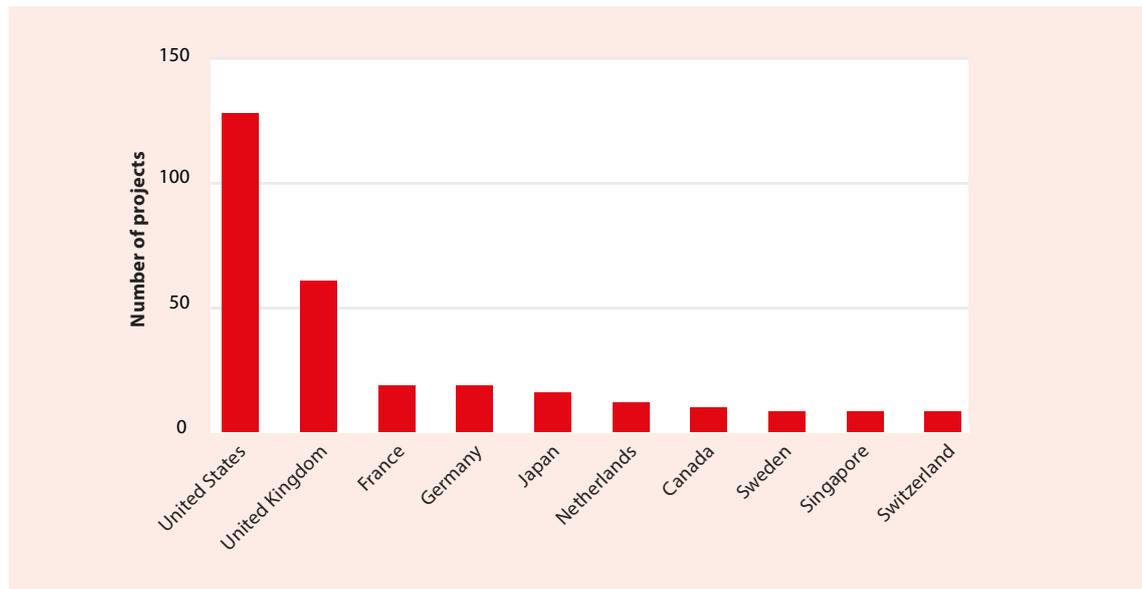
<sup>7</sup>ABS 2012

## b) Foreign Direct Investment

As a nation, Australia provides a safe, easy, low-risk environment in which to invest. With one of the most transparent and well-regulated business environments in the world, Australia's political stability and regulatory framework provides investors with confidence and security. FDI contributes to increases in both productivity and revenue in recipient countries beyond that which domestic investment would normally trigger. This has been evident in both Australia and South Australia, where a number of overseas companies, including from Europe, have established operations<sup>8</sup>.

The graph shows that the key sources of foreign subsidiary creation in Australia are from North American and European companies. This is where FDI has traditionally originated and, as a mature market, it is likely to remain so for some time.

**Top 10 source countries for FDI into Australia, 2015**



FDI from the European region is on an upward trend, both in terms of companies creating subsidiaries in Australia and as a source of capital investment in infrastructure projects particularly by pension funds and other financial organisations.

The positive image of Australia which has been built over time in Europe – by the Australian Government through Austrade, by interactions from political leaders, and by many links at the people-to-people level, especially through migration – is a plus for attracting investment. The South Australian Government's Office of the Agent-General (OAG) has an active investment attraction role which takes advantage of the strong Australian brand, and highlights South Australia's capabilities in key industry sectors. The presence of more than 100 European companies within the State already is another advantage.

Top sectors for outward investment from Europe include several where South Australia has strengths – for example, business services, software and IT services, and food and wine.

Others represent untapped opportunities for South Australia, such as financial services, industrial machinery and consumer products, where the State is developing its capabilities relative to its competitors. Niche sectors such as big data, automation, clinical trials, food processing and crowd funding have potential for South Australia.

Strong growth and the prospect of more in Australia's Asian neighbours is another advantage in attracting European investment. Emerging technologies and niche sectors are revitalising multinational corporations in viewing the Asia-Pacific market as a potential next step for development. Technological advances and the demand for around-the-clock services mean that establishing an office within the region is attractive. Australia and South Australia are in a strong position to compete.

<sup>8</sup><http://www.oecd.org/investment/investmentfordevelopment>

South Australia provides an excellent opportunity for the development of an Asia-Pacific service hub for the resources sector, because of its location between the major mining centres of Western Australia and Queensland, its existing onshore petroleum industry in central Australia, existing mining activities and the potential for further development based on further exploration programs and as yet unknown future resources. The *South Australia - Europe Engagement Strategy* will promote South Australia as a target for FDI in mining services.

European countries are showing a renewed interest in doing business with Australia. For example, the German Australia Working Committee has released 59 recommendations on how to bring the two countries closer together. The South Australian Government intends to monitor this agenda and proactively seek opportunities from it.

Major initiatives in the State, such as the Royal Commission into the nuclear fuel cycle, the Carbon Neutral Adelaide Project, the renewable energy target, the bio-medical precinct and the Northern Adelaide Food Park, together with the new defence contracts provide additional opportunities for investment.

The following areas of specific opportunity have been identified:

- Asia-Pacific fleet service and rebuild with corporations such as Atlas Copco of Sweden
- Asia-Pacific remote monitoring and operations
- Joint venture opportunities for Asia-Pacific regional headquarters, product and service penetration.

### **c) Trade: Sectoral analysis**

Europe is already a huge export market for South Australia, supporting a substantial number of jobs in the State, and a market which has recently been growing faster than most of the State's other export markets. Based on the information on European demand and South Australia's strengths, the South Australian Government has identified the following as sectors of focus for its trade development agenda in Europe:

- **Defence**
- **Resources and energy**
- **Mining, equipment, technology and services (METS), AgETS, AqETS & FETS**
- **Premium food and wine and the associated input and value chain**
- **Health research and ageing**
- **Tourism**
- **Knowledge – education services, innovation, business services, clean-tech and migration**
- **Sectors grounded in key enabling technologies (or general purpose technologies).**



## Defence

Defence industries are critical for South Australia's economic prosperity. They currently employ 27,000 workers (direct and indirect) and contribute around \$2 billion to the State's economy annually.

South Australian suppliers are part of a global network of suppliers to the defence industry, with current ties particularly to the United Kingdom and United States. Several South Australian businesses already export directly to these countries, while others export through Tier 1 suppliers.

Now, South Australia's ties to France will become much stronger in this key sector with the award of the SEA 1000 Future Submarines program to the giant French defence company DCNS. This means technology transfer to South Australian suppliers in support of a local build, and reciprocal visits by suppliers creating strong procurement links which potentially lead to additional business in Europe and elsewhere in the world. This contract will be critical for South Australia, not just for its direct boost to jobs and the economy, though this will be huge, but for the opportunities that it will create for growing the State's defence sector and its technology base.

South Australia continues to work closely with potential bidders for Australia's future defence programs to maximise the opportunities for investment in South Australia. Major programs, in addition to the submarines, include the Offshore Patrol Vessels and the Future Frigates projects - all the contenders are from Europe.

The International Astronautical Congress to be held in Adelaide in September 2017 will provide opportunities to further develop South Australia as a space hub within Australia and the region.

It should not be forgotten that South Australia has already been very successful in attracting FDI from Europe related to major defence acquisition programs. An impressive list of international companies from Europe has established a presence in South Australia. These include:

- BAE Systems (UK)
- Babcock (UK)
- McTaggart Scott (UK-Scotland)
- QinetiQ (UK)
- Cobham (UK)
- Ultra Electronics (UK)
- Rheinmetall Defence (Germany)
- Airbus Group (France)
- RUAG (Switzerland)
- Thales (France)
- Saab Group (Sweden)
- Navantia (Spain)
- Fraser Nash (UK).

Defence SA is South Australia's lead Government agency for all defence industry matters and the nation's only stand-alone State defence organisation. The department targets defence and defence industry investment and expansion opportunities and drives and supports the delivery of major defence projects and facilities. It continues to work with defence industry companies with an existing presence in the State to identify opportunities for further growth. The Office of the Agent-General in London attends military fairs and presentations in Europe on behalf of Defence SA and maintains contact with European headquarters of defence companies with a presence in the State. This work will continue as part of the overall strategy for Europe.

The State's peak defence industry body, the Defence Teaming Centre, regularly participates in targeted onshore and offshore trade and investment missions. Along with Defence SA, it will be closely involved in developing annual business plans for defence activity in the European market.

## Cyber security

Cyber security is a major focus for the Australian Government, and, given that South Australia is the Defence State (accounting for 30 per cent historically of Australia's defence investment), with some huge, sensitive naval shipbuilding and other military projects about to begin, it is of great concern to the South Australian Government as well.

The Commonwealth has announced the establishment of a Cyber Security Industry Growth Centre and allocated \$30 million through to 2019-20 to support this industry-led initiative. It has also announced over \$200 million to strengthen non-defence Government cyber security programs.

The Department of Defence has allocated over \$400 million over the next 10 years to build its cyber security capabilities. It has allocated a further \$1.6 billion to establish a Defence Industry Growth Centre in South Australia as well as funds to encourage and incubate research and development, some of which will be focused on cyber security technologies.

Significant research and development in cyber security is already underway within the State's world-class universities. South Australia also has a Cooperative Research Centre focused on big data problems across the national security community, defence and health. Defence's cyber security research and development is undertaken at their laboratories near the RAAF Base in Edinburgh (South Australia), which houses the RAAF's cyber security and intelligence squadrons. The State is investigating the establishment of a node of the Cyber Security Industry Growth Centre to support the State's growing cyber capabilities and to support those economic sectors that require cyber security protection.

This activity can be leveraged to attract investment from Europe. Locating themselves in this State will put European companies in a favourable position to access the defence 10-year funding program, as well as the research capabilities within the State, and contribute to the growth in South Australia of this highly sophisticated sector.

## Resources and energy

South Australia is richly endowed with minerals, oil and gas and renewable energy resources, and holds 80 per cent and 69 per cent of Australia's known uranium and copper resources, respectively.

The State has established globally competitive and capable supply chains and possesses a highly skilled workforce providing a comparative advantage with regard to resource wealth.

In recognition of these capabilities, the *South Australia - Europe Engagement Strategy* will seek to address increased collaboration with other resource extraction and processing jurisdictions.

The potential opportunity presented by resolution of the case for development of a future nuclear waste management facility is an obvious area for collaboration and investment given the experience and expertise present in countries of Europe. Already uranium exported from South Australia is utilised in France in particular.





### Premium food and wine

South Australia takes pride in sustainably producing some of the best premium food and wine in the world in a clean and safe environment.

South Australia already has established agriculture, food and wine industry relationships with European countries. In 2015 South Australian food and wine exports to the European Union were worth \$807 million. In 2015, South Australian food and wine exports to the United Kingdom totalled \$361.8 million, with wine the major contributor - totalling \$423.5 million alone in 2015. Other notable markets include the Netherlands (\$121.4 million), Germany (\$44.7 million) and France (\$62.6 million).

Several European countries have also been identified as emerging premium markets for wild harvest flora and fauna products including game meat such as kangaroo, where South Australian based Macro Meats is the largest producer of human consumption kangaroo meat in the world.

South Australia works closely with European countries on agricultural research and development. The South Australian Research and Development Institute (SARDI) has existing formal linkages with:

- **United Kingdom:**
  - Collaboration with Institute of Neurology, University College London on biomedical model of Alzheimer's disease
- **France:**
  - Collaboration with University Bordeaux – warming conditions on Cabernet Sauvignon grapes
  - Food loss and food waste is becoming a global issue as population grows. There is opportunity to work with and learn from Europe regarding dealing with food loss and waste. While France leads the way with their policies many other European countries are following their lead with innovative solutions to food loss and waste to address issues such as global food shortages and social issues such as feeding the less fortunate.
- **Sweden:**
  - SARDI participation on the International Council for the Exploration of the Sea (ICES) and the Nephrops (Norway lobster) expert review panel. Other collaborations exist with fishing countries including the United Kingdom, Sweden and France.

### Health and biomedical

The products of the health and biomedical sector are in high demand globally. The most prospective investment attraction opportunities in the health sector are in the following areas:

**Pharmaceutical and biotechnology:** Many clinical research opportunities exist because of the favourable regulatory framework in Australia

**Biomedical devices:** Unique opportunities exist for businesses to establish clinical research facilities supported by R&D incentives. European companies would be able to work within a familiar business environment if they were to establish offices in South Australia to manage marketing and after-sales support nationally and support an Asia-Pacific network of distributors from a base

**Digital health, ICT applied to healthcare:** South Australia's location and the proximity of university research and new health and research facilities offers a great opportunity for ICT companies to test their new technologies, such as tele-monitoring, tele-medicine, wearable devices, and point-of-care diagnostics and new opportunities for new investors

**Nutraceuticals and food supplements:** Consumers often look for quality products produced in a clean environment. These are recognised qualities of South Australian food and wine and can also apply to nutraceuticals produced in South Australia, which can be marketed not only to Asia but Europe as well.

## Tourism

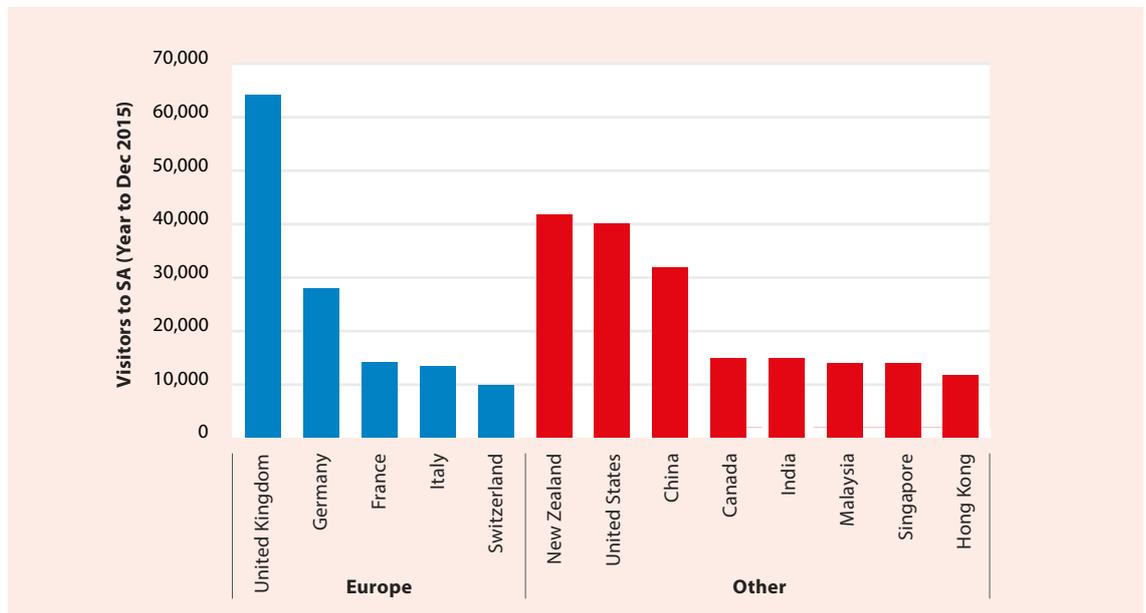
South Australia offers a unique environment and extensive accommodation and hospitality attractions, and it is an environment of particular attraction to European tourists.

In 2015, South Australia had six per cent of the Australian international visitor market (visitor numbers), but 11.6 per cent of European visitor numbers. Around 40 per cent of South Australia's international visitors were from Europe, with the United Kingdom the State's biggest single source of international visitors, at 64,000 visitors. Germany (28,000 visitors in 2015) is also in South Australia's top five overseas tourist markets. Visitors from France currently number 14,000 annually.

*The South Australia - Europe Engagement Strategy* provides an opportunity to build further on this success, especially as the European tourism market is characterised by relatively high disposable incomes and a high share of disposable income is spent on travel.

In particular, the increased awareness of South Australia in France that is being created by the Future Submarines project can be leveraged to build substantially on the numbers of French tourists, drawing also on common links to premium food and wine.

### Main countries of visitors to South Australia (10,000 and above)



The Plan lists five priority action areas for 2015-2020, with supporting actions for each. SATC's Plan, which includes destination guides for South Australia's major markets, is able to assist and support the *South Australia - Europe Engagement Strategy* with regard to tourism.



## Education and innovation

Education, research and innovation are the cornerstones of South Australia's approach to develop and transition the economy to be globally competitive.

The focus is on innovation and commercialisation achieved by building linkages between industry, research capability, education and markets. The key to engagement with Europe lies in developing specific collaborations of both research capability and commercial needs from both sides.

In this area too, the submarine contract provides opportunities for spin-offs and partnerships with European, especially French, institutions and international collaboration with key European defence research institutions. Training for an expanded workforce will be required by the build program. DCNS has its own university, focusing on naval defence and maintenance. Partnerships with other French universities in R&D, course delivery and student exchanges will be explored.

South Australia's universities are already auditing their skills, capabilities and interests, to understand what they can offer in both R&D and education, to take advantage of the opportunities the defence contracts will offer.

There are also opportunities for strengthening and expanding already existing relationships at school level between South Australia and Europe, to facilitate more placements of international students from across Europe in South Australian Government schools. Key focus markets are Germany and Switzerland with increased growth and interest from France, Italy and Scandinavia.

## Services

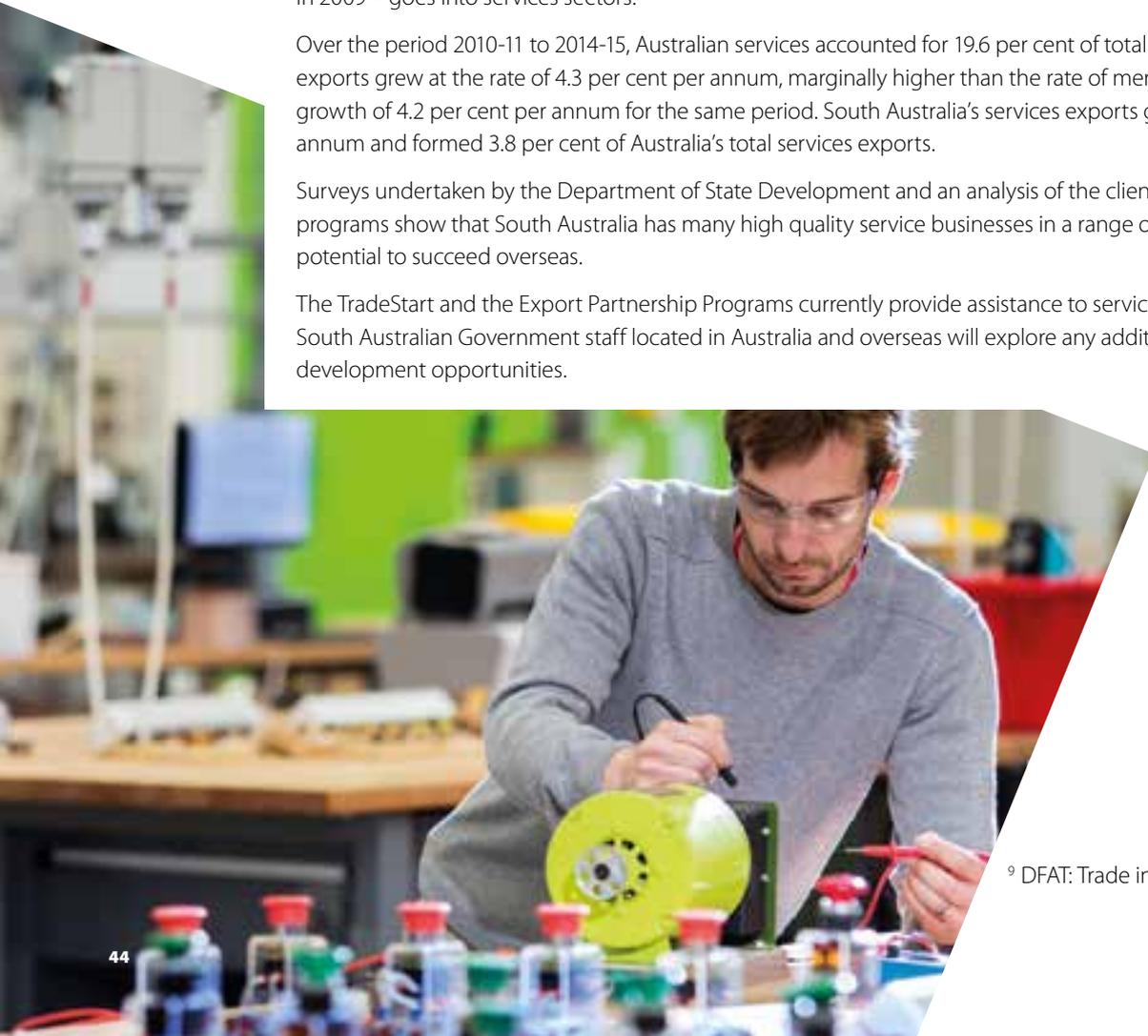
The focus on services is based on the growing demand for services worldwide. South Australia will seek to access untapped opportunities rather than only developing an existing base of services exports further.

Global services exports were valued at US\$4.4 trillion in 2012, and accounted for 19.4 per cent of the world's total export<sup>9</sup>. The European Union is by far the biggest exporter (€580 billion in 2011) and importer (€470 billion) of services in the world. The European Union is also the world's biggest investor in services sectors. More than 60 per cent of its outward FDI – €2 trillion out of a total €3.6 trillion of European Union FDI stocks in 2009 – goes into services sectors.

Over the period 2010-11 to 2014-15, Australian services accounted for 19.6 per cent of total trade and services exports grew at the rate of 4.3 per cent per annum, marginally higher than the rate of merchandise exports growth of 4.2 per cent per annum for the same period. South Australia's services exports grew by 3.8 per cent per annum and formed 3.8 per cent of Australia's total services exports.

Surveys undertaken by the Department of State Development and an analysis of the client uptake of export programs show that South Australia has many high quality service businesses in a range of areas with the potential to succeed overseas.

The TradeStart and the Export Partnership Programs currently provide assistance to services exporters. South Australian Government staff located in Australia and overseas will explore any additional market development opportunities.



<sup>9</sup> DFAT: Trade in Services, Australia 2014



### **Emerging clean-tech**

South Australia has strong capabilities and a reputation as a global leader in this sector, with groups like the Water Industry Alliance (WIA) and Zero Waste SA providing representation on behalf of the industry. Given the demand for these products and services in Europe it is appropriate that the sector is supported in its endeavours to export these services.

The State is now the leading producer of wind energy in Australia and a global leader with the second highest penetration of wind generation capacity in the world, second only to Denmark. The involvement of European knowledge and technology has been critical to achieving this.

Solar thermal and geothermal electricity production are likely to be considered seriously in the next phase of renewable energy development, and these offer opportunities for future collaboration, investment and trade. South Australia offers an outstanding thermal resource across a range of possible sites with access to connection to the grid.

DCNS, the French submarine contractor, has expertise in some renewable energy areas (e.g. wave energy), as well as in the nuclear field.

### **Skilled migration**

South Australia has a long history of reliance on migration to grow population, enhance workforce skills and develop the colourful multicultural community that helps make Adelaide the fifth most liveable city in the world. The contribution of European migrants has been crucial to this.

Skilled migration off-sets the loss in population and skills that results from interstate migration, relieves the pressures on economic growth and supports the State's standard of living. Migrants contribute to business growth through their contribution to the businesses that employ them and through their personal consumption.

In recent times the major sources of skilled migrants from the Europe region have been the United Kingdom and Ireland but the number of skilled migrants from the United Kingdom has been falling both nationally and in South Australia<sup>10</sup>. This is concerning, because United Kingdom migrants have some of the best employment and settlement outcomes<sup>11</sup>.

Developing education and promoting the emergence of innovative high-technology industry sectors will enhance South Australia as an attractive destination for European migrants and will assist in accelerating South Australia's ongoing transition towards a competitive, innovative and value-added economy.

<sup>10</sup> Department of Immigration and Border Protection

<sup>11</sup> Ibid

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