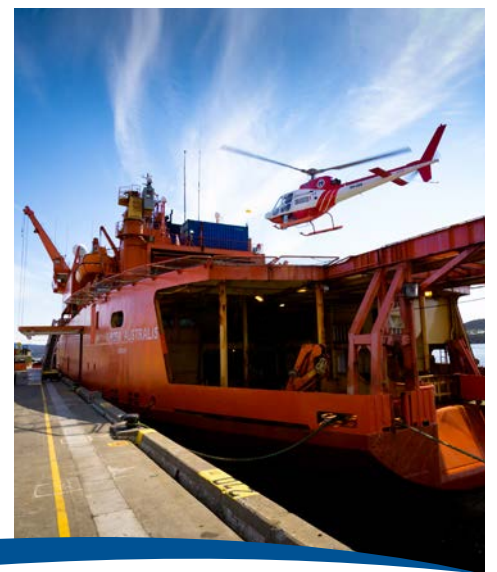


Strengthening Tasmania's relationship
with China – outcomes of the last
12 months

China engagement report





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Message from the Minister



China is Tasmania's largest international trading partner, our largest source of international tourists and international students, and an important source of inbound investment with significant potential for further growth.

On 18 November 2014, Tasmania welcomed the Chinese President Xi Jinping and his wife Madam Peng Liyuan to Hobart. This was a once-in-a-generation visit by a head of state, creating unparalleled exposure for Tasmania in China and further enhancing the Chinese people's fascination with our island state, our people and our world class produce.

In parallel to President Xi's visit, the Tasmanian Government convened the inaugural TasInvest summit to showcase investment and business opportunities in the state, which was attended by over 100 Chinese delegates and potential investors. The success of these events was a clear demonstration of the potential to further strengthen our relationship across key areas of trade and investment including agriculture and premium produce; mining and resources; renewable energy; tourism; education; the Antarctic; and scientific research.

There have been many follow up events to further develop this engagement including further TasInvest roundtables in Melbourne, Sydney, Hong Kong and Beijing, as well as the trade and investment missions to China in April and September.

Collectively this increased engagement has supported growth in trade and investment opportunities for Tasmanian businesses. We have already seen practical results for Tasmanians begin to flow, with record growth in visitor arrivals from China, export growth in premium products like salmon, apples, cherries, beef and beverages and increasing numbers of Chinese students choosing to study in Tasmania.

Beyond direct business opportunities there are also important strategic and cultural opportunities in our strengthening relationship with China. Again this can present further opportunities in education and for scientific collaboration but also direct economic benefit by providing increased business opportunities for Tasmanian-based businesses offering engineering, logistic, supply and other services in support of Antarctic activities.

Our relationship with China has never been stronger. In China and Tasmania, governments at all levels are collaborating actively with business and our educational institutions. The Tasmanian Government and Tasmanian businesses have entered into a number of agreements with the Chinese Government and with Chinese investors, signalling our intention to further increase collaboration, investment and trade. Coupled with this is the recent signing of the China-Australia Free Trade Agreement which will offer even further opportunities and greater competitive advantage for Tasmanian businesses.

Success in international engagement and trade relations is always a long term exercise. Much has been achieved over the past 12 months and this has helped take our relationship with China to another level and lay a foundation that will continue to deliver for generations to come. While we must never lose sight of the importance of having a broad international engagement across many countries, there is no doubt that doing all we can to enhance our relationship with China is vital if Tasmania is to maximise its future prosperity

A handwritten signature in blue ink, appearing to read 'Matthew Groom'.

Matthew Groom MP
Minister for State Growth

Introduction

In recent years, China has become Tasmania's largest export partner. In the year to September 2015, Tasmania exported goods to China, including Hong Kong, with an estimated value of \$652 million, comprising one quarter of the state's total international merchandise exports.

China is also Tasmania's largest source of international tourists and international students, an important investor and a significant source of business and skilled migrants.

Increased engagement with China offers Tasmania opportunities to boost our future economic prosperity by encouraging investment and increasing the supply of goods and services to the Chinese market. Importantly it presents an opportunity to further diversify our economic relationship with China beyond the traditional focus on mining and resources. It also creates opportunities to increase numbers of Chinese people coming to Tasmania to visit, study or to live which, in turn, can strengthen our cultural and people-to-people engagement.

The China Engagement Report provides a snapshot of the Tasmanian Government's China engagement activities over the past 12 months and provides some selected highlights of positive outcomes and further opportunities secured as a result of this effort. The Report also outlines the next steps for the Government in continuing to build this relationship.



Facilitated engagement

The Tasmanian Government is building our relationship with Chinese Governments of different levels as well as developing deeper connections in China's cultural, government and business environments. We have strengthened our relations with the Australian Government's broad network of trade and diplomatic resources, as well as industry chambers both domestic and abroad, in order to maximise the leverage that can be achieved through pre-existing engagement initiatives. In addition, over the past 12 months the Tasmanian Government has embarked on a concerted effort in its own right in order to develop relationships, facilitate engagement opportunities and to maximise the penetration of the Tasmanian brand into the Chinese market.

Government facilitated outreach

The Tasmanian Government undertook a number of initiatives to strengthen Tasmania's brand reputation and broad linkages into the Chinese market including:

- hosting Chinese President Xi Jinping and Madam Peng Liyuan in Hobart in November 2014
- hosting the TasInvest forum in Hobart in November 2014 which highlighted opportunities in the dairy, tourism, resources, aquaculture, international education and viticulture sectors to over 100 Chinese delegates and potential investors
- hosting TasInvest roundtables in Melbourne, Sydney, Hong Kong and Beijing
- taking a trade and investment mission comprising senior representatives of the agribusiness, education, tourism, scientific and local government community to Fujian, Shaanxi, Beijing and Shanghai in April 2015, led by the Premier, Will Hodgman
- launching Savour Tasmania in Shanghai, promoting Tasmania's premium food and beverage products with key buyers and distributors into one of China's most significant end markets
- taking a trade and investment mission of food, education, Antarctic, renewable energy and local government representatives to Hong Kong, Hainan, Fujian, Shanghai, Beijing and Shaanxi in September 2015, led by the Minister for State Growth, Matthew Groom.

Mission leads and deals

Nine out of ten respondents to the September trade and investment mission participants' survey stated that the mission provided them with new leads or deals that could advance their business in China. All were either satisfied or very satisfied with the mission and the majority expressed an intention to attend a mission again. One delegate stated:

'Our company participated in the September 2015 Tasmania China trade mission, and we participated in last year's TasInvest forum.

Our involvement in last year's TasInvest was highly motivational for our team and has led us to be especially excited about the food export opportunities into China for Tasmanian-based businesses.

Our eCommerce model of engagement with China opens up significant sales opportunities for businesses looking to expand into China without the need to increase resources and outlay a large financial investment.

We are looking forward to expanding our online operation in China by adding more Tasmanian food suppliers following the September China mission, and also following future missions.'

**Chris Morley, eCommerce Director
Premium Australia Foods**

Facilitated inward delegations

A key part of the Tasmanian Government's efforts to link Tasmanian businesses to opportunities in China has been through hosting delegations from China to Tasmania. Hosting inward delegations offers opportunities for business-to-business introductions and raising awareness of the range and quality of products that Tasmanian businesses produce. The University of Tasmania and local councils have also been active in hosting inward delegations.

The Government has hosted a number of visits by Chinese delegations to Tasmania since November 2014, including:

- Government and industry delegation led by Dr. Ma Peihua, Vice Chairman of the Chinese People's Political Consultative Conference National Committee
- Fujian Provincial Government and industry delegation
- China Development Bank
- Industrial and Commercial Bank of China
- China Travel Service
- The Fujian Tourism Administrative Office
- Harbin Electrical International
- Huali Holding and Haimen Government of Nantong Province
- Shaanxi Province Government and fruit industry delegation
- COFCO representatives and the Minister-Counsellor for Economic and Commercial Affairs at the Chinese embassy in Canberra
- Fuqing Greenleaf Agri Development Co. Ltd
- China Southern Power Grid
- Herun Group
- Red Gum Cherry investors group
- Other private investors and wholesale buyers.



Business facilitation

In addition to the efforts already identified, over the past year the Tasmanian Government has facilitated the connection of Tasmanian and Chinese businesses through the following activities:

- supported the inaugural Australia China Business Week, held in Hobart in March 2015
- supported the establishment of the Australia China Business Council (Tasmanian Branch)
- continued to support focused engagement with Chinese businesses through a full-time trade and investment representative located in the Austrade offices in Shanghai
- supported the Fruit Growers Tasmania booth at Asia Fruit Logistica in Hong Kong by providing on ground support from Tasmania's China representative to jointly promote trade and investment opportunities at the exhibition.

Migration

There have been 58 Chinese nationals nominated for State-sponsored permanent or provisional skilled visas during the year to October 2015. This is an increase of 26 per cent from the previous 12 months. Over 80 per cent of the nominees were University of Tasmania graduates, who have a proven strong propensity to remain in Tasmania and develop business and cultural links with China

Economic outcomes

There is no doubt that President Xi's recent visit to Tasmania has significantly increased China's awareness of, and exposure to, Tasmania and Tasmania's world class products.

The visit also helped to raise awareness of the Tasmanian brand, enabling Tasmanian businesses wishing to establish new product and service export links to China to do so with more ease of market access and opportunities for premium pricing.

It is estimated that over 80 million Chinese followed the President's visit on social media, and 600 million had access to a major television news item of the visit, providing unprecedented exposure of Tasmanian friendship, tourist experiences, produce and investment opportunities.

While many of the mineral and metal commodities that Tasmania trades with China are currently facing global headwinds, brand enhancement enables the development of premium price and niche branded products that are critical to Tasmania's future prosperity. Indeed, some Tasmanian food products with strong branding potential in China have to date been primarily produced and marketed as unbranded bulk product, giving rise to opportunities for significant new value-added investments.

Table 1, below, sets out the latest available data on estimated growth achieved across a number of key Tasmanian products in the first year of Tasmania's enhanced engagement with China.

Table 1: Estimated value of exports of Tasmanian brand products and services to China and Hong Kong	Period	Period	Change (%)	Change (\$)
Cherries ¹	Year to June 2014	Year to June 2015		
	\$8.53 m	\$12.43 m	46	\$3.9 m
Apples	Year to June 2014	Year to June 2015		
	\$0.16 m	\$0.61 m	281	\$0.45 m
Atlantic salmon – fresh, chilled or frozen	Year to June 2014	Year to June 2015		
	\$0.45 m	\$23.93 m	5218	\$23.48 m
Tourism - expenditure of all visitors from China and Hong Kong ²	Year to June 2014	Year to June 2015		
	\$55 m	\$68 m	24	\$13 m
International education ³	Jan to Aug 2014	Jan to Aug 2015		
	\$59.4 m	\$63.7 m	7	\$4.3 m
TOTAL	\$123.54 m	\$168.67 m	37	\$45.13 m

Note: This table is not intended to be a comprehensive account of all Tasmanian products and services exported to China and Hong Kong. It excludes a wide range of business and professional services that are not captured in state-level export data. Furthermore, within some product categories there is a mix of products marketed or known to be Tasmanian in origin and others bulk or mixed marketed.



1. Fruit and seafood data sourced from International Trade in Goods and Services, ABS CAT NO 5368.0.

2. Data supplied by Tourism Tasmania and sourced from Tourism Research Australia's Modelled Regional Expenditure Data.

3. Data sourced from GETI, November 2015, and includes higher education students, VET students, schools, ELICOS and non-award students. Data is calculated based on the methodology used in The Economic Contribution of International Students, 2013, produced by Deloitte Access Economics for the Australian Council for Private Education and Training.

As shown in the table, the estimated value in trade with China of some of Tasmania's key brand products has increased significantly over the past 12 months.

In addition to the broad activities undertaken by the Tasmanian Government as identified above, there are a number of other factors associated with the Government's initiatives that have also contributed.

- Atlantic salmon received additional exposure through inclusion on the menu of Savour Tasmania held in China and attended by nearly 300 influential people with strong distribution chain links. It was also included as a signature dish as part of the banquet held during President Xi's visit.
- Both cherries and apples benefitted from the increased awareness and demand generated by the Tasmania delegation showcasing these products at the Asia Fruit Logistica in Hong Kong and the Fruit and Vegetable Fair in Beijing.
- Over the past year Tourism Tasmania has increased its level of promotional and marketing activities, including social media, in China and Hong Kong – directly influencing the surge in visitor numbers from these destinations.
- The focus on international education during the trade and investment missions to China, and the many promotions at international education fairs, in addition to strategic promotional work by the Department of Education's Government Education and Training International business unit has resulted in a solid growth in the value of international education from China over the past twelve months.

The Tasmanian Tourism Industry Business Confidence Index, released in November 2015, measured 109 points for October 2015, rising from 93 points in October 2014 and 83 points in October 2013⁴. This indicates tourism operators are more confident in the opportunities in the tourism sector which has been helped by the increased numbers of Chinese visitors.

Inward investment generally works on long lead times due to the large transactions involved, and the availability of state-level data by source country is limited. Some examples over the past year have related to agricultural investment with \$600 000 invested in the Swan Valley Irrigation Scheme and further purchases of water entitlement in the South East Irrigation schemes. The boost to the general business confidence in Tasmania is reflected in an increase in new capital investment from all business sources by 6.1 per cent in 2014-15, against a national decline of 10 per cent⁵. This is a key driver of business growth which has been boosted by the increased interest of Chinese investment and activity.



4. The Tasmanian Tourism Industry Spring 2015 Business Sentiment Survey, published by the Tourism Industry Council Tasmania.

5. Private New Capital Expenditure ABS CAT NO 5368.0, real trend data. Data is not available by source country.

Strengthening relationships based on shared priorities

The relationship between Tasmania and China is built on our shared priorities. These shared priorities include trade and investment in key sectors including agriculture and premium produce; mining and resources; renewable energy; tourism; education; the Antarctic; and scientific research. The Tasmanian Government has facilitated agreements, partnerships and other forms of collaboration and engagement to help secure opportunities across the full breadth of the Tasmanian economy. The Government's facilitated engagement is demonstrated by the following examples.

Agriculture and premium produce

- Established AgriGrowth Tasmania, within the Department of Primary Industries, Water, Parks and the Environment, to support the Government's commitment to grow the value of the agricultural sector in Tasmania tenfold to \$10 billion per annum by 2050.
AgriGrowth Tasmania oversees the delivery of the Cultivating Prosperity in Agriculture policy and provides leadership and expertise in agricultural and rural sector policy to foster a sustainable primary industries and food sector.
- Tasmanian Irrigation engaged with a number of Chinese companies to explore agriculture investment opportunities in Tasmania, including attracting investment of \$600 000 in the Swan Valley Irrigation Scheme from a Chinese company that has purchased a property for an agri-tourism and Chinese traditional medicine development on the East Coast.
- A number of water entitlement purchases have occurred in primary and secondary water markets in the South East Irrigation Stage 1 and Stage 3 schemes, as a result of six Chinese groups investing in either fruit or wine production on both existing farms and farms under development.
- An agreement was entered into between State of Tasmania and Shaanxi Province in relation to the Modern Agriculture (Fruit Industry) System.
- The Tasmanian Government and the State Administration for Chinese Traditional Medicine signed an agreement to facilitate research partnerships through the University of Tasmania. Chinese traditional medicine is a \$28 billion industry in China, growing at almost 20 per cent per year. Tasmania's established reputation for high quality, safe and healthy food production makes it an ideal extension to Tasmania's recognised capability.
- The University of Tasmania entered into a Memorandum of Understanding (MOU) with Northwest Agriculture and Forestry University (NWFU) in broad support of agricultural research and to provide high level support to a proposal by the Tasmanian Institute of Agriculture for a Joint Research Centre under funding from the Australian and Chinese Governments.



Chinese investment in agri-tourism and water

In March 2015 Cambria Green Agriculture Development Pty Ltd, an Australian private company with strong business links to China, purchased the Cambria and Belmont properties in Swansea.

The properties contain thousands of hectares of cropping land, with some hills, and views of the mountains, forest and water of Great Oyster Bay and the Freycinet Peninsula.

The company has also purchased a 400ML water entitlement from Tasmanian Irrigation. This will ensure a reliable water supply for the properties and support future development.

The business development plan is currently being considered and is likely to include a focus on:

- improving soil quality
- growing organic products such as fruit, vegetables, and other crops for both human consumption and/or grazing needs
- refurbishing the heritage homestead to establish a wedding venue, subject to council approval
- establishing tracks for tourist access to the unique and precious bush areas
- the possibility of other potential tourism developments.

The company's spokesperson said:

'We have great confidence in the Swansea area as it's a very central location on Tasmania's east coast, right in between Hobart and Launceston. We see it as the heart of the east coast, with great potential for our combined organic/tourism operation.'

Mining and resources

- Mineral Resources Tasmania produced and promoted up-to-date geoscientific information on Tasmania as an aid to mineral and petroleum exploration investment. Currently the most significant Chinese investment is in mining and mineral exploration, by state-owned enterprises such as China MinMetals Corporation, Yunnan Tin Limited, Jiangsu Shagang, Hunan Nonferrous Metals Limited and Ji Yuan Mining. Several Chinese-funded, Australian-based companies are also active in mineral exploration in Tasmania, including Australia China Corporation of Coal Geology Engineering Pty Ltd, Australian Hualong Pty Ltd and ASF Pty Ltd.
- Engagement with Chinese companies took place through involvement with exhibitions and presentations at the annual China Mining Conference in Tianjin and through the Beijing Investment Forum, facilitated by Austrade. In Tasmania, presentations were given to representatives from the China Development Bank and a delegation from the International Tin Research Institute.
- The new MRT 3D geoscience model of part of western Tasmania has highlighted a significant tin and/or nickel exploration target near the Huskisson River. The target is on an exploration licence held by Yunnan Tin, and MRT geoscientists have been working with and advising the company on better defining the target, prior to drill testing.
- Chinese student was sponsored to complete a Bachelor of Science honours project at the ARC Centre of Excellence in Iron Ore Deposits, based at the University of Tasmania.
- Site visits to the Centre of Excellence in Ore Deposits at the University of Tasmania were hosted, highlighting world-leading technology transfer available to its industry partners.



Renewable Energy

- Hydro Tasmania continues to pursue its strategic partnership with Chinese energy company Shenhua Group. This partnership includes an agreement that was entered into to investigate the construction of a small wind farm testing site in Tasmania.
- A further agreement was established in September 2015 between Hydro Tasmania and the Shenhua Group for Hydro Tasmania to assist Shenhua Group to build their understanding of electricity retailing.
- Hydro Tasmania has held discussions with Chinese technology providers, including in relation to electric vehicles and energy storage, to understand technology developments and potential commercial applications in Australia.
- Entura signed an MOU with leading Chinese power and design consultants HydroChina to jointly identify future opportunities in the water and energy sectors.



Hydro Tasmania – forging relationships in China’s energy market

Hydro Tasmania’s successful partnerships with Chinese businesses have been founded on three key foundations - ensuring an understanding of Chinese culture and values, developing valued relationships, and building mutual interest and trust through subsequent partnering on projects.

Sustained effort in nurturing a strong relationship has allowed parties to effectively resolve business issues, including cultural differences, through open discussions and information sharing.

Recent partnerships with Chinese businesses have enabled Hydro Tasmania to diversify revenue streams, access capital, and maintain and enhance local skills and expertise.

Our connection with China began in 2005 when we announced a joint venture partnership with China Light and Power that was known as Roaring Forties (of which Hydro Tasmania had 50 per cent ownership). This oversaw the development and operation of wind farms in Australia, China and India between 2005 and 2009. Projects in China included joint venture arrangements with two of the largest energy companies in China, Shenhua and Datang.

In 2012 and 2013, the Tasmanian Government entered into a partnership with Shenhua Clean Energy Holdings that saw them acquire a 75 per cent stake in the Woolnorth and Musselroe wind farms in Tasmania.

In 2014 Hydro Tasmania’s professional services business Entura signed an MOU with HydroChina, a subsidiary of Chinese government enterprise PowerChina, to enhance opportunities to collaborate on renewable energy projects and services globally. Both parties are currently exploring a potential joint venture to build a stronger future for Entura.

In September 2015, Hydro Tasmania signed an MOU with Shenhua for Hydro Tasmania, through their Momentum Energy retail business, to assist Shenhua to build their understanding of electricity retailing.

We look forward to further engagement with Chinese businesses and creating the necessary foundations for future business transactions.

Education

- Enrolments from China in the schools sector increased by 90 per cent in 2015 when compared to the same time the previous year.
- Around 100 Chinese students have been enabled to visit Tasmania to undertake short term study in a Tasmanian Government school, injecting approximately \$120 000 into the state's economy.
- TasTAFE has signed an MOU and certificate of agreement with Chambroad Group on cooperation on education and training in the aged care and hospitality sectors.
- TasTAFE and Tianjin Modern Vocational Technical College signed a Sister School Agreement and 12 Tianjin staff are expected to be selected to attend training and assessment training in Tasmania in 2015.
- TasTAFE and Tianjin Youth Professional College signed an agreement to jointly develop a vocational education program.

GETI and its contribution to Tasmania's international student growth

Government Education and Training International (GETI) represents Tasmania's government schools and TasTAFE internationally. China is Tasmania's most important market. China is the source of 38 per cent, and 14 per cent of the international enrolments in Tasmanian Government schools and TasTAFE respectively, contributing \$3.4 million to the Tasmanian economy.⁶

Identifying the right business partners and building relationships with governments and other key stakeholders in China has allowed GETI to create an influential network of individuals and businesses that are engaged with, and support the educational opportunities offered by Tasmanian Government schools and TasTAFE. A commitment to investing the time and resources to build relationships based on trust and mutual respect and an understanding of China's cultural norms and practices and how business is conducted has been critical to this success.

The longstanding relationship between Shanghai Bangde Vocational Technical College and TAFE Tasmania / Tasmanian Polytechnic / TasTAFE is a good example of a successful joint venture educational program. The program consists of two study years delivered in China, followed by a third year in which students elect to either stay in China or come to Hobart to complete the Chinese Diploma (by recognition if in Australia), as well as the Australian Diploma. Following this, students can choose to progress to the University of Tasmania with forward standing to complete a Bachelor of Business Logistics.

Since the first students enrolled in this program in 2003, approximately 200 students have completed the program in Tasmania and 1 000 in Shanghai. This represents revenue from offshore tuition fees of approximately \$1.298 million, together with \$6.4 million contributed directly to the Tasmanian economy by students completing study in Tasmania.⁷ A new contract to extend the program until 2021 was negotiated in 2015.

This joint venture program has significantly strengthened links between Tasmania and China, created many organisational and personal connections, and generated goodwill on both sides. In May 2015, Hobart City Council representatives met with senior college staff during the Premier's Trade Mission to China. In September GETI joined forces with the Department of State Growth to deliver joint education agent workshops in Hong Kong, Shanghai and Beijing with independent schools - Scotch Oakburn College, Fahan School and The Hutchins School - entering the Chinese market.

6. Data sourced from GETI, November 2015. The figure of \$3.4 million includes tuition, accommodation and living costs as per Deloitte Access Economics report.

7. The Economic Contribution of International Students, Deloitte Access Economics, Australian Council for Private Education and Training, 2013.

Tourism

- There has been an increase in the number of visitors from China to Tasmania, from 20 400 in the year to June 2014, to 28 100 in the year to June 2015. Further details are available at: www.tourismtasmania.com.au/research/visitors
- In the lead up to President Xi's visit to Tasmania, subsidised China-ready training was provided to over 400 businesses in the tourism and hospitality sector. Training to an additional 120 tourism businesses was completed in November 2015.





Code-sharing makes travelling to Tasmania easier

A new code-sharing arrangement between Qantas and China Eastern will see travellers booking flights from Shanghai able to select Tasmania as a final destination and purchase a single ticket.

Under the arrangements China Eastern Airlines will put their airline code on all Qantas services from Melbourne and Sydney to Hobart and flights from Melbourne to Launceston later this year.

This will mean a seamless trip for Chinese travellers to Tasmania, as well as increasing the prominence of Tasmania as a destination in its number one international tourism market.

The Tasmanian Government has worked hard to help secure this important arrangement with the specialised Air Access Group very active in this space. A meeting with China Eastern at their headquarters in Shanghai was an important part of the Premier's 2015 China Trade Mission, and the Government also lodged a submission to the ACCC in support of the joint venture before it authorised the code sharing.

This change has huge potential to build on the record number of Chinese tourists visiting Tasmania, which has increased by 38 per cent in the past year.

Tourism Tasmania and China Eastern will work together to capitalise on this arrangement, and develop marketing strategies to promote Tasmania and the codeshare flights.

This will help reach the Tasmanian Government's target of attracting 1.5 million visitors every year by 2020.

Antarctic and Southern Ocean

- The Antarctic Climate & Ecosystems Cooperative Research Centre (ACECRC) signed an MOU with the Shanghai Ocean University in May 2015, following the discussions and negotiation that took place during the Premier's Trade Mission to China. The collaboration has a focus on sustainable management of fisheries, including the krill fishery and coordinated field work in the Southern Ocean.
- ACECRC has signed a second MOU with the National Marine Environmental Forecasting Centre (NMEFC) in Beijing. The MOU was signed by the NMEFC's Director General in Hobart on 9 November 2015. The collaboration has a focus on improving both nations' capacity to model and forecast sea ice in the polar regions. This can strengthen the international reputation of Tasmania's Antarctic Gateway, already worth around \$190 million to the state annually, by providing a forecasting capability for vessels operating in the Antarctic sea ice zone.
- During his recent visit to Tasmania, China's President Xi Jinping dedicated considerable time to Antarctic collaboration between Australia and China and toured the national icebreaker, Xue Long in Hobart port. President Xi also viewed a specially designed showcase at Macquarie Wharf, developed by the Tasmanian Government and Australian Antarctic Division and demonstrating Tasmania's diverse Antarctic capability.
- During the President's visit a Schedule was signed on Antarctic Gateway Cooperation between the Government of Tasmania and the State Oceanic Administration of China. Areas of focus include shipping and aviation support, cold climate products and services, trade and personnel exchange and research and international education.
- The Tasmanian Polar Network (TPN) and Polar Research Institute of China signed an agreement on the use of TPN facilities in Tasmania to provide services to Chinese Antarctic Stations.

Tasmanian Polar Network and Polar Institute of China agreement

This builds on other successes for Tasmanian businesses, such as the recent purchase of two Challenger tractors from William Adams by the Polar Research Institute of China. The two sales take the number of Challenger tractors in the Chinese fleet to seven.

The agreement, which extends agreements at both Australian and Tasmanian Government levels, sets the foundation for an expansion of Antarctic sector services in Tasmania including repair and maintenance, spare parts and technical support for snow tractors, mobile polar vehicles, power equipment and other machinery. The agreement will be supported by the \$40 million, 500-metre extension of the runway at Hobart International Airport, scheduled for completion by the beginning of 2018.



Scientific research

- The Tasmanian Government and University of Chinese Academy of Sciences signed an agreement to collaborate on Tasmanian devil disease research.
- The University of Tasmania signed two further MOUs with the China Scholarship Council and the University of Chinese Academy of Sciences to support joint doctoral education and research programs in Tasmania.

Finance

- The Tasmanian Government and the China Development Bank have entered into an agreement for future cooperation and planning including the potential to facilitate increased inbound investment into Tasmania.

China Development Bank

China Development Bank is a powerful and influential player in the Chinese economy. It is led by a cabinet minister level Governor; under the jurisdiction of the State Council of the People's Republic of China. Described as the engine that powers the national government's economic development policies in China, the China Development Bank is a key source of loans to Chinese companies investing overseas.

China Development Bank has had a presence in Australia since 2007 and has signed MOUs with at least four Australian State and Territory Governments, including the Northern Territory and South Australian Governments.

On 17 November 2014, the Premier of Tasmania signed an MOU on behalf of the Tasmanian Government that outlined the parameters for both parties to cooperate with regard to undertaking detailed planning of Tasmania's key sectors and to identify the investment opportunities within agreed priority sectors.

In October 2015, the China Development Bank visited Tasmania with a delegation of experts in the areas of mining, tourism, agriculture and infrastructure. The purpose of this visit was to understand Tasmania's capability in the key sectors, primarily tourism, agriculture and mining.

One of the key outcomes of this visit will be a report prepared by the China Development Bank for the Tasmanian Government on its assessment of Tasmania's key sectors and opportunities. The China Development Bank will be looking to market its work within Tasmania and promote this report and opportunities to investors. This will greatly enhance Tasmania's exposure to new investors and advance our capabilities in investment attraction that will lead to job creation and growing the Tasmanian economy.

Exploration of these opportunities with the China Development Bank will also allow the Tasmanian Government to build on strengths in key sector areas. For example the information gathered on Chinese outbound tourism behaviour will inform policy on investment and be a valuable input into tourism market and access strengths.



General

- Tasmania and the Fujian Province entered into an Agreement on Establishing the Joint Committee for Cooperation and Development and this work is ongoing. Following two meetings of the Joint Committee during trade missions led by The Premier, Will Hodgman, and Minister for State Growth, Matthew Groom, the Committee has agreed in principle to pursue:
 - additional sister school relationships within Putian and Launceston
 - a hospitality student exchange program to Fujian
 - investment in Tasmanian wine tourism by a Fujian-based travel service
 - cooperation with a new Fujian Modern Agriculture Study Group.
- The Tasmanian Government has already hosted a delegation from the Fujian Tourism Administrative Office and expects a senior delegation in the near future to progress planning for the 35th anniversary of the sister state-province relationship in 2016.
- The Department of State Growth and the Chinese Chamber of Commerce in Australia have also entered into a Strategic Partnership for Investment and Trade Promotion.
- The Department of State Growth and COFCO Haiyou signed an eCommerce Cooperation Agreement which will promote premium Tasmanian food and beverage through the COFCO eCommerce platform WOMAI, giving Tasmanian producers privileged access to a multi-billion dollar rapidly growing market.

Tasmanian produce and Yonghui Superstores

Yonghui Superstores is a Shanghai Stock Exchange listed hypermarket and supermarket operator with headquarters in Fuzhou, the capital of Fujian Province. Yonghui operates 351 retail outlets across 17 provinces in China and is one of the top ten supermarkets in China.

Assistance from the Tasmanian Government to Yonghui representatives visiting Tasmania in November 2014, through facilitating business matching and site visits, has paid off, with the Superstore now stocking a range of Tasmanian produce.

Yonghui representatives accompanied Fujian provincial party secretary Mr You Quan on a business trip to Tasmania. The Department of State Growth helped arrange Yonghui's visit program in Tasmania, presented Tasmania industry capability and introduced Tasmanian suppliers of fresh produce to Yonghui. The immediate outcome of the visit was a shipment of Tasmanian abalone that arrived on Yonghui's supermarket shelves in December 2014, followed by lobster, salmon heads, Tasmanian cherry and Tiger Fuji apple shipments arriving early in 2015.

The China-Australia Free Trade Agreement

The signing of the China-Australia Free Trade Agreement (ChAFTA) provides an important opportunity to create jobs in Tasmania, as well as increased trade and investment. Some of the benefits of the Agreement for Tasmania include:

- the Agreement supports Tasmanian farmers by removing tariffs of up to 30 per cent on dairy products, beef, sheep meat, wine, apples, cherries, vegetables, seafood, hides, skins and leathers
- farmers will gain access to the growing exclusive clean wool quota each year until 2024
- Tasmania's resources sector will benefit from China removing all tariffs on resources, making our miners more competitive
- tariffs on manufactured goods including textiles, clothing and footwear will be removed
- education service exporters will benefit as well, with agreement to progressively liberalise measures affecting trade in services
- tariffs on whisky will also be lifted.

ChAFTA builds on Australia and Tasmania's large and successful commercial relationship with China, by securing markets and providing even better access to China across a range of our key business interests, including goods, services and investment.

The ChAFTA also includes additional commitments which:

- provide a framework for the growth of electronic commerce between Australia and China
- reaffirm existing international intellectual property obligations and provide a framework for future cooperation
- promote cooperation and coordination between relevant agencies on competition policy
- provide for future negotiations on access to China's government procurement market
- facilitate trade through streamlined customs processes.

ChAFTA is a once-in-a-generation opportunity for Australia and Tasmania to gain advantage in the second largest and one of the fastest-growing economies in the world. It will enable us to broaden and deepen our trading relationship beyond our more traditional base of mining and resources, to include significant growth opportunities in areas outlined above. Under the agreement, Tasmania's high-quality products will be significantly more competitive in China further enhancing the growth in exports that is already occurring.



The plan going forward

The past year of engagement with China has focused on generating exposure and raising awareness of Tasmania and its premium services and products, together with establishing relationships that match Chinese cultural expectations around government, economic and cultural ties.

The elevated level of Chinese interest in visiting, trading with and investing in Tasmania has had a positive spill-over effect by increasing domestic and broader international interest in the state as well. Indeed, the increased interest in Tasmania by Chinese investors has been associated with strong investment and buyer interest from elsewhere in Asia, Australia and indeed among Tasmanians.

Over the coming year, continuing to build industry capability to meet the growing Chinese opportunities will be important. We will also continue to strengthen our relationship with China, through ongoing economic and cultural diplomacy, progressing agreements in priority areas and linking businesses and investors and buyers. Future initiatives include the following activities.

- Implement a program of regular, targeted trade missions to China, with key missions to be led by the Premier and relevant Ministers, including events to mark the 35th anniversary of the Tasmania-Fujian relationship in 2016.
- Work with Tasmanian industry and community partners to enhance Tasmania's reputation as a destination during the Chinese New Year / Spring Festival.
- Pursue collaborations with key industry stakeholders in China and Australia, and build and maintain engagement with Chinese central and provincial governments and major enterprises.
- Continue to progress the signed agreements and partnerships.
- Deliver a targeted and proactive approach to attracting and hosting quality inward trade and investor missions and other delegations, including coordinating business matching opportunities.
- Support regular business events, in conjunction with the China Consul-General's office, and business chambers in both Australia and China.
- Continue to establish business relationships with key Chinese goods and services trading platforms, including eCommerce platforms and physical distribution networks.
- Continue to actively engage with Chinese companies through expos including the annual China Mining Conference and through the Beijing Investment Forum, and meet with companies identified by Austrade as having investment interests that align with Tasmania's mining and minerals sector.
- Strengthen the international awareness of Tasmania's brand through staging events and other marketing activities.
- Host key Chinese education agents and migration agents to assist familiarisation with Tasmanian products, lifestyle and opportunities.
- Develop strong partnerships for joint venture programs that result in onshore enrolments, and manage current business and educational relationships.



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