



South Australia - China

Engagement Strategy

Updated May 2016

www.statedevelopment.sa.gov.au/china



“The complementary nature of China and Australia’s economies, and our appreciation for each other’s cultures, promises to foster broader and deeper cooperation in the future.”

Jay Weatherill
Premier of South Australia

Martin Hamilton-Smith
Minister for Investment and Trade



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A message from the Premier and Minister for Investment and Trade



South Australia's economic development is closely linked to the global economy.

Our State's engagement with the world will have a significant impact on our future growth, the wellbeing of South Australians and job prospects for future generations.

Demand from Asia, particularly from China for goods and services, represents a great opportunity for South Australia to capitalise on its resources and talents. When these demands and external environments change, we need to respond strategically so that we can grasp these opportunities.

This updated South Australia - China Engagement Strategy is the result of consultation with key stakeholders. It is crucial to South Australia's efforts to strengthen its partnership with a nation that is the State's largest trading partner and is one of only two economies in the world with a GDP exceeding USD\$10 trillion.

With the China-Australia Free Trade Agreement coming into effect in December 2015, and in light of the recent launch of China's 13th Five-Year Plan (2016-2020), traditionally competitive industries in Australia will revisit their China engagement plans.

New opportunities are emerging in sectors including: agribusiness, food and wine; health and aged care; tourism; education; and research and development.

These sectors represent South Australia's competitive advantages. This update highlights pragmatic initiatives and programs that will deliver results for South Australian industry and businesses.

Our 30-year sister-State relationship with Shandong Province continues to bear fruit. The relationship has become a model of sub-national level engagement, and the Shandong-South Australia Friendly Cooperation Action Plan 2015-2018, signed in September 2015, adds even greater substance.

South Australia is Shandong's window to the rest of Australia and there will be many opportunities for mutual benefit.

The complementary nature of China and Australia's economies, and our growing appreciation of one another's cultures, promises to foster broader and deeper cooperation in the future.

South Australia looks forward to strengthening its multifaceted relationship with China by building on our people-to-people links, improving mutual cooperation and expanding development.

Jay Weatherill
Premier of South Australia

Martin Hamilton-Smith
Minister for Investment and Trade

Opening ceremony of the South Australia-Shandong Cooperation and Development Forum



“China is vast, both geographically and economically, and so our engagement with it must be carefully targeted. South Australia’s strategic focus on Shandong, an economy larger than

Indonesia, is starting to bear fruit. Our Sister-State relationship is comprehensive, deep and mutually beneficial and it has already received wide praise from both the Australian Government and the Chinese Central Government as a model for sub-national engagement.

“When it comes to engaging with China, Local Government provides an important layer. Most of South Australia’s businesses are small-to-medium enterprises (SMEs) and are therefore more compatible with China’s second and third-tier cities. Local Governments can engage at the right level in these cities. Using knowledge of their respective regions and companies operating in their jurisdictions, they can open doors and provide endorsement for local businesses.”

Sean Keenihan

President, The Australia China Business Council (SA Chapter) and China Strategic Adviser to the South Australian Government



“Cultural understanding, business knowledge and skills specific to the China market are crucial for our businesses to succeed there. The China Business Education Program is a State Government

initiative designed to equip South Australian businesses with the tools necessary to cope with the challenges of entering the Chinese market.

“Business engagement is ultimately people-to-people engagement. The three-week Shandong County Mayors training program provides a fantastic opportunity for leaders of South Australia’s business community and Government agencies to build deep relationships with the future leaders of our sister-State, Shandong. The State Government continues to foster people-exchange programs to support our economic engagement with China.”

Dr Alfred Huang

China Business and Cultural Adviser to the South Australian Government

1. Background to the Strategy and update process

When the South Australia – China Engagement Strategy was launched in December 2012, South Australia and China already enjoyed a mutually beneficial relationship in both two-way trade and via direct Chinese investment in the economy.

The Strategy forecast that this relationship would strengthen and grow, but noted that considerable effort was required to better maximise opportunities. The need for a strategic approach remains particularly relevant in the context of competing with international attention for Chinese investment and the number of other countries and Australian jurisdictions seeking to increase trade.

The Strategy outlines an overarching objective to:

‘Strengthen South Australia’s partnership with China and enhance and deepen our long-term engagement in areas encompassing investment, trade and business, education, sport, culture, the arts, sciences, and the exchange of people, skills and ideas.’

To achieve this, it sets out four key actions:

Key action 1:

Consolidate and promote South Australia’s capability as a partner in China’s social, cultural and economic development

Key action 2:

Coordinate and leverage Government activity to build a trade and investment framework for business

Key action 3:

Build and support China-ready South Australian businesses; and

Key action 4:

Refocus Government resources to support the Strategy.



In May 2015, the South Australian Government released a consultation paper on the Strategy. It sought input from stakeholders on the continued relevance of the original overarching objective and key actions, particularly given the changing nature of the Australia-China partnership.

This update:

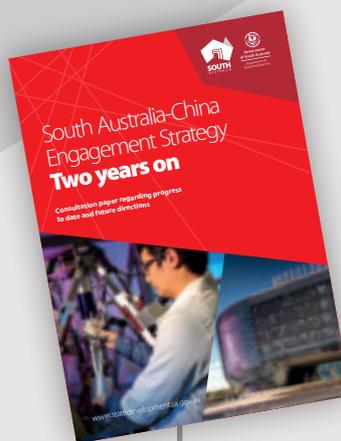
- **Is informed by experience gained in-market whilst implementing the Strategy over the past three years**
- **Responds to the changing political and economic environment, both in China and Australia; and**
- **Incorporates feedback from business and Government stakeholders engaged in the Strategy.**

While a great deal of research and wide consultation has been undertaken by the Department of State Development's China team in the preparation of this report, it is recognised that local interests are engaging widely with China and that this update does not conclusively capture all levels of activity.



2012

Release of South Australia - China Engagement Strategy



2015

Release of South Australia - China Engagement Strategy consultation paper



2016

Release of updated South Australia - China Engagement Strategy

2. What has changed?

2.1 Changes in China

China is embracing a new model of economic growth under President Xi Jinping. Since his election in March 2014, President Xi has promoted the benefits of a 'new normal' pattern of more moderate growth, with attention to be placed on structural reforms and environmental protection. President Xi has indicated his intention to focus the economy on domestic consumption, growing minimum wages and a shift away from subsidies to the construction and manufacturing sectors.

China is transitioning from a period of uninhibited investment expansion, to a modern, advanced economy. There has been:

- A gradual fall in the share of GDP represented by Government-led industrial investment and urban infrastructure
- Heavy investment in education and upgrading the quality of education
- Greater expenditure on consumer products and services
- Reform and improvement of the legal and institutional bases for an advanced market economy
- Rapid structural change to technologically sophisticated industry with a much larger proportionate place for services.¹

The 13th Five Year Plan (2016-2020), drafted by the Chinese National Development and Reform Commission, continues major economic reforms designed to boost domestic consumption and maintain a medium-to-high economic growth rate. Key issues include:

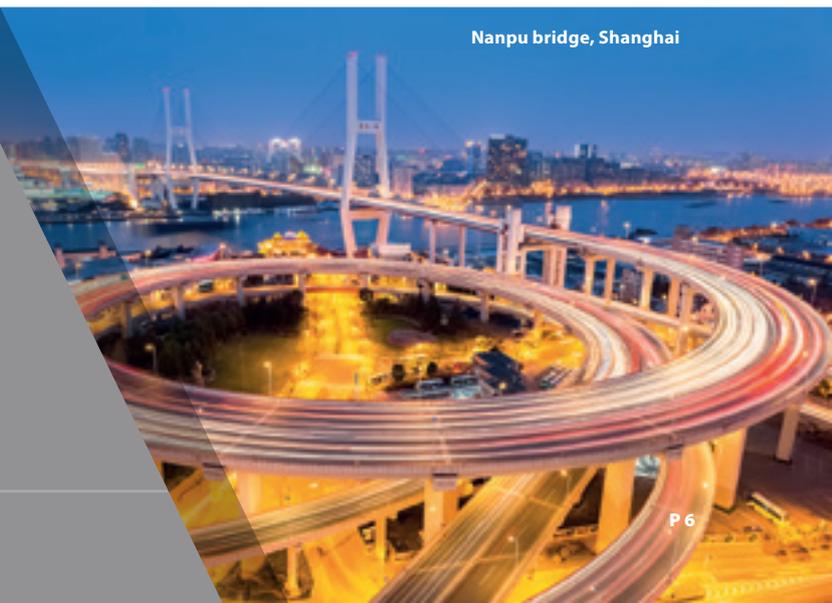
- Continued reform of State-owned enterprises
- Investment in innovation and research and development
- The establishment of a modern vocational school system
- An expansion of e-commerce and associated supply and logistics chains
- A continued focus on quality urbanisation
- A stronger focus on environmental initiatives, including the establishment of a green development fund and the promotion of clean production.

In this context of change and reform, it is vital that South Australia's China Strategy reflects these developments and is attuned to what they mean for optimising trade and investment opportunities.

¹ Garnaut, R., Fang, C. & Song, L. (2013) 'China: A New Model for Growth and Development. China's New Strategy for Long-term Growth and Development: Imperatives and Implications'. In Garnaut, R., Fang, C. & Song, L. (2013) *China: A New Model for Growth and Development*. ANUEpress Canberra co-published with Social Sciences Academic Press China.

China is transitioning from a period of uninhibited investment expansion, to a modern, advanced economy.

Nanpu bridge, Shanghai



The Knowledge State – attracting students and commercialising our research

Flinders University, Tonsley

2.2 Changes in South Australia

The initial Strategy makes specific reference to the South Australian Government's seven Strategic Priorities. That approach to economic development has been augmented by the Premier's 10 Economic Priorities:

ECONOMIC PRIORITIES

- **Adelaide – heart of the vibrant state**
- **A global leader in health research and ageing**
- **The Knowledge State – attracting students and commercialising our research**
- **Premium food and wine exported to the world**
- **Growth through innovation**
- **Unlocking our resources, energy and renewables**
- **Small businesses access capital and global markets**
- **A destination of choice for travellers**
- **Best place to do business**
- **International connections and engagement**

These priorities build on the State's competitive advantages and complement the new model of Chinese economic growth and priorities.

The South Australian Government has also undertaken significant reform since the Strategy was released. It has consolidated key economic development functions within the Department of State Development and developed a new, dedicated investment attraction agency, *Investment Attraction South Australia*. It has also formed, within the Department of Premier and Cabinet, an International Multi-Agency Taskforce designed to bring together resources across the Government to progress the State's international engagement agenda. These reforms will ensure that South Australian Government efforts are coordinated to achieve the best engagement, communication, overall strategy and results.

2.3 Changes in the China-Australia relationship

In the past three years, the Chinese economy has continued to grow at a staggering rate. The importance of China and Australia's social and economic engagement has garnered strong community support in both countries. This flourishing relationship culminated on 17 November 2014 with the conclusion of negotiations for the China-Australia Free Trade Agreement (ChAFTA) – an agreement that should secure prosperity for both countries for decades to come. The rapid economic transformation underway in both China and South Australia means the Strategy must be adjusted if the State is to maintain the significant advancements already realised and capitalise on the tremendous opportunities before it.

ChAFTA, which came into force on 20 December 2015, is set to transform the relationship between the two countries. As of that date, more than 86 per cent of the goods Australia exports to China (worth more than \$90 billion) have entered duty free. Tariffs have been reduced on a range of important Australian exports worth billions of dollars. Products which benefit from tariff reductions include dairy, beef, lamb, wine, seafood, fruit and vegetables, processed foods, and vitamins and health products. Once the agreement is fully implemented and tariff cuts have been phased in, 96 per cent of Australian goods will be able to enter China duty free.

ChAFTA also opens up a range of new opportunities for Australian service providers with enhanced market access for financial services companies, law firms, professional services suppliers, education services exporters, as well as health, aged care, hospitality, construction and manufacturing businesses.

Many barriers to foreign direct investment will now recede, and it is expected that new levels of growth will be stimulated through the two-way investment relationship currently worth about \$121 billion. Because of its 'most favoured nation' status, Australia will be a full beneficiary of any future concessions that China may make with other countries via future trade agreements under its 'most favoured nation' status.

The South Australian Government recently commissioned the University of Adelaide's Institute of International Trade to undertake an analysis of the opportunities presented by ChAFTA to South Australian industry and businesses. That study can be found at

<http://www.statedevelopment.sa.gov.au/upload/china/chafta-trade-impact-study.pdf>

The ChAFTA tariff schedule is available at

<http://dfat.gov.au/trade/agreements/chafta/Pages/australia-china-fta.aspx>





Opening of the Chinese Consul General in Adelaide

2.4 Changes in the South Australia-Shandong relationship

Since the Strategy was launched, several significant agreements have been signed between the South Australian Government and Government agencies or organisations in Shandong. These have provided effective platforms and structure for the anticipated growth in the State's engagement with the province. The agreements include:

- A Memorandum of Understanding (MOU) with Shandong to drive the South Australia-Shandong Cooperation and Development Forum that promotes cooperation and exchange, trade and investment. The High Level Working Group (HLWG) established under this agreement is made up of South Australian Government Department Chief Executives who meet regularly to enforce the implementation of the MOU and discuss new strategic initiatives. A similar structure established in Shandong includes the directors general of key provincial Government departments
- An MOU between the South Australian Government and the Qingdao Bureau of Commerce aimed at driving business cooperation and exchange at the sub-provincial level
- An MOU between the Department of State Development and the Shandong Commerce Bureau around the establishment, purpose and suggested practical functioning of the Shandong-South Australia Local Government Economic Development Cooperation Platform – in particular, how it will enhance the profile of, and prospects for, South Australian and Shandong SMEs in two-way trade and investment
- The Shandong-South Australia Friendly Cooperation Action Plan 2015-2018 (FCAP). This identifies goals for increased efforts over the next three years to expand trade and investment, deepen agricultural exchange and cooperation, mutually promote tourism, enrich culture, arts and sports exchanges, promote mining cooperation, enhance education exchanges and cooperation, develop new partnerships in health, aged care and disability services and cooperate to deliver training programs.

The 30-year anniversary of the signing of the sister-State relationship was commemorated in Shandong in April 2016. The program of activities over the course of the year will include:

- A South Australian business mission to Shandong held in April 2016 which encompassed Jinan, Qingdao, Linyi, Yantai and Zibo, facilitating broader engagement across Shandong
- A sporting cup, with the first event being a basketball match between the Adelaide 36ers and Shandong Hi-Speed Golden Stars, in Jinan, in April 2016
- A return business mission from Shandong to South Australia in September 2016 – to coincide with the Royal Adelaide Show
- Exchange and participation in Adelaide's and Qingdao's international fashion festivals
- Exchange and participation in Adelaide Fringe and the Qingdao Beer Festival
- A South Australian Cultural Showcase in Shandong, including music and visual arts programs, mirroring the Shandong focus of the 2014 OzAsia Festival in Adelaide
- Revitalised MOUs, with key performance indicators for 2016 driving activities between the signatories.

The mission exchange will be a regular annual activity – with South Australia travelling to Shandong with a business mission early in the calendar year, and Shandong returning to South Australia later that same year.

3. Key action updates

Since the release of the initial Strategy, South Australia has made strong progress in developing its engagement, commercial relationships and cultural exchanges with China. This chapter outlines the known significant achievements of various stakeholders in each of the key action areas.

3.1 Key action 1:

Consolidate and promote South Australia's capability as a partner in China's social, cultural and economic development

The Premier's 10 Economic Priorities advocate a partnership between strong business, strong Government and strong community. It is clear the State needs to form robust partnerships if it is to fully realise the opportunities China presents. However, South Australia must also offer convincing value propositions and viable investment products tailored to all overseas investors, including those from China.

3.1.1 Promote the South Australia-China relationship through significant cultural and social engagement

The South Australian Government recognises that real and enduring engagement extends beyond commercial relationships and involves all levels of society. Mutually beneficial cultural and social relationships strengthen the fabric of its community by building cross-cultural knowledge and understanding at a personal level. The Government works with stakeholders across all levels of Government, business, academia, the media and community organisations to promote and facilitate events that widen mutual understanding of other cultures.

In recent years, the arts and cultural sector has taken a leadership role in the roll-out of the Strategy, in particular through the work of the Adelaide Festival Centre, which has a strong commitment to cultural engagement with Asia through:

- The OzAsia Festival and other programming
- Its leadership in the region as Chair of the Association of Asia-Pacific Performing Arts Centre
- A 2013 MOU with the Shandong Provincial Department of Culture for the delivery of the Shandong cultural program as part of the 2014 OzAsia Festival
- A 2015 MOU with the Beijing Centre for Performing Arts.



**Qingdao Song and Dance Theatre
Performance of Red Sorghum at
the Adelaide OzAsia Festival**



OzAsia is recognised as Australia's major Asia-focused cultural festival. It was established in 2007 and invites and attracts acts from across the region. Chinese artists feature prominently and, when Shandong was the festival theme in 2014, some of the province's most accomplished artists came to Adelaide to perform.

People working in arts and cultural institutions in Shandong and South Australia (including the Adelaide Festival Centre and State Library) are participating in an exchange program that sees them placed in corresponding organisations for extended periods. The South Australian Government continues to support artists and performers seeking to expand their horizons and develop and present new work to new audiences.

Opportunities exist for local artists and organisations to participate in a South Australian cultural showcase in Shandong in 2016. It will include:

- A musical program with the Ji'nan Orchestra, led by principal players of the Adelaide Symphony Orchestra and Slava Grigoryan, Artistic Director of the Adelaide Guitar Festival and one of Australia's leading guitarists
- Workshops and masterclasses with the Shandong Symphony Orchestra
- A screening of an iconic South Australian film
- A visual arts exhibition led by SA Living Artists (SALA) Festival
- A Children's Literature Program, led by the State Library of South Australia, featuring a digital exhibition, the gift of children's books and author-led workshops
- A film screening.

Sport is another growing area of engagement. The Port Adelaide Football Club's China Strategy is designed to create opportunities to bring people and businesses together through football. Initiatives include:

- Targeting Chinese students to participate in sporting and community events
- Providing Chinese language information about the sport
- Hiring a Chinese language commentator
- A program to foster AFL teams in South China.

Other examples of sports clubs working to establish ties with China include:

- The Norwood Volleyball Club travelling to Adelaide's sister city of Qingdao in 2014 for training and exhibition matches
- The Adelaide 36ers basketball team seeking relationships in Shandong and elsewhere in China
- The Adelaide United Football Club securing the Datong Group, a Chinese company active in South Australia, as club sponsor. (Through this sponsorship and with additional support from the South Australian Government, a match between Adelaide United and Shandong Luneng Taishan was organised as part of the Asian Champions League).



Adelaide United play Shandong Luneng in the Asian Champions League

A number of other initiatives, including the following, are focusing on social and cultural engagement:

- The South Australian Government is engaging with local Chinese chambers to facilitate communication with community leaders
- The South Australian Multicultural and Ethnic Affairs Commission is strengthening South Australia's social and economic connections with targeted countries, including China, in consultation with local community groups and chambers of commerce
- The South Australian Government is actively encouraging people-to-people exchanges as an efficient way to improve mutual cultural understanding. In particular, Government departments are encouraged to visit or host their Shandong counterparts to foster a better understanding of each other's priorities. To date, programs in water and waste management have been supported in Shandong
- In 2015, South Australia welcomed the largest exhibit by a foreign country at the Royal Adelaide Show. The Shandong Government's booth of more than 144m² hosted displays of consumer products and featured cultural performances, folk art, tea ceremonies and noodle making demonstrations. The exhibit helped raise public awareness of the sister-State relationship
- A number of collaborative media projects – including a 'chef swap' (prominent South Australian and Shandong chefs exploring regional produce) and joint tourism promotions – are underway
- Chinatown Adelaide of South Australia Inc. continues to organise the annual Chinese New Year celebration activities, which are growing and adding to the vibrancy of the city.

3.1.2 Continue the development of information to present trade and investment opportunities across industry sectors

The South Australian Government has created sector-specific investment profiles for agribusiness, food and wine, copper, gold, iron ore, uranium, petroleum, resource infrastructure, renewable energy, health and biomedical, and ICT and adapted and translated them into Mandarin for the Chinese market.

- The refinement and adaptation of these profiles has been driven by high-level Government engagement in the China market, providing the opportunity to develop meaningful and targeted value propositions
- A separate guide to mining investment is also available in Mandarin. It is designed to provide information about investment opportunities in exploration, project development, production and rehabilitation
- The South Australian Government is helping the Local Government Association and the Australia China Business Council with a unique business-to-business portal under the auspices of the Shandong-South Australia Local Government Economic Development Cooperation Platform. The portal is facilitating information flows to interested parties on pre-qualified trade and investment projects and provides relevant supporting and contextual information. It is also enabling interested parties to exchange contact information and progress discussions in a structured, supported environment.



The South Australian Government will continue to produce key policy statements in Mandarin to better promote South Australia and to position the State as the 'open door' to Australia for interested Chinese businesses and investors <http://www.economic.priorities.sa.gov.au/home>

The new State logo was launched in 2013 <http://www.brandsouthaustralia.com.au> The open door image is designed to support South Australian trade and promotional efforts interstate and overseas, with a focus on education, immigration, investment, trade and tourism. Brand SA's strategy is to encourage local businesses to identify South Australian quality by using and promoting the logo on their products and services. It has already undertaken a number of promotional campaigns in China to raise awareness.

3.1.3 In partnership with industry, the South Australian Government is promoting China engagement strategies for key sectors

Since the launch of the South Australia - China Engagement Strategy in late 2012, an increasing number of sector-specific strategies have been developed to align and focus Government, business and community interests.

Destination Adelaide <http://www.statedevelopment.sa.gov.au/skills/destination-adelaide> is the key strategy document outlining the South Australian Government's approach to strengthening, supporting and growing South Australia's international student sector. It lists a number of goals and initiatives which, while not specific to China, will affect the way the State approaches Chinese students, who currently represent almost 40 per cent of the State's total international student population.

Primary Industries and Regions SA (PIRSA) has developed and now updated its China Agribusiness Initiative http://pir.sa.gov.au/_data/assets/pdf_file/0005/214826/China_Agribusiness_Initiative_and_Action_Plan_A4_LoRes.pdf It focuses on building capacity within the agribusiness sector and establishing value-chain partnerships in China for South Australian premium food and wine. PIRSA is also strongly committed to research projects with Chinese partners to deepen agri-tech capabilities.

The Department of State Development is in the process of developing a South Australian International Research and Development Collaboration Strategy to coordinate South Australian Government efforts in this area. The State can achieve enormous benefits from an intense focus on international cooperation in research and development (R&D) with leading economies like China. There is huge potential to improve research quality and opportunities to share large project experiences and access the expertise that is vital to opening up new markets. Moreover, strengthening these connections spreads high-quality knowledge, stimulates the commercialisation of research results and fosters the creation of first-rate products and services so that innovative businesses can prosper.



Finally, a crucial benefit is the creation of, and access to, a global network of valuable contacts. This can lead to positive flow-on effects in sectors other than research. South Australia has a number of world-class research institutes – for example, the South Australian Research Development Institute (SARDI) focuses on food and wine technologies at its Waite Campus, and its West Beach research facility specialises in aquaculture.

The South Australian Tourism Commission (SATC) launched its *Activating China 2020* strategy <http://www.tourism.sa.gov.au/assets/documents/Research%20and%20Reports/satc-activating-china-full-report-2013.pdf> in 2012 and is on track to meet its targets. A Shandong-specific marketing plan was created in 2015 and is raising awareness of South Australia as a destination in Shandong Province, with a particular focus on the city of Qingdao on the east coast. The Commission is also driving efforts to attract direct flights from mainland China to boost tourism and facilitate investment and trade opportunities.

StudyAdelaide, in close partnership with South Australia's education institutions, promotes Adelaide as an international study destination throughout China, and has leveraged the State's relationship with Shandong to raise the profile of Adelaide to students and education agents. StudyAdelaide uses online promotion to increase awareness and one of its most successful initiatives is a digital campaign that involves appointing a student ambassador from Shandong to enjoy a study experience in Adelaide. Following the success of the first of these 'Amazing Ambassador, Unforgettable Experience' campaigns in 2014-2015, a second was launched in Shandong in October 2015. It attracted more than 85 million views online and StudyAdelaide received more than 2200 applications.

To celebrate the 30th anniversary of South Australia-Shandong sister-State relations, StudyAdelaide appointed two student ambassadors – one from Qingdao and one from Shandong – and each will receive a month-long study experience in Adelaide.

Student Ambassador Program





3.1.4 Encourage industry clusters to create the critical mass to approach China markets

The South Australian economy predominantly comprises SMEs and family-owned businesses. The best way for them to participate fully in the trade and investment opportunities that China and other jurisdictions offer is through industry and sector collaboration.

The Department of State Development has worked as a catalyst to facilitate the establishment of innovative business clusters. Its Cluster Coordination Office provides support for the industry and research community to establish and grow clusters and to pursue other identified business opportunities. The office develops supporting tools and techniques, runs education and awareness programs, and monitors and evaluates collaborative initiatives.

Over the past 15 years, the South Australian Government and the Water Industry Alliance (WIA) have worked closely to develop industry clusters focused on managed aquifer recharge and wastewater for regional and decentralised applications – two clear areas where South Australia has a competitive advantage. The WIA has established a working group of companies focused on China to share experience and learning, and develop common distribution channels to support exports.

To build scale for engagement with China, PIRSA has helped with the development of food and wine-focused clusters in regional areas. They include Coonawarra Grape and Wine Inc., Regional Development Australia (RDA) Limestone Coast Inc., Dairy SA, the RDA Murraylands and Riverland Inc. and a horticultural-focused cluster in the Southern Mallee.

Clustering is also being explored in other key sectors of interest to China – specifically, the aged care value chain (incorporating architecture services, training, and management services and systems) and 3D imaging, simulation and virtual reality. <http://www.statedevelopment.sa.gov.au/industry/innovation/clusters>

3.1.5 A media strategy to convey all of the mentioned information to the Chinese community both in South Australia and in China

A focused media strategy is a valuable tool for fostering engagement and promoting South Australian values and strategic priorities. It is essential to partner with leading Chinese media organisations, including social media platforms with large numbers of Chinese users focused on going abroad for business, education, tourism and migration purposes.

- StudyAdelaide and the South Australian Tourism Commission (SATC) have established official accounts on WeChat and Weibo, which between them have more than one million subscribers
- The China team at the Department of State Development promotes South Australian events in partnership with the People's Daily Online, China's largest comprehensive media platform. The team has also been working with Austrade China, leveraging off its official WeChat account, to publicise South Australia's major investment attraction events
- SATC hosts TV, print and digital media representatives and, on occasions, Chinese celebrities are used to generate destination exposure for South Australia
- SATC and Tourism Australia brought a crew from the number one Chinese TV variety program *'Running Man'* to South Australia in 2015, and gained exposure to a viewing audience of more than 200 million Chinese in the show's first screening in early 2016
- *'South Aussie with Cosi'* is building a partnership with Qingdao TV to promote South Australian tourism. Four episodes about South Australia will be screened in April 2016
- 57 Films has produced a *'Chef Exchange'* program of six episodes which screened on Qingdao TV in April 2016.

The South Australian Government will strengthen efforts in promoting the State in China, through better coordination of activities and a focus on key objectives.



Screening of South Australia made film 'Tracks'



3.2 **Key action 2:** Coordinate and leverage Government activity to build a trade and investment framework for business

3.2.1 **Ministerial visits and high-level engagement**

The Strategy recognises the significant role Government plays in Chinese society, particularly the importance of its involvement in facilitating access, mutual understanding and opportunity. Consistent with this, the South Australian Government has leveraged Ministerial delegations to pursue its strategic agenda. By developing a 12-month calendar of business missions it is enabling businesses to plan their involvement in outbound missions. The calendar of proposed activity for 2016 is available at <http://www.statedevelopment.sa.gov.au/investment/business-missions>

The Shandong-South Australia Cooperation and Development Forum provides a platform for companies in each country to explore mutually beneficial trade and investment opportunities. In May 2015, more than 250 business, Government and community delegates travelled to China for the Forum. In April 2016, over 300 South Australian delegates travelled to Shandong for the State's largest-ever outbound business mission.

Since the launch of the Strategy, key outbound missions supported by the Government have focused on industries including minerals and energy, education, tourism, clean-technology, bio-tech, health and aged care, agribusiness, food and wine.

Valuable inbound missions, also supported by the South Australian Government, have focused on education, health, planning and logistics, resources and energy, aquaculture, dairy, grain and horticulture, cultural exchange, premium food and wine industries.

3.2.2 **Central Government focus**

The Strategy recognises the important role of the Chinese Central Government. In September 2014, China's former Ambassador to Australia, His Excellency Mr Ma Zhaoxu, came to Adelaide to open the OzAsia Festival.

On 18 January 2016, the Chinese Government officially opened a Consulate in South Australia and appointed Mr Rao Hongwei as the Consul General. The opening ceremony was attended by Governor Hieu Van Le, Premier Jay Weatherill, Chinese Ambassador MA Zhaoxu and a large number of business and community representatives. The Consulate is expected to further enhance the State's engagement with China culturally, socially and economically.

The Strategy recognises the influence of the Australian Government in China. In April 2014, the Premier led South Australia's participation in the Federal Government's *Australia Week in China* (AWIC) activities. The then Prime Minister, Tony Abbott, attended and the event provided opportunities for engagement at the highest level, including with Chinese President Xi Jinping, major investors and Chinese Government officials. Further opportunities came in November 2014 when the Premier and key industry leaders took part in the official visit by the President Xi Jinping to Australia, again providing the chance to present our State's differentiated and growing industry value propositions. South Australia supported *Australia Week in China* in April 2016.

Over the past three years, South Australia has built a significant and respected relationship with Austrade and its China network. The State has worked with Austrade to place South Australian investment-focused staff within its offices in China. This is a cost-effective way to leverage the Austrade brand, network, market intelligence and resources. Officers in Austrade's Shanghai and Hong Kong offices cover the State's engagement with two of China's most economically developed regions – the Yangtze River Delta and the Pearl River Delta.

3.2.3 The Shandong relationship

China is a vast and varied country. While not foregoing opportunities to promote itself in other major Chinese markets and cities, particularly as part of nationally organised missions, South Australia has focused on creating its own opportunities through the strong Sister-State relationship with Shandong Province. Shandong has a population of nearly 100 million people, a GDP of more than \$A1.2 trillion and is considered a cultural heartland of China's traditional values.

As discussed elsewhere in this update, South Australia is investing significantly in broadening and deepening its 30-year sister-State relationship with Shandong. The Premier and several Ministers have regularly travelled to Shandong to meet with senior Government officials.

In July 2012, the Premier met with Shandong Party Secretary, Jiang Yikang, and revitalised the South Australian relationship with Shandong.

In April 2013, supported by the then Australia Ambassador to China, Her Excellency Ms Frances Adamson, the Premier led a mission to Shandong as part of the 1st South Australia-Shandong Cooperation and Development Forum. This involved:

- A 65-person delegation of key industry leaders in minerals and energy, clean technology, agribusiness, wine, education and cultural sectors
- A MOU being signed between the two States
- The establishment of a High Level Working Group (HLWG) to support the MOU and develop key agreed sectors of mutual interest.

The South Australia-Shandong Cooperation and Development Forum, held from 25 to 27 May 2015, continued the engagement begun in 2013. As mentioned previously, the Premier led the largest trade and investment mission in the State's history to this event.

The focus of the Forum included new and emerging opportunities in:

- Resources and energy
- Agribusiness, food and wine
- Health, aged and disability care
- Services for liveability
- Arts and culture
- Education
- Tourism

The interest from across these sectors highlights the merit of targeting strategic and tailored opportunities at a specific provincial level.

Dedicated departmental or agency level agreements with Shandong Provincial Government agencies include MOUs between:

- The South Australian Tourism Commission (SATC) and Shandong Provincial Tourism Administration
- The Department of Primary Industries and Regions SA (PIRSA) and the Shandong Provincial Department of Agriculture
- The Adelaide Festival Centre Trust, University of South Australia and the Shandong Provincial Department of Culture; and
- The Department of Primary Industries and Regions South Australia (PIRSA) and Shandong Provincial Department of Oceanic and Fisheries.

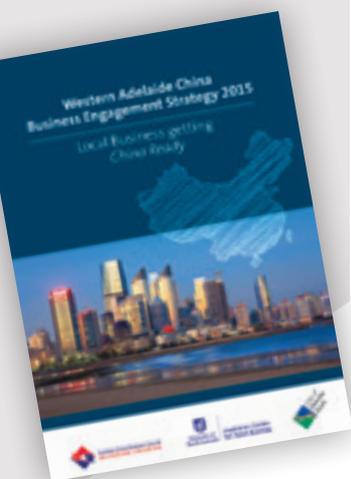
In addition, a three-way partnership between the South Australian Government, the Shandong Provincial Government and the China Development Bank is highlighting suitable projects for the parties to drive under the collaborative framework.

Further cooperation agreements are expected to result from the 2016 Shandong Business Mission, underscoring the importance and value of this alliance.

A new initiative under the South Australia-Shandong relationship was the establishment of the Shandong County Mayors *'City Renewal and Urbanisation Training Program'*. In September 2015, 18 county and district-level mayors from Shandong visited the City of Onkaparinga, the Naracoorte Lucindale Council and the City of Mount Gambier. They attended training and participated in site visits focused on water management, waste management and regulatory structures for town planning. They also considered opportunities for trade, investment and education. South Australia has agreed to provide commercial training programs for Shandong County Mayors on innovative urbanisation, urban planning and administration for the next three years.

The South Australian High Level Working Group (HLWG) is in the process of reviewing all MOUs and agreements signed between Shandong and South Australia over the past few years. To drive outcomes, during 2016 specific KPIs will be devised by agencies that are signatories to these agreements. The outcomes will be monitored and reported on by the South Australian HLWG.





3.2.4 Local Government engagement

It is recognised that Local Government plays a significant role in South Australia's connection with China and that Local Governments in China are considered key economic development agencies. In late 2012, South Australia's Local Government Association (LGA) developed a China Engagement Strategy so that local councils could parallel the work being undertaken at the State level. This Strategy was released in early 2016.

The Adelaide City Council signed an Adelaide-Qingdao Sister-City Agreement in December 2013, and a number of metropolitan and regional councils, including the City of Charles Sturt, have developed China strategies over the past 12 months.

To deepen the relationship with Shandong, the South Australian Government has partnered with the LGA and the Australia China Business Council (ACBC) to deliver a Local Government initiative with Shandong's 17 prefecture-level bureaux of commerce. The aims are to:

- Enhance opportunities for partnerships at the prefecture/council level
- Provide a new platform for Local Government to discuss and progress commercial projects and investment
- To enable the SME sector to access China's valued second, third and fourth-tier markets via a structured and supported pathway.

3.2.5 South Australia Club

Recognising the importance of prominent South Australian residents and former students in China, the South Australian Government has launched branches of the South Australia Club in Shanghai and Hong Kong, building on the success of the first such club in London. The membership includes prominent expat South Australians, successful South Australian school and university alumni and significant investors in the State. The South Australia Club is primarily a mechanism for engaging with people who can provide vital connections and information.

A website informs members about South Australian events around the world, and aims to facilitate greater international connections that support the State's economic development objectives. An Adelaide Chapter of the South Australia Club will connect newcomers to the State with a broad business and community network and help them identify investment opportunities. Visit <http://www.southaustraliacub.sa.gov.au>

3.2.6 Research platforms

Multiple collaborative research platforms have been formed between institutions in South Australia and China, including the following recent examples.

- The University of Adelaide and Shanghai Jiao Tong University in Shanghai signed a MOU establishing the two universities' intention to work together in joint research programs in four major areas – agriculture and wine, land and water, food safety and quality, and health and nutrition. The agreement involves product development and commercialisation of joint research achievements
- The University of Adelaide has established the China-Australia Sustainable Research Unit (CASRU), which aims to promote cross-cultural research across the Chinese and Australian construction industries and to improve the international competitiveness of that industry in both countries
- Flinders University Centre for Marine Bio-products Development enjoys strong research collaboration with the Qingdao Gather Great Ocean Group. Collaborative efforts include a joint research laboratory focused on developing sustainable technologies to convert beach-cast seaweed in South Australia into value-added products
- The University of South Australia and Shandong University have partnered to create the China-Australia Centre for Health Science Research. The Centre undertakes advanced research in pharmaceutical sciences, medicine, and public and population health. The partnership also supports faculty and graduate-student mobility between the two universities
- The University of South Australia has established a research partnership with Chongqing Third Military Medical University (TMMU), a Chinese military institution of higher learning. In April 2015, scientists from the University of South Australia, along with colleagues from TMMU, developed the drug Edaravone, which alleviates the progressive cognitive deficits of Alzheimer's disease
- The University of South Australia has established the China-Australia Joint Innovation Centre for Cell Therapy, an industry-focused initiative designed to provide access to the Chinese market for cell therapies developed at the University of South Australia
- SARDI and the South Australia Oyster Research Council are exploring collaborations with the Yellow Sea Fisheries Research Institute, in Qingdao, Shandong Province, and Zoneco Group Co. Ltd, in Dalian, Liaoning Province. The aim is to establish an Australia-China Joint Centre for Sustainable Shellfish Aquaculture for Profit.



3.2.7 Initiatives to support new and existing Chinese migrants to South Australia

The Department of State Development, through Immigration SA, is supporting new and existing migrants by:

- Providing information about South Australia via the Immigration SA Chinese language online portal
- Inviting migrants to join registered, member-based organisations focused on business networking
- Inviting migrants to participate in networking around key China-focused events, such as Australia China Business Week 2015 and Adelaide's Chinese New Year celebrations
- Raising awareness of, and showcasing, regional investment, trade and lifestyle opportunities
- Providing a Chinese language business migrant information pack and a guide to helping migrants settle in South Australia <http://www.migration.sa.gov.au/chinese>
- Employing China-experienced staff to foster communication and understanding.

3.2.8 Support for industry-led platforms for cooperation and engagement

Many industry member-based organisations and entrepreneurial initiatives are building platforms to facilitate engagement with China.

- Australia China Business Council in South Australia worked with the Local Government Association and the South Australian Government to establish a unique business-to-business information portal. It facilitates information flows between interested parties in South Australia and Shandong on pre-qualified trade and investment projects and provides relevant supporting and contextual information. The portal enables interested parties to exchange contact information and hold discussions in a structured, supported environment <http://sasdconnect.com.au>
- Business SA and its national counterparts have developed the Export Growth China Program for SMEs <http://business-sa.com/export-growth> It provides the opportunity for products to be marketed and displayed in a high-end showroom in the Shanghai international zone – access that would otherwise be unaffordable or difficult to secure. Where products generate specific interest, Business SA will work to facilitate export opportunities
- SinoSA is a pilot initiative of business catalyst BioSA, established in Qingdao to help South Australian ICT businesses commercialise their offerings and find export markets in China. SinoSA is a unique concept that will give intellectual property-intensive companies a way of mitigating business risks in China.

3.2.9 Online strategies

Chinese consumers and businesses are increasingly buying overseas products online, so a strategic approach to the country's online sector is vital. Austrade has undertaken considerable research to identify opportunities for Australian companies in this area <https://www.austrade.gov.au/australian/export/export-markets/countries/china/doing-business/e-commerce-in-china> and the South Australian Government will work with it to enhance local SMEs' understanding and access to online retail platforms. The Department of State Development's China team will also work with Austrade to invite e-commerce experts to Adelaide to deliver educational sessions as part of the China Business Education Program (detailed in the next section).



Alibaba presentation at Australia Week in China

3.3 **Key action 3:** Build and support China-ready South Australian businesses

The implementation of the South Australia - China Engagement Strategy has created a greater awareness of the economic opportunities in China and, in particular, Shandong Province.

The State recognises, however, that China is not necessarily an easy market, particularly for first-time exporters. The South Australian Government will assist companies through a series of business education programs delivered in collaboration with industry and community bodies, as well as other entities with specialist China knowledge. The aim will be to foster knowledge sharing and skills development so that more businesses can benefit from trade and investment with China. In most cases, these programs will be linked closely to outbound business missions.

3.3.1 **Develop and deliver a program to provide China related business focused information**

The Department of State Development website will provide details of professional seminars (either contracted by the department or delivered by the department in partnership with other Government and industry bodies) covering the following topics:

- General overview of China's development
- Trends and precedents in Australian engagement with China
- Cultural literacy training
- Legal aspects of doing business in China
- Accessing China's e-commerce platforms
- Case studies of successful China engagement by SMEs.

3.3.2 **Provide cultural training for Government departments in key economic sectors**

Given heavy State involvement in economic sectors in China, as new opportunities emerge, Government-to-Government engagement will be important and necessary. Government can provide a valuable engagement platform for companies, but it is vital that key public servants who have contact and work with Chinese counterparts are culturally aware and sensitive. The South Australian Government has arranged cultural literacy training for Ministers and their staff, departmental employees and members of outgoing SME delegations to China. It has been delivered in partnership with the Confucius Institute and other providers.²

3.3.3 **Collection and dissemination of successful business case studies**

The South Australian Government has prepared a series of case studies across different industries and business models to highlight the potential for businesses, particularly SMEs, to pursue trade and investment opportunities with China. The case studies involve:

- **Pendleton Estate**
- **Bird in Hand Winery**
- **Australian Fashion Labels**
- **Purus**
- **Flinders University (Australian Kelp Products)**
- **Laucke Flour Mills**

They can be accessed at

<http://www.statedevelopment.sa.gov.au/investment/china-engagement-strategy/success-stories>

² The Confucius Institute is a partnership between the University of Adelaide and Shandong University. It seeks to promote Chinese language, culture and understanding, including progressing economic and business links – see <https://confucius.adelaide.edu.au/>

3.3.4 TradeStart network

The South Australian Government will continue to support local SMEs exporting to China through its partnership with the Commonwealth Government in the TradeStart program. It will fund advisers located in metropolitan and regional areas of South Australia.

<http://www.statedevelopment.sa.gov.au/investment/tradestart-assistance>

TradeStart advisers are highly experienced in the needs of exporters in international markets and help export-ready companies access overseas markets. They also provide support for companies participating in the Government's business mission program.

3.3.5 The Export Partnership Program

The State-funded Export Partnership Program (EPP) provides 50:50 funding to eligible South Australian companies to pursue international market development activities. Assistance is granted through a competitive process. <http://www.statedevelopment.sa.gov.au/investment/export-partnership-program>

The Export Partnership Program:

- 
- 
- Is for companies with a **minimum turnover threshold** requirement of **\$100,000**
 - Can provide **funds to individual companies** of up to **\$50,000**
 - Allows companies to **apply for funding multiple times** until they reach **\$50,000**
 - **Encourages greater autonomy** for companies to determine expenditure plans for their export marketing strategies
 - Is available to previous recipients of the former Market Access Program (MAP) or the Export Market Development Grant (EMDG) to **access new markets or revisit markets** adversely affected by the high Australian dollar.



South Australian exporter, Elwa



3.3.7 Raising the understanding of China amongst Government officials

Long-term engagement is vital to the ongoing success of South Australia's relationship with China, and familiarisation with the key issues and challenges that China faces will benefit Government decisions about future China strategies.

The South Australian Government has therefore continued to support the Confucius Institute's parliamentary trips to China (held in 2012 and 2014). In return, for the three-year term of the *Friendly Cooperation Action Plan*, the Shandong Province will support an annual tour to South Australia by its county mayor representatives so they can become familiar with opportunities for engagement here.

3.3.8 International Student Internship Program

The South Australian Government has established protocols with Flinders University, the University of South Australia and the University of Adelaide to provide business internships for Chinese students. The program has benefits both for the students and the host companies – the students improve their understanding of western business methods, and the companies learn about Chinese cultural approaches. The China team at the Department of State Development is working with China-focused member-based organisations to roll out the internship program to member businesses. This initiative recognises the value to local SMEs that value international students can offer in terms of language, cultural understanding and professional knowledge and background.

3.3.9 Business migrant engagement

Chinese business migrants are an untapped pool of resources with business acumen, capital and networks.

The South Australian Government has run a number of networking events, attended by more than 250 members of the local business migrant community, to engage with them and present trade and investment opportunities for them to consider.

The Government also provides Chinese language information packs to help business migrants to export, invest and understand the South Australian business community.

<http://www.migration.sa.gov.au/resources/publications>

Various relevant events are hosted by the South Australian Government, and the South Australian branches of industry bodies such as the Australia China Business Council (ACBC) and the Committee for Economic Development of Australia (CEDA). These functions bring together key leaders from across industry, Government and academia and help ensure that there is a shared understanding of the Strategy to ensure that South Australia and its key industries can pursue economic opportunities with China.



3.4 **Key action 4:**

Refocus Government resources to support the Strategy

The South Australian Government has allocated resources and put in place arrangements to support the implementation of the South Australia - China Engagement Strategy, providing a mechanism for its ongoing oversight, evaluation and review. A key focus has been collaboration and sharing ideas and contacts.

China team

The Department of State Development has built a dedicated China team within the International Engagement, Trade, Immigration and Higher Education Division. It includes a Director for China Engagement and two project officers based in Adelaide. This team is primarily responsible for the implementation of the Strategy. It works closely with the State and Commonwealth Governments and non-Government stakeholders to progress strategic goals.

A specialist International Education team has been formed to work with the China team and education providers to increase the number of international students studying in South Australia. The initiatives they are working on have specific relevance to the China market and are outlined in the Destination Adelaide Plan.

To improve the coordination of overseas market-related activities, internationally-focused State Government officers are now co-located within the Department of Premier and Cabinet. Although the officers are still attached to their 'home' departments, co-location fosters regular information sharing and collaboration.

South Australian Government in-country representation

Key agencies continue to improve the functions of China-based resources and explore ways to collaborate to better service the needs of South Australian companies entering China.

The Department of State Development maintains a State representative in Shandong to support the relationship with its Provincial Government.

The China team also uses Austrade's structures, support and market intelligence. As mentioned elsewhere in this update, a Senior Investment Manager in the Austrade Shanghai office covers the Yangtze River Delta region and a Business Development Manager in the Austrade Hong Kong office, covers southern China.

The South Australian Tourism Commission has promotional staff based in Shanghai and Food SA also operates an office there. PIRSA engages on an 'as needs basis' a consultant in Beijing to help agribusiness companies exporting or seeking to export to China, and BioSA has a pilot office (SinoSA) in Qingdao, Shandong, to help ICT companies engage with the China market.

StudyAdelaide works to actively promote Adelaide as a study destination in China and is successfully using the Student Ambassador Campaign referred to in 3.1.3.

The South Australian Government will explore the potential for expanding its representation in Qingdao, Shandong, to support a growing commercial interest in this market.

China advisers

A China Strategic Adviser has been appointed to work with the South Australian Government and the business community to provide advice about the direction and implementation of the Strategy. A Business and Cultural Adviser has also been appointed to support its ongoing implementation.

International engagement advisory board

An advisory body of South Australian Government representatives, industry experts and international advisers has been established to guide, prioritise and advise on the State's international engagement effort in support of its diplomacy and trade and investment agendas. Membership includes the Strategic Adviser on China and the Business and Cultural Adviser on China.

4.

Selection of company trade and investment success stories

- **Since the roll-out of the initial Strategy, more South Australian businesses across a range of sectors have either initiated or deepened their involvement with China. Many have developed or realised trade and investment opportunities, in some cases through connections forged with Chinese business migrants.**

Following is a snapshot of just a few of the success stories that have been publicly announced:

- In 2013, Basetec Services signed an official cooperation agreement with Sinoma Jinjing, enabling its hi-tech pipes to be built in China and sold to major markets. The cooperation agreement could increase Basetec's Adelaide workforce from 35 (at the time of the agreement) to 100 and, in turn, provide spin-offs for other local firms that supply parts and provide technical support
- The Sarin Group, based in Port Lincoln, has begun exporting farmed Bluefin tuna to Zoneco, one of China's largest, stock exchange-listed seafood companies. This has been a major transition for an industry previously heavily reliant on the Japanese market
- In April 2015, the South Australian Dairy Farmers Association announced the commencement of weekly exports of fresh milk to China, with great potential for growth in volume and for other dairy suppliers
- In 2015, the Fleurieu Milk and Yoghurt Company began exporting 10,000 litres of fresh milk to China weekly
- Balco Australia has received a \$12 million investment from Shanghai Yanhua Hi-Tech, a long-term trading partner of the hay and fodder producer. An investment agreement was signed during the Premier's mission to China in May 2015
- Beston Global Food Company's ASX IPO in 2015 raised \$130 million. Beston have formed a partnership with the Dashang Group in Liaoning Province. Capital will be used to expand Beston's investment in premium closed-loop food products for export to Asia; Beston have invested in several South Australian food producers
- In 2015, children's theatre company, Windmill Theatre, took its award-winning production of 'Grug' on a seven-week tour of Shanghai (in partnership with ASK/Vertical Productions) and Beijing (in partnership with local group TONG). Windmill has been invited back for an extended season in mid-2016 when it will present the sequel 'Grug and the Rainbow'. The show will be the opening production at ASK's two new venues in Beijing and Hongzhou, and has seasons booked in Shanghai and Kunshan as well.



IN 2015, THE FLEURIEU MILK AND YOGHURT COMPANY BEGAN EXPORTING 10,000 LITRES OF FRESH MILK TO CHINA WEEKLY



THE BANK OF CHINA OPENED ITS FIRST BRANCH IN SOUTH AUSTRALIA AT 1 KING WILLIAM STREET IN ADELAIDE IN MAY 2016

- **Chinese companies are investing directly in South Australia, as evidenced by the following examples:**
 - Datong Group – Construction of its \$70 million 'U2' apartment tower in Waymouth Street in Adelaide began in April 2015. Datong has been involved in other central business district apartment developments
 - The China-Australia Property Development Group – Its \$75 million 'Vision on Morphett' apartment tower is nearing completion
 - The Bank of China opened its first branch in South Australia, at 1 King William Street in Adelaide, in May 2016. It will provide employment for around 10 full-time staff and, more importantly, provide a strong link for investment.

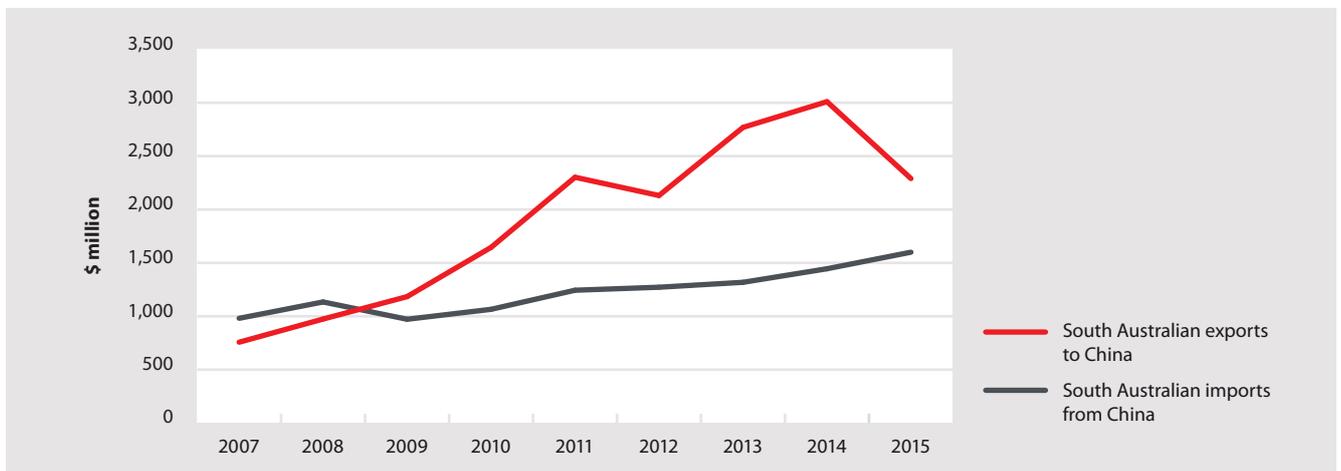
5. Key trends

Exports and imports

South Australia's merchandise goods exports to China (excluding the two Special Administrative Regions) have trended upwards in recent years, outpacing the more moderate growth in direct imports to South Australia from China.

Exports have been heavily concentrated in mineral exports which mean that the value of South Australia's overall trade with China is exposed to fluctuating market conditions. The growing diversification of the State's export profile has limited the decline in overall export value, despite the very significant fall in mineral prices.

Figure 1: Two-way merchandise trade





Export composition

The composition of South Australia’s merchandise exports to China has changed significantly as the Chinese economy has moderated and its demand for world exports has fallen.

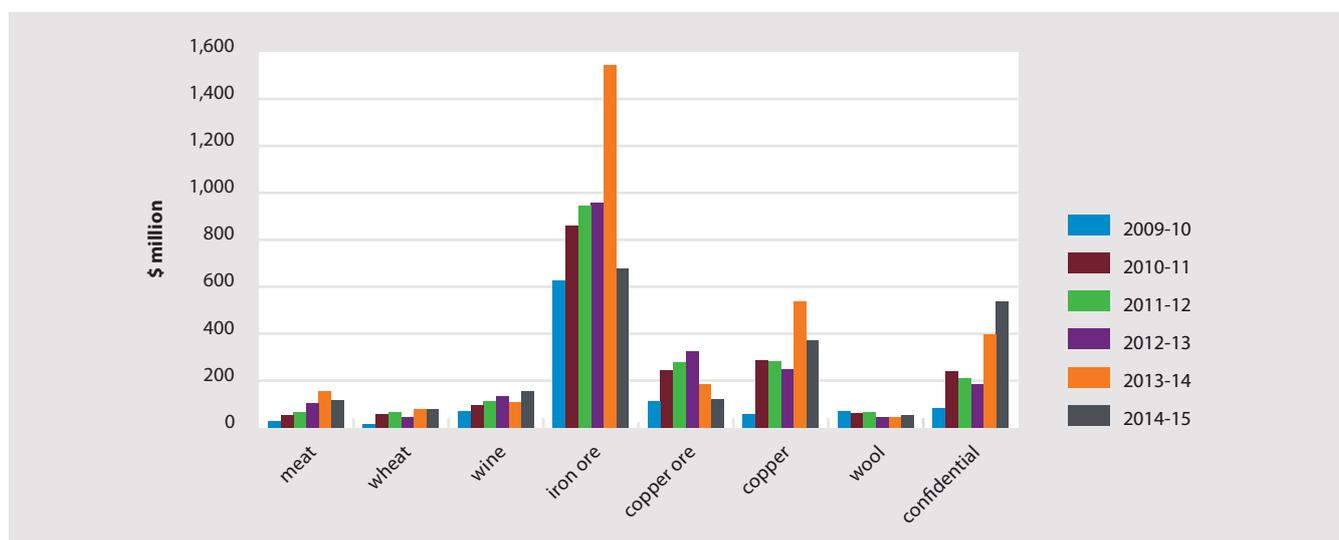
South Australian exports to China peaked in 2013-14 at a value of \$3.36 billion, and fell by over 30 per cent to \$2.3 billion in 2014-15, largely a function of decreased iron ore and copper exports.

South Australia’s exports of agricultural goods including meat, wheat, wine and wool over the 2009-10 to 2014-15 period, increased from 14.3 per cent of the value of total South Australian exports to China to 17.3 per cent. Exports in the confidential category, which includes barley increased from 6.7 per cent of total South Australian exports to China to 22.9 per cent.

Over the same period, the value of meat exports increased by an annual average rate of 63 per cent, wheat by over 100 per cent and wine by nearly 25 per cent.

In 2014-15, South Australian exports of wine increased by approximately 45 per cent, confidential merchandise by nearly 35 per cent and wool by approximately 21 per cent.

Figure 2: South Australian exports to China



International students

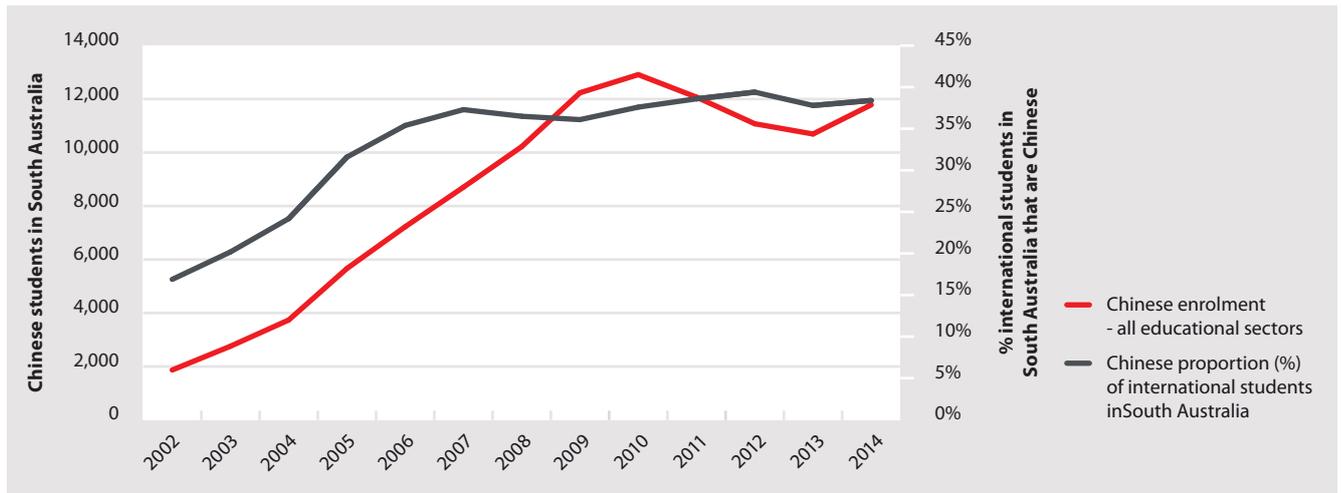
China is South Australia's largest source of international students, making up 43 per cent³ of total international student enrolments across all sectors.

In 2014, there were 11,785 enrolments from China – an increase of 10 per cent over the previous 12 months.

South Australia's market share of Chinese students in Australia is eight per cent.

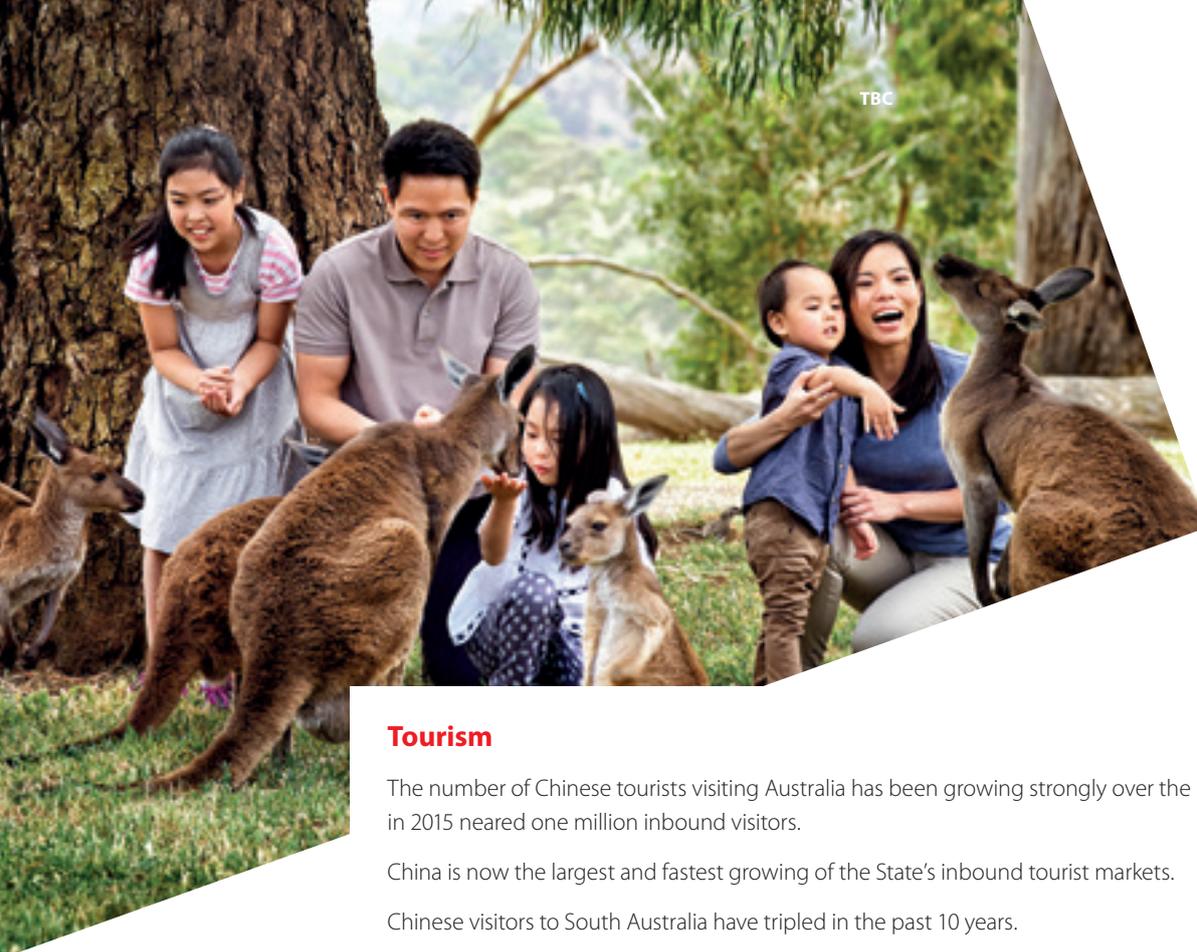
China is now participating in the New Colombo Plan, encouraging an increased two-way flow of students between the two countries.

Figure 3: Chinese student enrolment in South Australia



³ Includes figures for Hong Kong.





Tourism

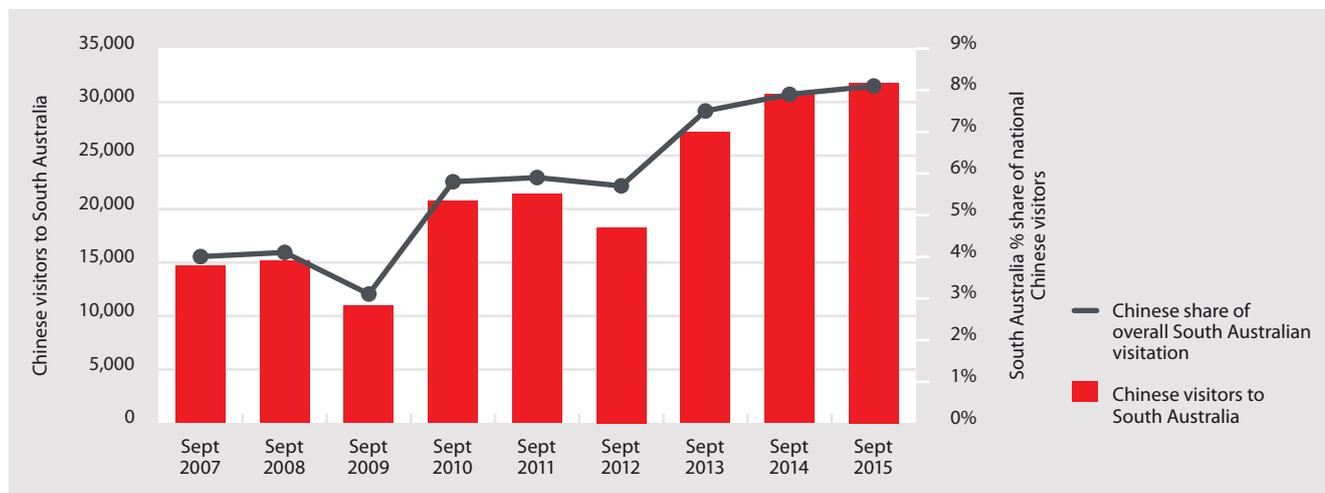
The number of Chinese tourists visiting Australia has been growing strongly over the past decade and in 2015 neared one million inbound visitors.

China is now the largest and fastest growing of the State's inbound tourist markets.

Chinese visitors to South Australia have tripled in the past 10 years.

In 2015, 32,000 visitors spent \$183 million in South Australia, making China the State's most valuable tourism market. However, this is partly due to the large numbers of long-staying education-purpose visitors.

Figure 4 : Chinese visitors to South Australia and overall share of South Australia visitation



Skilled and business migration

The number of settler arrivals from China (based on country of birth) in 2014-15 was 868 – 4.7 per cent of the national intake. This was an increase of approximately 48 (or 5.9 per cent) when compared with the previous year.

Between 2002-03 and 2014-15 South Australia's share of Chinese settler arrivals increased from 1.7 per cent to 4.7 per cent.

The majority of settler arrivals from China are in the skilled migration stream.

In terms of visa categories, the 868 settler arrivals for 2014-15 consist mainly of 492 skilled stream visas (including 97 business skills visas) and 369 family stream visas.

6.

Intended and potential future directions

South Australia remains committed to the identification and promotion of opportunities in key sectors where we can partner with China for mutual benefit. These include opportunities in:

- **Agribusiness, food and wine**

- China's growing affluence and exposure to international travel and cuisine has created an increasing interest in premium food and wine, as well as a broad range of agribusiness commodities and products
- Food safety concerns within China have also heightened a focus on food safety
- South Australian produce (from our clean environment) is well placed to take advantage of this demand.

- **Resources and energy**

South Australia's mineral resources sector boasts:

- 69 per cent of Australia's known copper resources and 30 per cent of its total copper production
- 80 per cent of Australia's total uranium resources and more than 60 per cent of its uranium production
- Almost 30 per cent of Australia's economically viable gold resources
- 10 per cent of the world's global resources of zircon, contained within heavy mineral sands, and significant global production of zircon
- Major Chinese corporations have already invested heavily in South Australian resources and are evaluating additional projects.

- **Health, aged and disability care**

- The health, aged care and disability sectors are all high growth areas for China, driven by a rapidly ageing population, a high dependency ratio, and a recent Government policy commitment to improving social welfare
- South Australia is well positioned to offer support as a partner in the development of this sector and raising the profile of the State's capability in these sectors will be a key focus.

- **Services for liveability**

- In this context, 'services' represents expertise in service provision in specific fields. There is significant potential for supported clusters of business and industry to drive innovation and collaboration
- In accessing the China market, the South Australian Government is focusing on four specific areas – the State's internationally recognised expertise in water treatment and management, waste management and recycling, modelling and simulation, and architectural and design services.





• Tourism

- A growing middle-class is continuing to generate huge growth in the number of Chinese travelling internationally, and South Australia has experienced very strong growth in recent years. Chinese visitors on average spend more and stay longer than visitors from other countries
- SATC has recognised this with a dedicated strategy – *Activating China 2020* – and is implementing a dedicated marketing plan for the promotion of South Australia as a tourism destination in Shandong Province
- South Australia continues to pursue opportunities for direct flights to mainland China.

• Education

- Potential exists for further university and research partnerships, such as those outlined earlier in this document
- South Australian education and training institutions have opportunities to train Chinese students and Chinese educators both within South Australia and China
- China remains the top source country for international students to South Australia and protecting and developing this market is critical
- The Department of State Development and universities are working together to develop a series of flexible online training courses to upskill local business doing business in Asia. To support the longer-term success of trade missions and the Government’s existing and future engagement strategies, South Australian exporters need to better understand the cultural and business practices countries like China if they wish to enhance their opportunities to export there.

• Arts and culture

- There is significant potential to leverage the expertise and reputation of South Australia’s flagship cultural institutions to support the exchange of business ideas and techniques, commercial opportunities, cultural collection conservation, cultural exchanges, education and tourism. For example, the Adelaide Festival Centre has committed to presenting a South Australian cultural showcase in Shandong in 2016
- The South Australian Government, in partnership with key stakeholders, will consider how sports and major events can be used as a vehicle to promote the State.

The South Australian Government has commissioned major research to identify and evaluate opportunities and competition across all industries following the implementation of ChAFTA. This work is available at <http://www.statedevelopment.sa.gov.au/investment/china-engagement-strategy/china-australia-free-trade-agreement-reports>

With support, facilitation and guidance, the South Australian Government will continue to lead the State’s engagement with China. It will bring together stakeholders for strategy development and to achieve scale and quality. It will build and maintain strategic platforms and pathways for South Australian businesses to break into the Chinese market and provide expertise, resources and networks at home and on the ground in China. It will also continue to promote the State as a destination ‘open for business’.



The Government's plans for the mid to long-term

Immediate term

- Implement a six-point action plan to commemorate the 30th anniversary of the South Australia-Shandong Sister-State relationship
 1. A South Australian business mission to Shandong in April 2016
 2. A sporting cup with the first event being a basketball match between the Adelaide 36ers and Shandong Hi-Speed Golden Stars in Jinan in April 2016
 3. A return business mission from Shandong to South Australia in September 2016 to coincide with the Royal Adelaide Show
 4. Exchange and participation in Adelaide's and Qingdao's international fashion festivals
 5. Possible exchange and participation in Adelaide Fringe as well as the Qingdao Beer Festival
 6. Revitalised Memoranda of Understanding, with key performance indicators for 2016 driving activities between signatory parties.
- Drive the initiatives proposed under the *Shandong-South Australia Friendly Cooperation Action Plan 2015-2018*, to develop relationships, open doors, align respective growth and transformation strategies and get trade and investment deals done
- Explore the expansion of South Australian Government representation in Qingdao, Shandong, to support a growing commercial interest in this market.

Medium term

- Ongoing analysis and provision of information on ChAFTA and its implications for key industry sectors
- Build and support high quality platforms that facilitate greater and broader business-to-business contact across Shandong
- Facilitate targeted business connections in key identified industries, targeting foreign direct investment and trade outcomes, supported by mini-sectoral-based missions into China
- Align the Strategy with the Government's Economic Priorities. For example, under the Economic Priority to promote the State's international connections and engagement, Government is seeking to facilitate 50 new exporters per annum, increase goods and services exports to \$18 billion and create at least 6000 new jobs through foreign direct investment by 2017. To do this, it will leverage existing Government programs to support the Strategy, for example, by encouraging business representatives to use the Export Partnership Program and encouraging and facilitating direct investment opportunities
- Business Education Program – continue to deliver a business education program that will prepare South Australian businesses for engagement with China and ensure that current trends and opportunities are identified and understood
- Explore more fully the opportunity for e-commerce engagement with China for South Australian businesses.

Long term

- Continue forward scheduling of regular inbound and outbound trade missions. Broader engagement throughout Shandong to bring more South Australian SMEs into contact with trade and investment-ready 2nd and 3rd tier cities in that province
- Continued, consistent people-to-people and intercultural exchange to build strong, intergenerational relationships founded on mutual understanding and accompanying trust and respect
- Potential targeted provincial Government bi-lateral agreements, where there is a clear business imperative and opportunity, without detracting from existing initiatives such as the Shandong partnership
- Continue to facilitate business connections in key identified industries; and
- Regular review and update of the Strategy.

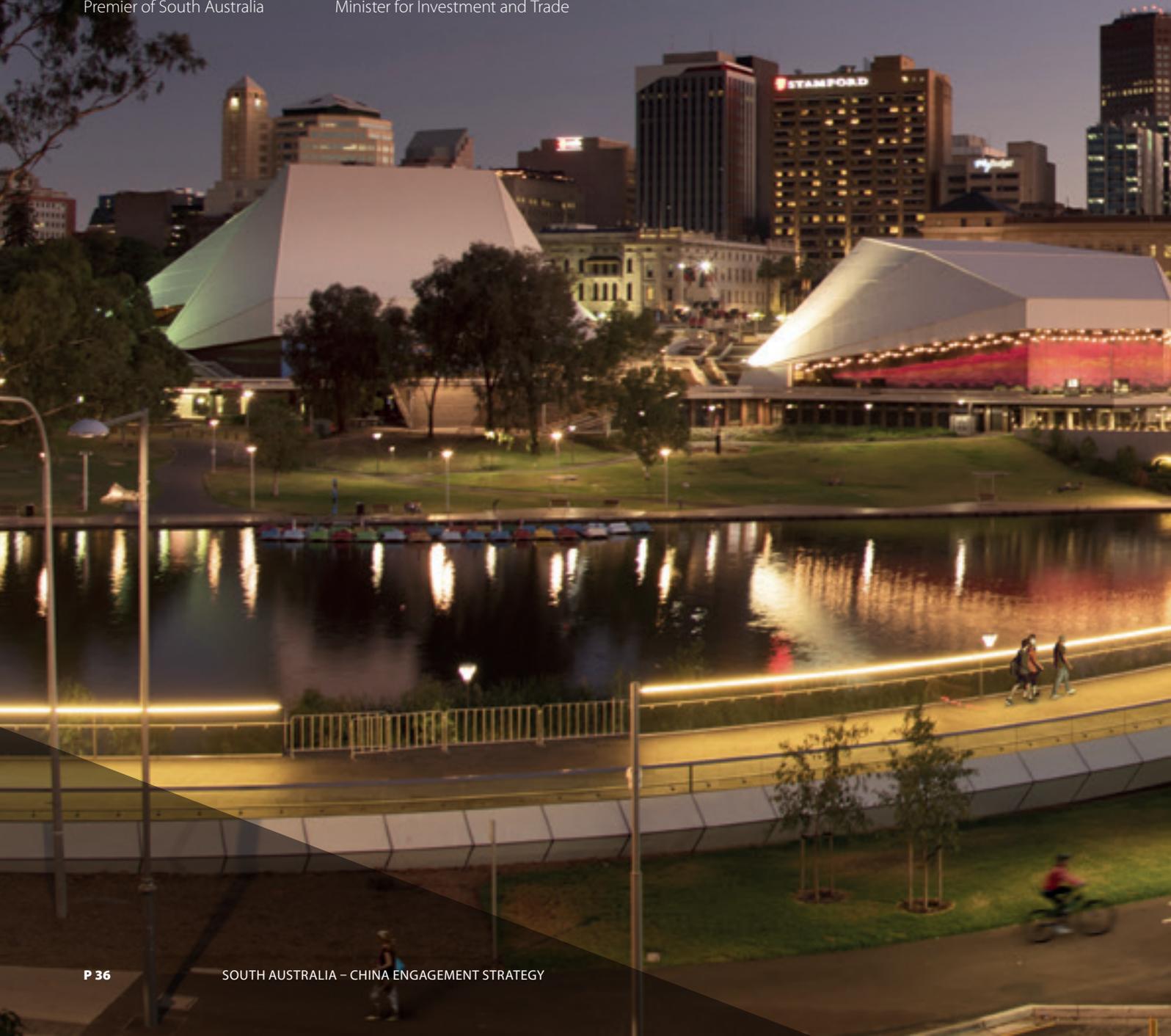
“South Australia looks forward to strengthening its multifaceted relationship with China by building on our people-to-people links, improving mutual cooperation and expanding development.”

Jay Weatherill

Premier of South Australia

Martin Hamilton-Smith

Minister for Investment and Trade





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www.statedevelopment.sa.gov.au/china

