



# South Australia-China Engagement Strategy **Two years on**

**Consultation paper regarding progress  
to date and future directions**



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“Business input is vital for helping the State to provide the best support possible to facilitate trade and investment opportunities with China.”

**Martin Hamilton-Smith**

Minister for Investment and Trade

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# A message from the Minister for Investment and Trade



South Australia must continue to build its relationship with China as a key source of trade and investment.

South Australia has long appreciated the importance of China to our prosperity. This was evident as far back as 1986, when the South Australian Government entered a formal Sister-State relationship with Shandong Province. Next year will represent the 30th Anniversary of this historic achievement and I am pleased that the relationship with Shandong is growing in importance.

This month, the Premier will lead the largest trade and investment outbound mission from South Australia in our history as part of the South Australia-Shandong Cooperation and Development Forum.

The 200-plus delegation will also include selected ministers, departmental heads and working teams; local government representatives; industry leaders from key identified sectors; SMEs and their representatives; and chamber and industry association representatives.

Coordinating and targeting a mission of such size would not be possible without a dedicated strategy. The South Australia – China Engagement Strategy, developed and launched in 2012, has provided clear direction to Government and business.

The Strategy has contributed to a range of targeted activities and ensured solid coordination across Government and key business and community stakeholders. It is clear that South Australia must be proactive and multi-dimensional in its relationship with China.

The need to revisit the Strategy has been brought about by changing circumstances and emerging opportunities in China and South Australia. We must ensure that the Strategy is well targeted and maximises our engagement.

I welcome feedback from the community about areas in which we can improve our China Strategy and invite you to reflect on this as you view this consultation paper.

I look forward to further growing our connections with Chinese government, business and community based on a mutual understanding of our respective strengths, fostered by cultural respect and appreciation.

A handwritten signature in black ink, appearing to read 'Martin Hamilton-Smith'. The signature is stylized and cursive.

**Martin Hamilton-Smith**

Minister for Investment and Trade

# Background: What we set out to achieve

At the launch of the South Australia – China Engagement Strategy (“the Strategy”) in December 2012, South Australia and China already enjoyed a mutually beneficial relationship in both two-way trade and via direct Chinese investment in our economy.

The Strategy highlighted that this relationship was expected to grow further, but that strategic work was required to better maximise opportunities. This is particularly relevant in the context of competing attention for Chinese investment and trade from other countries and from other Australian jurisdictions.

The Strategy outlined 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’**

In order to achieve this overarching objective, the Strategy set 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.**

**Key Action 4: Refocus Government resources to support the Strategy.**

Work has been progressing in each of these areas and progress and achievements to date are outlined in this document. This is focused in key actions 1 through 3, as key action 4 is more appropriately seen as the coordination of personnel and resources directed towards achieving the first three key actions.

This consultation paper seeks to review and renew the Strategy to adapt to emerging opportunities in the South Australia-China relationship. The State Government is seeking feedback from stakeholders on the effectiveness of our activities and how our engagement with China should be prioritised.

The community is encouraged to provide written submissions to the Department of State Development ahead of a 30 June 2015 deadline, which will inform an updated South Australia – China Engagement Strategy in September 2015.



# What's changed in China and our engagement opportunities?

Since the State Government released the Strategy in December 2012, the Chinese economy has continued to grow at an impressive rate.

Since the State Government released the Strategy in December 2012, the Chinese economy has continued to grow at an impressive rate. The importance of China and Australia's social and economic engagement has garnered strong community support. This flourishing relationship recently 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 decades to come. The rapid transformations underway in China and South Australia necessitate the need to revisit the Strategy to harness the significant advancements already realised and to capitalise upon the tremendous opportunity that is before us.

## Changes in China

China is embracing a new model of economic growth under President Xi Jinping. Since his election in March 2014, President Xi Jinping 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 Jinping has indicated an intention to focus the economy on greater domestic consumption, growing minimum wages and a shift away from subsidies to construction and manufacturing sectors.

China is transitioning from a period of uninhibited investment expansion, to a modern, advanced economy, being characterised by:

- a gradual fall in the share of GDP represented by industrial investment and urban infrastructure
- heavy investment in education and upgrading of the quality of education
- expansion of the consumption and the services shares of expenditure
- 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.<sup>1</sup>

In this context of change and reform, it is vital that the Strategy is attuned to these developments and what this may mean for optimising trade and investment opportunities.

<sup>1</sup> 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. ANU Epress Canberra co-published with Social Sciences Academic Press China.

## Changes in South Australia

At the time of its launch in 2012, the Strategy made specific reference to the State Government's Seven Strategic Priorities. The Government's approach to economic development has been updated with the release of the Premier's Economic Priorities:

- Unlocking the full potential of South Australia's resources, energy and renewable assets.
- Premium food and wine produced in our clean environment and exported to the world.
- A globally recognised leader in health research, ageing and related services and products.
- The Knowledge State – attracting a diverse student body and commercialising our research.
- South Australia – a growing destination choice for international and domestic travellers.
- Growth through innovation (global competitiveness through the use of advanced technologies).
- South Australia – the best place to do business (removing barriers to growth).
- Adelaide – the heart of the vibrant state.
- Promoting South Australia's international connections and engagement.
- South Australia's small businesses have access to capital and global markets.

The priorities build on our 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 2012 by consolidating key economic development functions within the Department of State Development and developing a new dedicated investment attraction agency. These reforms will ensure that State Government efforts are coordinated to ensure best engagement, communication, overall strategy and results.

## Changes in the China-South Australia and China-Australia relationship

The China-Australia Free Trade Agreement is set to transform the relationship between our two nations. Approximately 85% of Australian goods exported to China will immediately become tariff free on enforcement, growing to 95% at full implementation. Australia will also 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 ChAFTA will provide Australian firms an important strategic advantage in growing consumer markets. South Australia will have particular opportunities in some of its core competitive areas, including agribusiness, food and wine; resources and energy; education and services. Many barriers to foreign direct investment will recede following ChAFTA's introduction.

Some details of the ChAFTA, including the implementation of some tariff cuts are yet to be fully announced. The South Australian Government has commissioned an analysis of the opportunities presented by ChAFTA to South Australian industry and businesses. This will be advanced when final details are announced regarding the various trade concessions to be implemented.

Since the Strategy was launched in 2012, several significant agreements have been signed between the South Australian Government and government agencies or organisations in China, providing significant platforms and structure for the anticipated growth in our State's engagement with China. These 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. In addition, South Australia has a number of sector-specific MOUs with Shandong.
- an MOU between the South Australian Government and the Qingdao Bureau of Commerce.
- an MOU with the China Development Bank, which will be targeted to the financing of large-scale Chinese investment in South Australia.

These and other agreements will be further outlined in the following section of this document – *'Progress to date – achievements under the Strategy'*.

# Progress to date – achievements under the Strategy

Since the release of the initial Strategy in late 2012, we have made strong progress in further developing our engagement, commercial relationships and cultural exchange with China.

These achievements are outlined under the key actions outlined in the original Strategy.

## **Key Action 1: Consolidate and promote South Australia’s capability as a partner in China’s social, cultural and economic development**

South Australia needs to present strong value propositions and viable investment products tailored to overseas investors, including those from China.

### **Specific initiatives and activities to date:**

- The State Government has created sector profiles in the language of the investment community.
  - Sector profiles have been completed for agribusiness, food and wine, resources (copper, gold, iron ore, uranium, petroleum), infrastructure, renewable energy, health and biomedical, and ICT. These have also been adapted and translated into Mandarin for the China market.
  - The refinement and adaptation of these profiles for the China market has been driven by high level Government engagement in the China market, providing the opportunity to develop value propositions that are meaningful and targeted.
- Ahead of the 2015 South Australia-Shandong Cooperation and Development Forum, the State Government is coordinating key industry streams to take part in roundtable discussions with Chinese counterparts to shape South Australia’s future engagement with China.
  - The roundtables will generate guidelines for their respective industries’ engagement with China, firstly at Shandong and then into the future, including the opportunities presented by ChAFTA.
  - For Shandong, these industry streams will include agribusiness, food and wine; resources and energy; tourism; education; services for liveability; arts and culture; and health, aged and disability care.
  - The collective intelligence and shared understanding of opportunities with our Shandong counterparts gathered through these roundtables will be used to form strategies for each respective industry in response to the changing environment.
- The State Government continues to work with the Shandong Government to coordinate people to people exchanges and expert in-depth study tours for South Australian industries seeking collaboration with Shandong.
  - The Water Industry Alliance (WIA) and Zerowaste SA were involved in extended visits to Shandong to learn of niche opportunities for their respective sectors.
  - As a result, the WIA will sign an MOU with a major Chinese water authority to form a strategic partnership, whilst Zerowaste SA has identified policy and regulation of waste management as an area for further collaboration with Shandong.
  - These exchanges are an effective mechanism to define opportunities for key industries, whether this be in Shandong or greater China as appropriate to the industry.

- The Department of State Development's China Team has worked with the Australia China Business Council and developed the 'Invest in South Australia Conference' model. Under this model:
  - SME projects seeking investment are assessed, refined, and project proponents then undergo training to assist their effective engagement with investors
  - investors are identified for their potential match to investment opportunities
  - a theatre is created to match project proponents with potential investors in a supported environment.
- Having participated in the Invest in South Australia Conference:
  - Pendleton Estate, a local olive grove, has secured a Chinese partner to jointly develop products for the China market, which will increase the local workforce for this local agribusiness
  - Purus Group, a local food consolidator is now supplying South Australian dry goods to China's largest supermarket group and exploring other significant distribution channels.
- Agribusiness and health research collaborations and technical exchange:
  - The University of South Australia and Shandong University have partnered to deliver the China-Australia Centre for Health Science Research. The Centre undertakes advanced research in pharmaceutical sciences, medicine, and public and population health. Along with research collaboration, the partnership supports faculty and graduate student mobility between the universities.
  - The University of Adelaide and Shanghai Jiao Tong University signed an 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.
  - Flinders University's Centre for Marine Bioproducts Development, which enjoys a strong research collaboration with the Qingdao Gather Great Ocean Group. This collaboration includes a joint research laboratory focused on developing sustainable technologies to convert beach-cast seaweed in South Australia into value-added products.

**The relationship has been further enhanced through significant cultural and social engagements including:**

- the Shandong themed OzAsia festival in September 2014, which connected Australian multicultural values with China's traditional values
- State Government engagement with local Chinese chambers to facilitate communication with community leaders
- the StudyAdelaide campaign to appoint a student ambassador in Qingdao, Shandong Province, which was designed to raise awareness of Adelaide as study destination amongst Qingdao youth. The campaign received significant social and traditional media coverage, resulting in over 800 applications to be appointed student ambassador and helped to identify prospective students in the region
- innovative collaboration to support economic development is being developed with the South Australian Multicultural and Ethnic Affairs Commission.

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 its:

- OzAsia Festival and other programming
- leadership in the region as Chair of the Association of Asia Pacific Performing Arts Centre
- MOU in 2013 with the Shandong Provincial Department of Culture for the delivery of the Shandong Cultural Program (as part of the 2014 OzAsia Festival).

The South Australian Government looks forward to advancing these initiatives and continuing to support our artists and performers to expand their horizons, and develop and present new work to new audiences.

## **Key Action 2: Coordinate and leverage government activity to build a trade and investment framework for business**

### **Ministerial visits and high level engagement**

The Strategy recognises the significant role the Government plays in Chinese society and the importance of ministerial involvement in facilitating access, mutual understanding and opportunity. Consistent with this, the State Government has leveraged ministerial delegations to pursue its strategic agenda in support of business engagement with China. The number of ministerial visits promoting trade and investment, and leading or facilitating access for key business partners and industry, are too numerous to list in full. Of course, the largest and most significant trade mission ever embarked upon by the South Australia Government and South Australian business is about to occur - the South Australia-Shandong Cooperation and Development Forum, to take place from 25-27 May 2015. This forum is outlined further below.

Since the launch of the Strategy, up to the time of the 2015 Shandong Forum, key outbound missions supported by the State Government have focused on industries including minerals and energy, education, tourism, clean-technology, bio-technology, agribusiness, food and wine.

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

### **Central government focus**

The Strategy recognises the important role that Chinese central government plays. Within the context of an MOU between the South Australian Government and the Chinese Embassy in Australia, regular consultation with the Embassy is undertaken and is highly valued. In September 2014, the Chinese Ambassador to Australia, His Excellency Mr Ma Zhaoxu, visited South Australia to open the OzAsia Festival, which featured Shandong artists and cultural themes.

The Chinese Government announced in November 2014 that it is working to establish a Consulate-General in Adelaide. This will provide South Australia with a closer relationship with the Chinese Central Government, given that up to 25 high level officials will be based at the Consulate. This office will assist in furthering strategic ties.

The Strategy also recognises the prominence of the Australian Government in China. In April 2014, the Premier led South Australia's participation in Australia Week in China activities, led by the Prime Minister of Australia. This event provided the opportunity for engagement with China's Government at its highest level with Chinese President, Xi Jinping, and presented significant opportunity to engage with investors and other Chinese Government officials. Further engagement opportunities were provided in November 2015 when the Premier and key industry leaders in South Australia participated in the official visit by the Chinese President to Australia, again providing the opportunity to present the State's differentiated and growing industry value propositions.

Over the past two years, South Australia has built a significant and respected relationship with Austrade and its China network. The State has worked with Austrade to develop a model to place investment focussed staff employed by South Australia within Austrade offices in China. This offers a cost-effective model to tap into the Austrade brand, network, market intelligence and resources. Officers are embedded in Austrade's Shanghai and Hong Kong offices to cover the State's engagement with the Yangtze River Delta and the Pearl River Delta, two of China's most economically developed regions.

The State Government will continue to build new platforms or expand existing platforms, which include:

- a three-way partnership between the South Australia Government, the Shandong Provincial Government and the China Development Bank to highlight suitable projects identified together by South Australia and Shandong
- in recognition of the importance of South Australian university alumni and expats in China, the State Government will launch branches of the South Australia Club in Shanghai and Hong Kong, building on the success of the South Australia Club in London
- expanding the number of Chinese business people seeking to become permanent residents of Australia via a commitment to undertake business or investment in South Australia through the State-nominated business innovation and investment migration program.



### Shandong focus

China is a vast and varied country. Whilst not foregoing opportunities to promote the state in other major Chinese markets and cities, particularly as part of nationally organised missions, South Australia has also focused on creating its own opportunities. Shandong has a population of nearly 100 million people, a GDP of almost US\$1 trillion and is considered a cultural heartland of China's traditional values.

South Australia is further investing in the broadening and deepening of its 29 year Sister-State relationship with Shandong to progress strategic initiatives, with the Premier and several ministers regularly travelling to Shandong to meet with senior Government officials in recent years.

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

In April 2013, the Premier led a mission to Shandong, supported by Her Excellency Ms Frances Adamson, Australia's Ambassador to China, as part of the inaugural 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
- an MOU signed between the two states
- the establishment of a high level working group to support the MOU and develop key agreed sectors of mutual interest.

The 2015 South Australia-Shandong Cooperation and Development Forum will be held from 25-27 May 2015. Led by the Premier, this is expected to be the largest trade and investment mission in South Australia's history (with more than 200 attendees from South Australia). The mission represents the most comprehensive agenda and delegation undertaken by an Australian state since the conclusion of ChAFTA negotiations.

The focus of the 2015 Forum will be on 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 in targeting strategic and tailored opportunities at a specific provincial level.

The Premier will make a seven day visit to China, which is centred on the Shandong Forum, but will also include dedicated strategic activities in Shanghai and Beijing.

Dedicated departmental or agency level agreements with the Shandong Provincial Government include:

- an MOU between the South Australian Tourism Commission and Shandong Tourism Administration
- an MOU between the Department of Primary Industries and Regions SA (PIRSA) and the Shandong Provincial Department of Agriculture
- an MOU between the Adelaide Festival Centre Trust, University of South Australia and the Shandong Provincial Department of Culture.

Further cooperation agreements are anticipated to be signed at the upcoming Shandong Forum, which will further progress this most important alliance.

### **Local Government engagement**

In addition, it is recognised that local government plays a significant role in the State's connection with China and that local government in China is considered a key economic development agency. In late 2012, the Local Government Association developed a China Engagement Strategy for local government to parallel the work being undertaken at the state level. This is currently being refined. Also, numerous metropolitan and regional councils have developed China strategies in the last 12 months, whilst the Adelaide City Council signed an Adelaide-Qingdao sister city relationship in December 2013.

The State Government will partner with the Local Government Association and the Australia China Business Council to deliver a local government initiative with Shandong to deepen the roots of our relationship with Shandong. This will allow enhanced opportunities for partnerships at the Shandong prefecture and South Australian local government level. This is intended to provide a new platform for local government to discuss and progress commercial projects and investment, and for our SME sector to access China's valued second, third and fourth tier markets through a structured and supported pathway.

### **Other platforms for cooperation and engagement**

As outlined, at a provincial level, the State Government has placed great strategic importance in building and fostering our relationship with Shandong. Opportunities to build meaningful platforms across China will continue to be considered where these facilitate access for business investment or trade opportunities.

An example is the work undertaken by PIRSA in the Fujian Province. In 2012, an MOU was signed with the Fujian Provincial Government to facilitate a pathway for South Australian premium food and wine. Since then, several inbound trade missions from the Fujian Government and investors have been hosted in agricultural and aquaculture industries.

Other organisations are also building platforms to facilitate engagement with China. For example, Business SA and its national counterparts have developed the Export Growth China program for SMEs. This 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. Where products generate specific interest, Business SA will work to facilitate export opportunities.



### Key Action 3: Build and support China ready South Australian businesses

In collaboration with key industry and community bodies, as well as other entities with Chinese expertise, the State Government has launched a number of initiatives to assist businesses to be 'China ready':

- **Professional seminars:**

- Legal aspects of doing business in China.
- General overview of China's development, delivered by the Australian Ambassador to China, Ms Frances Adamson.
- China brief with Michael Clifton, Senior Trade Commissioner to China, in association with Austrade.
- Anti-corruption campaign by the Chinese Central Government and its implications, in association with the University of South Australia.
- Further topics are also being planned for future seminars.

- **Cultural literacy training:**

- The Strategy recognises the need for key public servants who interface with Chinese counterparts to be culturally sensitive. The State Government has organised cultural literacy training for ministers and their staff, departmental employees and outgoing SME delegations to China. This has been delivered in partnership with the Confucius Institute and other providers.<sup>2</sup>
- The State Government supported the Confucius Institute's parliamentary trips to China in 2014, and intends to encourage local council mayors to participate in the program as local government grows its role in implementing the Strategy.

- **Internship program for Chinese international students:**

- This initiative recognises the capabilities of international students in terms of language, cultural understanding and professional background to help SMEs engage with China.
- South Australian educated Chinese will become future leaders of the Australia-China relationship and it is important to enhance their business connections and opportunities with the State.
- This initiative has involved the State Government working with the University of Adelaide to provide an internship program for the Australia China Business Council, the City of Charles Sturt Council and a number of local businesses.
- It is intended to expand this program to all three Universities and TAFE SA, and widen the number of industry associations and businesses that support internships.

- **Business migrant engagement:**

- Chinese business migrants are a pool of resources with business acumen, capital, and networks in China that may help the State's engagement with China.
- The State Government has run a number of networking events, with over 250 attendees drawn from the local business migrant community, to engage with this group and present trade and investment opportunities for their consideration.
- Hosted a successful exploratory visit of potential Chinese business migrants and their agents to South Australia in November 2014.
- The State Government intends to design a series of activities to further engage this group.

- **Complementary strategies:**

- PIRSA's *China Agribusiness Initiative and Action Plan: Realising Opportunities in China for Food, Wine and Capability Development*.
- South Australian Tourism Commission (SATC) *Activating China – 2020*.

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

- **Other initiatives under Key Action 3:**

- The State Government has prepared a series of case studies across different industries and different business models, which highlight the potential for businesses, particularly SMEs, to pursue trade and investment opportunities with China. These can be accessed at: <http://www.statedevelopment.sa.gov.au/investment/south-australia-china-engagement/success-stories>
- A service directory guide is being developed for the convenience of new business migrant arrivals and promotion of South Australia's service sectors to the Chinese community.
- Various events have been hosted by the State Government and the South Australian branches of industry bodies such as the Australia China Business Council and the Committee for Economic Development of Australia. These events host key leaders from across industry, government and academia and help to deliver a strategic understanding of how South Australia and its key industries can further pursue economic opportunities with China.

## **Key Action 4: Refocus Government Resources to Support the Strategy**

Key Action 4 is essentially the staffing and structuring of government resources to support and implement the Strategy and the various initiatives and activities occurring. A key focus has been on integrating the staffing to ensure collaboration and sharing of ideas and contacts.

### **Key components of the staffing approach include:**

- the Department of State Development has built a specialist team within the Investment, Trade and Immigration Division, including the Director-China Engagement and two project officers based in Adelaide
- strategic and high-level advice has been provided through a Strategic Adviser, Sean Keenihan
- appointment of a Business and Cultural Adviser, Dr Alfred Huang, to provide assistance and advice to Ministers, senior government staff and the China Team regarding cultural engagement with Chinese officials
- utilisation of the structures, support and market intelligence of Austrade. This includes the appointment of a Senior Investment Manager embedded in the Austrade Shanghai office to cover the Yangzi delta region, China's most wealthy region. The embedded model with Austrade Hong Kong has also been retained, given the strategic role of Hong Kong through proximity and language to cover southern China
- the State Representative Office in Shandong has been retained to service the relationship with the Shandong Government
- a co-location model of internationally focused officers in the South Australian Government has been established in the Department of Premier and Cabinet in order to improve the coordination of international market related activities, including China. This enables regular information sharing and collaboration, whilst still retaining the officers primarily in their home departments.

### **Company trade and investment success stories**

Through the substantial activity generated by the roll-out of the Strategy, more South Australian businesses across a range of sectors have either initiated or deepened their engagement with China, with many of those developing or realising trade and investment opportunities. Some of the success stories which are publicly announced include:

- BioSA's SinoSA House to be established in the Qingdao National High Tech Development Zone, which will provide a free base and business support to South Australian high-tech companies looking to have a subsidiary in China, whilst seeking partnerships to commercialise their intellectual property.
- Basetec Services signing an official cooperation agreement with state-controlled firm Sinoma Jinjing in 2013, allowing 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, boost other local firms which supply parts and provide technical support.
- Sarin Group, based in Port Lincoln, has commenced exports of seafood (rancher bluefin tuna) to Zoneco, one of China's largest listed seafood companies. This represents a major transition for an industry that was heavily reliant on the Japanese market.
- The South Australian Dairy Farmers' Association announced in April 2015 the commencement of weekly exports of fresh milk to China, with great potential for growth in volume and for other dairy suppliers.

**Chinese companies and investors are also investing directly in South Australia.**

**Recent examples include:**

- Datong Group – \$70 million U2 apartment tower in Waymouth St, which commenced construction in April 2015. The Datong group has been involved in other CBD apartment developments and has also become a major sponsor of the Adelaide United Football Club, representing the first Australian football club in a major national competition to have significant Chinese company sponsorship.
- China-Australia Property Development Group – \$75 million ‘Vision on Morphett’ apartment tower, which is nearing completion.
- South Australian winery investments, including the purchase of Chateau Yaldara in the Barossa Valley by Chinese-Australian and Chinese business interests. The development will create accommodation options targeting Chinese tourism and high value wine sales.
- a major Chinese bank that is currently seeking a CBD site to open its first bank in South Australia. This will provide employment for around 10 full-time staff and will provide a strong link for investment.

The following examples highlight emerging partnerships between South Australian SMEs and Chinese business across a range of industries. These have been prepared into case studies available on the DSD website at: <http://www.statedevelopment.sa.gov.au/investment/south-australia-china-engagement/success-stories>

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

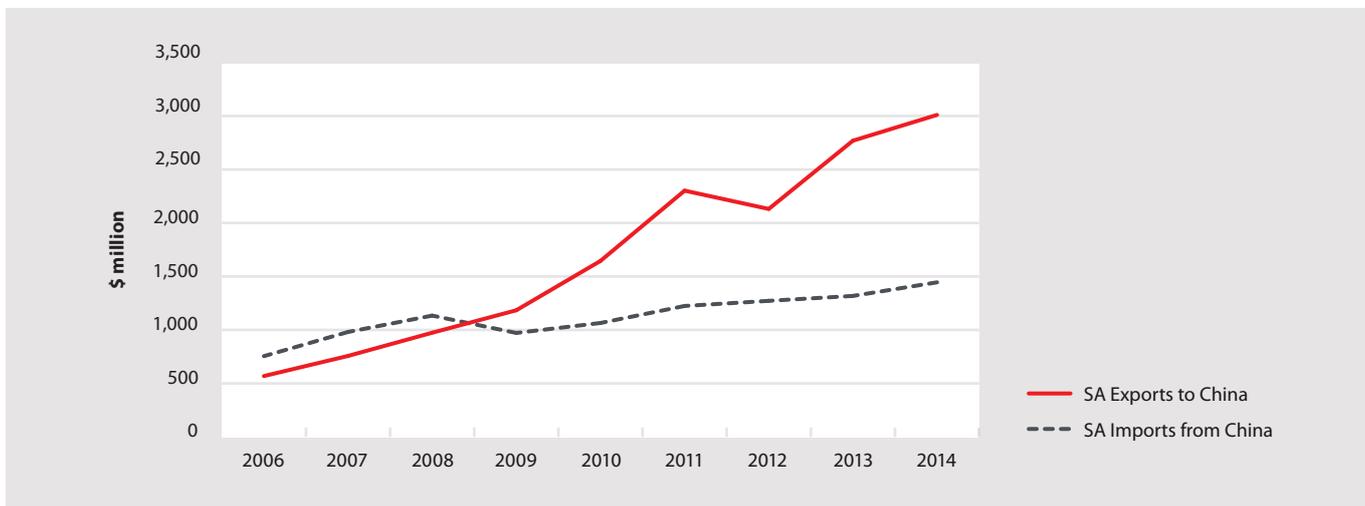
“Through the substantial activity generated by the roll-out of the Strategy, more South Australian businesses across a range of sectors have either initiated or deepened their engagement with China, with many of those developing or realising trade and investment opportunities”

# Key trends



## Exports

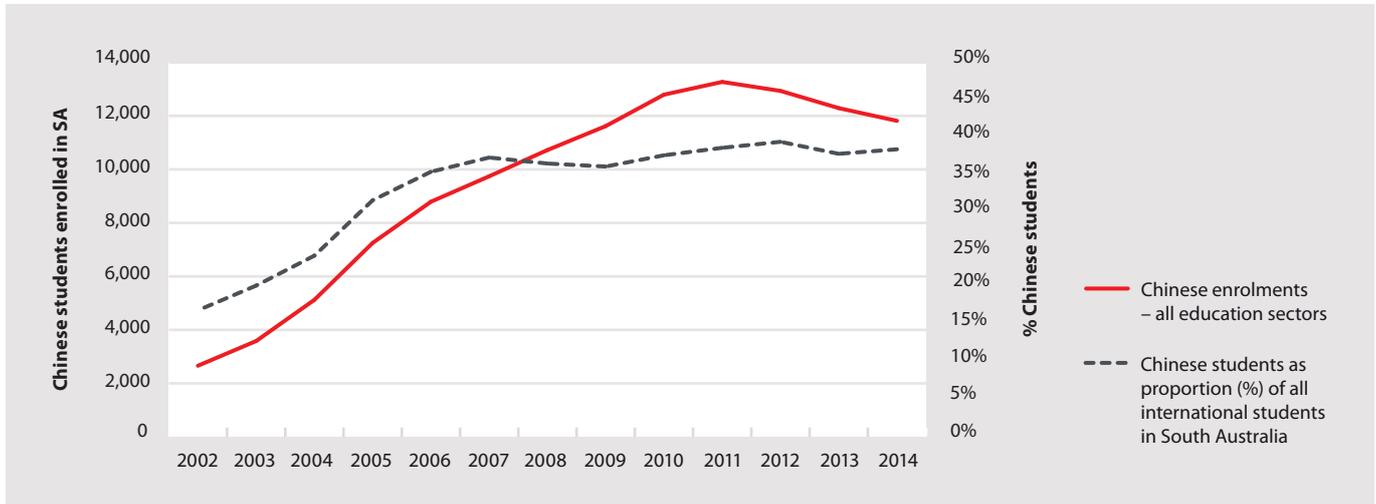
South Australia's exports with China (excluding the two Special Administrative Regions) have trended upwards in recent years, outpacing the more moderate growth in direct imports to South Australia from China. Exports to China have been heavily concentrated in mineral exports, which mean that they are exposed to fluctuating market conditions. The diversification of our export profile across sectors to China will mitigate against trade volatility over time.



## International students

In 2002, less than 2,000 Chinese students were studying in South Australia, with the figure now around 12,000. The industry faced some headwinds after 2010, including a high Australian dollar, but is recovering well.

International students from China comprise nearly 40% of the South Australian international student market. South Australia has nearly 8% of the national share of Chinese students, above our 5.2% share of international students nationally.



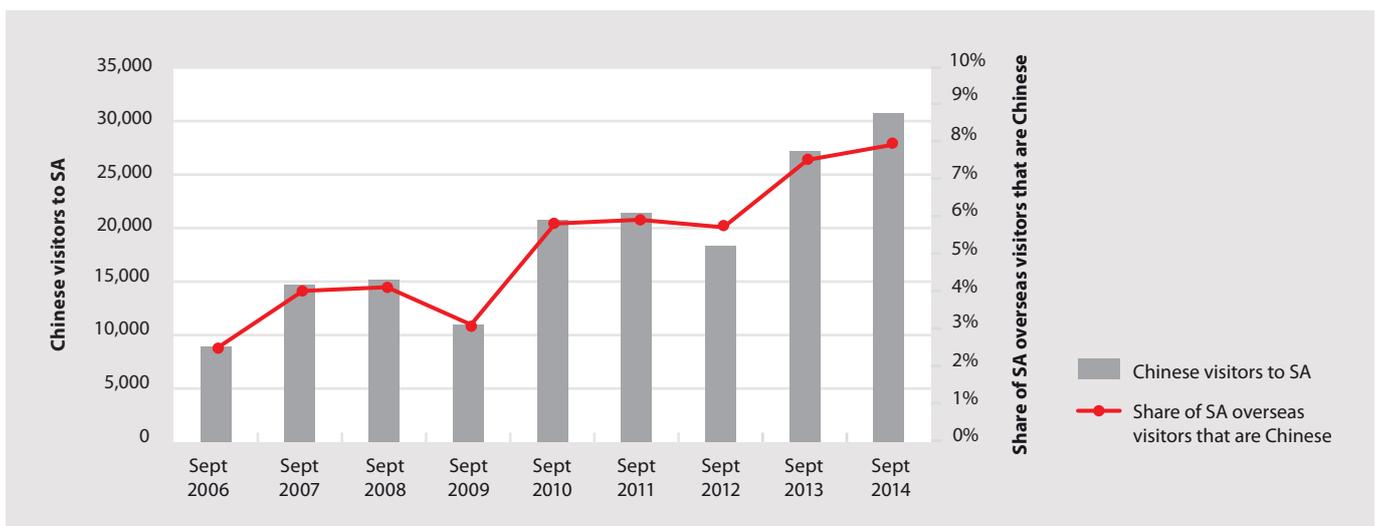
## Skilled and business migration

China is a key market for South Australia for skilled and business skills migrants. Under the business skills stream, settler arrivals from China have represented between 50% and 80% of all primary applicants annually since 2007/08, peaking at 79% in 2013/14.

## Tourism

Visits of Chinese nationals to South Australia have increased from less than 9,000 in 2006 to over 30,000 in 2014, an increase of nearly 250%. This has seen the share of Chinese visitors rise from less than 3% of all visitors to South Australia, to nearly 8%.

The majority of visitors to South Australia from China are for the purpose of tourism and visiting relatives and friends. Visitors coming for education (international students) and business visits also contribute.



# Intended and potential future directions

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

- **Agribusiness, food and wine:**

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

- **Resources and energy:**

- South Australia's mineral resources sector boasts:
  - 69% of Australia's economic demonstrated resources of copper and producing 30% of Australia's copper
  - 80% of Australia's total uranium resources, currently producing more than 60% of Australia's uranium production
  - almost 30% of Australia's economic demonstrated resources of gold
  - 10% of the world's global resources of zircon, contained within heavy mineral sands and a significant global producer of zircon.
- Major Chinese corporations have already invested heavily in South Australian resources and are evaluating further projects. Considerable opportunities in renewable energy also exist.

- **Health, aged and disability care:**

- Health, aged care and disability sectors are all high growth areas for China, driven by a rapidly ageing population, high dependency ratio and 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 a focus will be placed on raising the profile of the State's capability in these sectors, helping with training and advising academic and vocational training institutions.
- Opportunity exists for investment in South Australia as a destination for health technology and research, in collaboration with our major universities. Health Industries SA is involved in demonstrating the investment potential to major Chinese companies.
- Industrial partnerships and investment opportunities exist for Chinese companies in pharmaceuticals (for clinical research), biomedical devices and Chinese traditional medicine, offering manufacturing in compliance with Australian regulatory bodies, allowing easy export to the United States and European Union.

- **Services for liveability:**

- Services represent expertise in service provision in specific fields, rather than a discrete industry. There is significant potential for supported clusters of business and industry to drive innovation and collaboration.
- In accessing the China market, and particularly for the Shandong Forum, the State Government is working with four specific focus areas that represent internationally recognised specialities in:
  - water treatment and management
  - waste management and recycling
  - modelling and simulation
  - architectural and design services.

- **Tourism:**

- A growing middle class is continuing to see huge growth in Chinese tourism internationally, with South Australia already experiencing 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 also working towards 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 within China.
- Chinese students remain the top source country for international students to South Australia and fostering of this market is critical.

- **Arts and culture:**

- There is significant potential to draw on the expertise and reputation of our 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 utilised as a vehicle to promote the State.

The State Government has commissioned research to identify and evaluate opportunities and competition across all industries following the implementation of ChAFTA, which will be advanced when further details of the agreement are announced.

With support, facilitation and guidance, the State Government will continue to lead our State's engagement with China. We will bring together stakeholders for strategy development, scale and quality in our engagement with China. We will build and maintain strategic platforms and pathways for South Australian businesses into China and in support, provide expertise, resources and networks in South Australia and on the ground in China. We will also continue to promote South Australia as a destination that is open for business.

## Currently, the intentions for the immediate through to long term are:

### Immediate term:

- Conducting the South Australia-Shandong Cooperation and Development Forum (May 2015), involving over 200 delegates in seven business streams.

### Short-medium term:

- Release of an updated South Australia – China Engagement Strategy (September 2015), reflecting any changes/advice from industry.
- Analysis of ChAFTA implications (expected completion in late July 2015, but subject to release of detailed particulars by the Commonwealth at least two months prior).
- Implementing a regular schedule of forward inbound and outbound trade missions, with a focus on the key identified industries, including support for a high-level inbound trade mission from Shandong in late 2015.
- Facilitate business connections in key identified industries targeting foreign direct investment and trade outcomes.

- Align the Strategy with the Government's Economic Priorities. For example, under Economic Priority 9, we are seeking to facilitate 50 new exporters per annum, increase goods and services exports to \$18 billion and creating at least 6,000 new jobs through foreign direct investment by 2017. To do this, we will leverage off existing government programs to support the Strategy, such as encouraging business representatives to utilise the Export Partnership Program and encouraging and facilitating direct investment opportunities.

### Medium-long term:

- Continued forward schedule of inbound and outbound trade missions.
- Potential provincial government bi-lateral agreements, where there is a clear business imperative, without detracting from existing initiatives, such as the Shandong partnership.
- Continue to facilitate business connections in key identified industries.
- Regular review and update of the Strategy.

# How your business or organisation can assist?

Ahead of an intended update to the Strategy later in 2015, the Department of State Development is interested in receiving feedback from the business community to help further inform and refine the Strategy.

We ask for your input and assistance regarding how the Government can better assist business in developing and facilitating commercial linkages with China. This input can be provided specifically in relation to your business or organisation's activity, or more generally across sectors.

Following the South Australia-Shandong Cooperation and Development Forum in late May 2015, the Department of State Development intends to undertake consultations with key stakeholders that will contribute to a review of both the Forum experience and outcomes and of the Strategy itself. These stakeholders will include:

- business stakeholders directly involved in the Shandong trade mission
- business stakeholders involved in some other capacity with the China Strategy, including those yet to engage with China
- Government and other stakeholders involved in the development of key strategies.

All stakeholders involved in the Shandong trade mission will be targeted via an online survey regarding their experience and the overall Strategy. A series of focus groups will also be conducted to generate feedback regarding the progress and future directions of the Strategy. All responses will be treated confidentially.

Whilst the online survey and focus groups will be our main mechanism for engaging stakeholders, we are also happy to receive written responses to any of the key questions below, along with any general feedback you would like to provide regarding the South Australia – China Engagement Strategy and the progress of the Strategy. Respondents need only answer those questions that are relevant to their organisation.

This can be provided until 30 June 2015 by email or post to:

**Department of State Development**  
**China Team - Investment, Trade and Immigration**  
**GPO Box 320 Adelaide SA 5001**  
**Email: [DSDChinaStrategy@sa.gov.au](mailto:DSDChinaStrategy@sa.gov.au)**

You may also email this address or call 08 8303 2419 and request an officer to call you to discuss any feedback you may have.

## Key questions

Background company information:

<b>Company/organisation</b>	
<b>Industry sector</b>	
<b>Respondent position/title</b>	
<b>Employees in SA</b>	Number:
<b>Employees nationally</b>	Number:
<b>Experience trading with China</b>	Yes/No
<b>Any past visits to China or physical presence</b>	Where and when?



Please describe your exposure or involvement in the South Australia – China Engagement Strategy to date? (Include any engagement or involvement with State Government officials from any agency, including in the China Team, both South Australian staff and the China-based team members).

**What suggestions do you have regarding the activity and directions outlined in the consultation paper?**

- What key areas/activities should the Government be undertaking?
- What key areas/activities should the Government not undertake?

**Has the activity of the South Australian Government provided any benefit/opportunity to your business/organisation in relation to links or trade with China?**

- What was involved?
- What was the benefit or opportunity enabled?
- How did the South Australian Government assist?
- What could have been improved about the process or experience?

**Has your organisation engaged in trade with the Chinese market in the last two years?**

- Please provide details, including region or regions in China (e.g. Shandong, Shanghai, Guangdong, Fujian etc.), nature/scope of trade and advise if any information provided is commercial in-confidence.

**If Yes:**

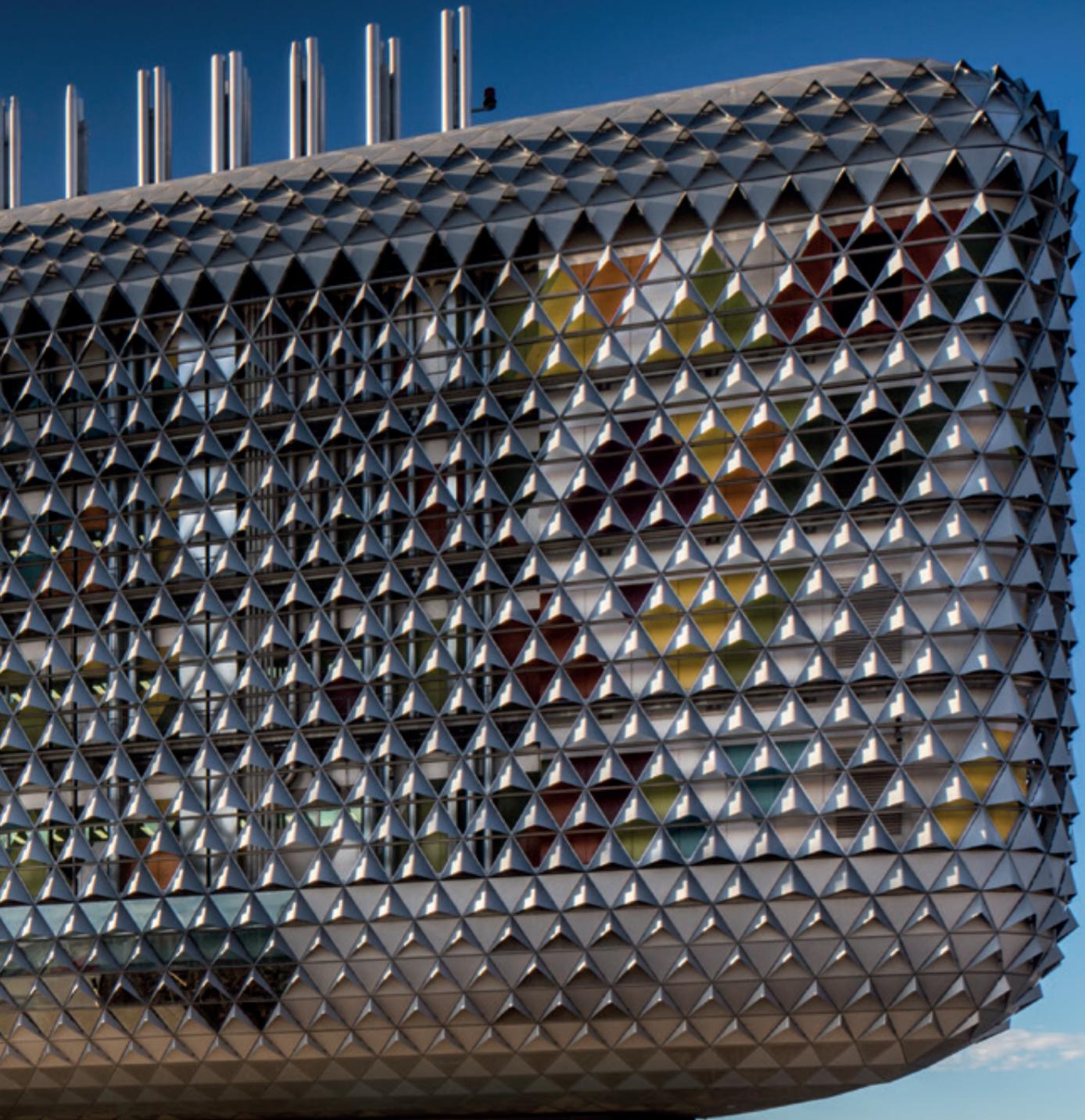
- Overall, in your trade with China, what has worked well?
- Overall, in your trade with China, what have been the stumbling blocks?
- Can you identify any areas in which the South Australian Government could assist your business to reduce the impact of any stumbling blocks identified? What would this involve?
- Can you identify any other areas in which the South Australian Government could assist your business to develop its trade or investment with Chinese partners?

**If No:**

- Has your organisation previously traded with Chinese partners?
- What are the reasons for your organisation not having engaged the China market previously (or in the last two years)?
- Can you identify any areas in which the South Australian Government could assist your business to develop its trade or investment with Chinese partners?

“South Australia is open for business and investment. As our economy responds to global economic change, we must promote our strengths and identify opportunities for future growth.”





# Further information

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