Partnerships for prosperity

Victoria’s new China Strategy

Deeper understanding
Genuine connections
Mutual prosperity
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The Lotus Building and People’s Park in Changzhou, Jiangsu Province. Designed by Melbourne-based studio505
The Chinese community has been a part of our community even before Victoria was a State. In 1901, a traditional Chinese dragon marched through the streets of Melbourne in the official parade that marked the formation of our country. And every year since, the sheer ingenuity and integrity of Chinese migrants and visitors has helped make our state a prouder, more prosperous place. It’s always been this way – and it always will.

More Chinese students are studying at our universities, and we are honoured to host them. More Chinese tourists are visiting the beautiful reaches of our state. More Chinese businesses are investing here in Victoria: Australia’s industrial heartland and its capital of new ideas.

It’s a special partnership that’s built not on transactions, but on trust and tradition. We can’t take it for granted. We want to refine and perfect this partnership so it is even stronger in the future. That’s what our New China Strategy is all about.

I travelled to China in September 2015, in my first official overseas visit as Premier of Victoria. And I pledge to visit China every subsequent year that I am privileged to hold this office. While I was there, I had many conversations with our Chinese friends about how we can work together as partners.

I’m proud to tell you that Victoria and Jiangsu Province – our oldest and most enduring sister state relationship – have joined forces under a new innovation and technological agreement. We’ll be converting our best ideas into shared commercial interests that will support the next generation of Chinese and Victorian growth.

I can also tell you that Victoria and China’s booming Sichuan Province will work towards becoming sister states in 2016. This is a big deal.

This new relationship will be Victoria’s anchor in China’s fastest growing region and our gateway to its people. Our cooperation will centre on the liveability of our cities. We’ll be working together to build smart and sustainable cities for the next century – sharing our ideas in design, environmental protection, education and health.

Businesses here in Victoria tell me they want more assistance to reach into Asian markets. They want a louder voice. And our new China Strategy sets a target to make Victoria the nation’s Asian gateway – the place to go if you want to gain insight and get the deal done.

There’s so much China and Victoria can achieve together. We both have our economic challenges, but our combined potential is greater than all of them.

On behalf of the Victorian Government, I am so proud to hand down our new China Strategy. Ours is a powerful partnership. And it will only get stronger from here.

The Hon Daniel Andrews MP
Premier of Victoria
Although my title is the Minister for Trade, I firmly believe that before there can be a trade and an economic relationship, there has to be a personal relationship. There can never be economic opportunity unless there is first a friendship.

To that end, I am focused on building on the already strong friendships between Victoria and China.

We have many connections between our people already. The Chinese community in Victoria has a 150 year history, our Chinese community is a vital cornerstone of our successful multicultural community and we are all richer for the Chinese contribution to our culture, from food to festivals.

More than a quarter of a million Victorians have Chinese ancestry – there are many family ties between Victoria and China.

Around 58,000 Chinese students are enrolled in Victoria’s world-class educational facilities each year – and those 58,000 students take home with them a deep understanding and appreciation of Victoria, and leave behind them a better understanding in our own community of China. The friendships they form with their fellow Victorian students form an important link between our people, now and into the future. In November 2015, I met with some of our Victorian alumni in Shanghai, and heard about their experiences in Victoria and their ongoing connections and friends within our state.

On top of our connection with our past students, the depth of our friendship is reflected in the nearly 439,000 Chinese tourists we welcome to Victoria each year. While they do not stay as long as our international students do, they still take back home a first-hand appreciation for everything Victoria has to offer, and create another connection between our people. And we know Victorians are visiting China too, with 38 direct flights between Melbourne and destinations in China each week carrying Victorians who come home with a new appreciation of Chinese culture and the Chinese people.

Continuing to foster and grow our relationships and build upon our friendship remains my number one priority.

Thank you

The Hon Philip Dalidakis
Minister for Small Business, Innovation and Trade
Victoria is playing a significant role in the strong development of the China-Australia comprehensive strategic partnership. The 36 year old sister-state relationship with Jiangsu keeps flourishing, and their all-round cooperation has produced tangible results which have, in turn, further promoted mutual understanding and friendship. Victoria’s friendly cooperation with Sichuan is also making encouraging progress.

In September 2015, Premier Daniel Andrews paid an official visit to China, the first international visit since his premiership. The visit was well-received and highly productive. In Jiangsu, a series of agreements opened a new chapter of the Victoria-Jiangsu partnership; in Sichuan, a new sister-state relationship was initiated; in Beijing, a highlight of the visit, a five-year Cultural Exchange Agreement was signed between the state of Victoria and the Chinese Ministry of Culture’s International Culture Association.

This five-year Cultural Exchange Agreement was the first of its kind between the Chinese Ministry of Culture and a state government of a foreign country. It showcases the importance of Melbourne’s role as the “Cultural Capital of Australia”; it is also a recognition of Victoria’s continued efforts in promoting cultural exchanges with China. Among the many cultural exchange programs, the MSO’s Chinese New Year Concert has become an annual attraction to music lovers, and the “A Golden Age of China: Qianlong Emperor” exhibition impressed everyone by a record-breaking 66,700 visitors. What’s more, the 58,000 international students from China add great vitality to the educational cooperation between China and Victoria. It is such full-scale high-quality cooperation and exchange that is cultivating a deeper understanding and lasting friendship between our peoples and making Victoria’s relationship with China “above transaction.”

China, an important engine for world economy, is experiencing a major economic transformation and upgrade. So is Australia. Given that our two economies are highly complementary, there are tremendous opportunities for future cooperation. In the post-mining boom era, Australia is to benefit from the approaching FTA boom. Victoria, being blessed with competitive agriculture and other great potential, will undoubtedly benefit from CHAFTA.

The Andrews Government of Victoria has seized this historic opportunity in developing a new China Strategy. Outlining a practical plan for Victoria’s cooperation with China, the Strategy reflects the profound thinking and far-sighted vision of Premier Andrews and his government on the China-Victoria relationship. In the process of developing this Strategy, the Andrews Government reached out to Jiangsu and Sichuan and embraced their ideas, making sure the Strategy is a well-targeted and effective one. What’s more impressive is that a Chinese version of the Strategy is to be released together with the English version.

I warmly congratulate the introduction of this Strategy, and am convinced that the Strategy will live up to expectations. As Consul-General of China in Melbourne, I am delighted to witness that China-Victoria cooperation bears rich fruit. It is my duty and my will to continue to spare no efforts in promoting this mutually beneficial relationship.

Mr Song Yumin
Chinese Consul General in Melbourne
In 1979, Jiangsu Province formally established the twinning relationship with the State of Victoria as its first overseas sister state. Over decades, guided by the principles of complementarity, mutual benefit and win-win outcomes, the partnership between Jiangsu and Victoria has made remarkable progress across trade and investment, education, culture, science and technology, health, environmental protection and tourism, and best exemplified the sub-national cooperation between China and Australia.

The continuous deepening of the Jiangsu-Victoria friendship is greatly attributed to the concerted efforts of both the Jiangsu and Victorian governments. Since the relationship was institutionalised, the two regions have maintained frequent exchange of visits between senior leadership. Last September, the Premier, the Hon. Daniel Andrews, visited Jiangsu during his first overseas visit after assuming office, which fully demonstrates the significance of Jiangsu-Victoria relationship to the new leadership of the Victorian government. I want to applaud Premier Andrews’s concept of “transcending transactions and building mutual trust” and his great efforts in prioritizing the China Strategy as one of the most significant development strategies of the Victorian Government.

In November 2014, the successful visit of Chinese President Xi Jinping to Australia opened a new chapter of the China-Australia Comprehensive Strategic Partnership. The newly enacted China-Australia Free Trade Agreement will unleash tremendous opportunities for trade and investment cooperation between the two countries. Considering the high complementarity of our economies and the close partnership, the potential for future Jiangsu-Victoria collaboration will be enormous in the new era of the China-Australia relationship.

Jiangsu Province stands ready to deepen its relationship with the State of Victoria through implementing the important consensus reached by our national leaders under the framework of the China-Australia Comprehensive Strategic Partnership. We will continue the endeavor to open up a new horizon of cooperation and development at the fresh starting point under the China-Australia Sub-national Leaders Dialogue mechanism, and promote trade and investment cooperation in advanced manufacturing, technology innovation, health and medical care, environmental protection, smart transportation, modern service industry and agriculture, as well as people-to-people and cultural exchanges.

It is my firm belief that the time-honored friendship between Jiangsu and Victoria will continue to flourish, the prospect of our partnership will be even brighter, and the well-being of our peoples will be constantly increased.

Governor of Jiangsu Provincial People’s Government
Nanjing Skyline
Victoria has been building partnerships with China for over 150 years. Our sister state relationship with Jiangsu celebrates its 37th anniversary this year. And Victoria’s large and vibrant Chinese community contributes significantly to the success of our State.

The best partnerships are dynamic—they respond to changing circumstances, they innovate to take advantage of new opportunities, and they work together to benefit each other.

That’s what Victoria will be seeking to do as we move through the Asian Century. The alignment of Victoria’s competitive strengths and China’s needs is powerful. And this alignment is reciprocal: Victoria faces challenges that would benefit from Chinese expertise. Therefore, the Victorian Government, the Chinese National Government, and the Jiangsu and Sichuan Provincial Governments have worked together while developing this Strategy, to identify major initiatives that we can implement together.

Victoria’s partnership with China—just like all good partnerships—needs to be strongly grounded in mutual respect, trust and understanding. And this needs to be the case not just between our governments, but also between businesses, communities and individuals. Therefore, this Strategy focuses strongly on improving connections between Victoria and China at every level: creating new relationships and strengthening our capability to engage effectively. These connections will not only enrich Victoria’s cultural fabric, but they are a necessary foundation for realising fully the potential economic benefits of our partnership.

The Victorian Government’s vision is that Victoria becomes the gateway connecting China and Australia. This Strategy sets out a pathway to achieving that vision. It is built around three themes, or organising principles—that will guide the development of the Victoria–China relationship over the long term—and six directions—that align with these themes and will drive the immediate actions of Government. These are set out on the facing page.
### Victoria’s new approach to engaging China

#### Vision

That Victoria becomes China’s gateway to Australia based on the strength of our connections and the depth of our understanding of each other’s people, culture and economic needs.

维多利亚州与中国之间联系紧密、对于双方人民、澳中文化以及两国经济需求有深入的了解。维多利亚州愿能成为中国进入澳大利亚的大门。

#### Themes

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<th>Deep understanding</th>
<th>Genuine connections</th>
<th>Mutual prosperity</th>
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<td><strong>诚挚合作</strong></td>
<td><strong>共享繁荣</strong></td>
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<td>Victoria’s engagement with China will reflect a deeper understanding of the Chinese people, culture and economic needs – and Victoria will work with China to build a similar understanding of Victoria and Australia.</td>
<td>Victoria will build substantive and enduring connections with China at every level – between our governments (including at the bilateral provincial level), businesses, communities and individuals.</td>
<td>Victoria will work with China to identify economic opportunities that target the intersection of Victoria and China’s respective comparative advantages and development needs – maximising the mutual economic value of our relationship.</td>
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#### Directions

| Strengthen government alliances within China’s economic development zones—providing a clear focus to our efforts while creating an entrée to broader engagement with China | Establish Victoria as Australia’s centre of excellence for Asia insights and capabilities | Build connections through reciprocal cultural partnerships and by establishing new platforms for people-to-people engagement |
| Attract investment, including into the Government’s infrastructure pipeline, to support Victoria’s continued economic growth | Support successful business engagement with China | Target trade activity according to Victoria’s competitive advantages and identified market opportunities in China |

加强与中国经济开发区政府的往来，明确工作开展方向及目标，同时为更广泛的澳中合作奠定基础

推动维多利亚州成为澳大利亚拥有亚洲视野及能力的卓越中心

通过文化交流合作，建立联系，并为人员之间的交流搭建新的平台

为一系列项目(包括政府大型基础设施项目)吸引投资，以此为维多利亚州经济的持续增长提供支持

为成功的澳中商业往来提供支持

根据维多利亚州的竞争优势以及经确认的中国市场机会，制定具针对性的贸易活动
More Investment and Jobs

Direction one:
Strengthen government alliances within China’s economic development zones – providing a clear focus to our efforts while creating an entrée to broader engagement with China

Outcomes:
• Existing and new government to government relationships will be strengthened through building new collaborations in mutually beneficial areas, including in innovation with Jiangsu Province.
• A sister state agreement with Sichuan Province will be formalised by the end of 2016.
• A new Deputy Commissioner for China with responsibility for Western China will be appointed by the end of 2016.

More Trade

Direction two:
Establish Victoria as Australia’s centre of excellence for Asia insights and capabilities

Outcomes:
• A coordinated approach to building Asia insights and capabilities will be developed between government, businesses and the education sector to promote innovation and develop skills for the future.

Direction three:
Build connections through reciprocal partnerships and by establishing new platforms for people-to-people engagement

Outcomes:
• Cultural collaborations with China will increase, resulting in additional inbound and outbound cultural exchanges in film, sport and performing and visual arts.

Key Outcomes

Outcomes:
• Victoria’s total share of Chinese investment to Australia to increase from 8 per cent to 20 per cent by 2026.

Outcomes:
• Victoria’s exports to China anticipated to increase by over $5 billion over the next 10 years.

Victoria’s total share of Chinese investment to Australia | Outcomes:
--- | ---
2014: 8% | $6.5 billion 2014
2026: 20% | $11.5 billion 2026

Victoria’s exports to China | Outcomes:
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2014: $6.5 billion | 8%
2026: $11.5 billion | 20%
Direction four: Attract investment, including into the Government’s infrastructure pipeline, to support Victoria’s continued economic growth.

Outcomes:
- Victoria’s total share of Chinese investment to Australia to increase from 8 per cent to 20 per cent by 2026.
- Victorian Government to attract and facilitate $2 billion of Chinese investment into the State, creating 3,000 new jobs within the next ten years.

Direction five: Support successful business engagement with China.

Outcomes:
- Victorian businesses will increase their engagement with Asia, supported by tailored export support programs; inbound and outbound trade missions and increased awareness of new market trends and opportunities, including those related to e-commerce and the China-Australia Free Trade Agreement.

Direction six: Target trade activity according to Victoria’s competitive advantages and identified market opportunities in China.

Outcomes:
- Victoria’s exports to China anticipated to increase by over $5 billion over the next 10 years.
- Overnight expenditure by Chinese visitors to Victoria to increase from $2.2 billion in 2015 to over $3.4 billion by 2026.
- Chinese post-graduate student enrolments in Victoria to grow by 25 per cent over the next 10 years.
Our Chinese community is the foundation of our partnership

People are at the heart of our relationship with China. Victoria’s early connections with China contributed to the state’s vibrant multiculturalism and laid the foundation for a thriving Chinese community. Today, Victoria is home to one third of the Chinese-Australian population. Our Chinese community contributes significantly across business, academia, science and many other areas, as well as sharing their rich cultural heritage with the Victorian community.

Our government relationships have built trust and facilitated collaboration

We built on our early cultural connections to establish the close government-to-government relationships that have underpinned Victoria’s success in China to date, such as our strong sister state relationship with Jiangsu Province, which is in its 37th year. Our government ties are further strengthened through around 20 sister city relationships at the municipal level. These relationships promote political and economic dialogue and provide opportunities for citizens to participate in educational, professional and cultural exchanges.

Over time, these government connections have led to a strong physical presence in each other’s jurisdictions. Victoria now has the largest business office network of any Australian state or territory in China, as well as a dedicated Commissioner based in China and a tourism presence. And Melbourne is home to a Chinese Consulate-General, a representative of the Jiangsu Provincial Government, and the Jiangsu Education Services for International Exchange.

Our economic cooperation has delivered mutual benefits

China currently ranks as Victoria’s largest two-way merchandise trading partner. It’s also our leading source of international students, investor and business migrants and international tourists.

Of course, Victoria is not alone in claiming China as its largest trading partner. However, our schools and tertiary institutions have fostered many Chinese students through their formative years and built their English language capabilities; our businesses have shared their knowledge and expertise, helping to drive innovation; and our premium quality and safe food and beverage products are renowned in China and in high demand. Engaging with Victoria also offers China genuine insights into Western business practices within its own region.

| **VALUE OF TWO-WAY MERCHANDISE TRADE** | **$20.4bn** |
| **SHARE OF AUSTRALIA’S CHINA-BORN POPULATION** | **29.4%** |
| **GROWTH OF GOODS EXPORTS TO CHINA** | **140%** |
| **LENGTH OF SISTER STATE RELATIONSHIP** | **37 YEARS** |
| **CHINESE INTERNATIONAL STUDENTS** | **58k** |

Value of Victoria’s two-way merchandise trade with China in 2014-15—Victoria’s largest trading relationship

The share of Australia’s China-born population living in Victoria

Growth of Victorian goods exports to China over the last 10 years

Length of the Victoria-Jiangsu sister state relationship, Victoria’s first and oldest

Chinese international students enrolled in Victorian schools and tertiary education providers in 2015
Melbourne’s Chinatown
Changing economic landscapes in China and Victoria will bring us even closer together

China, home to the world’s largest population and with the second largest economy, plays an increasingly important and influential role in the global economy. It is transforming itself from a centrally planned and investment-driven economy to a market and consumption-led economy. Its industry is shifting from low cost manufacturing to higher value goods and services. And as it continues its transformation into a modern, globally-integrated and technological society, with slower but more sustainable growth, it is accomplishing impressive feats such as building the largest high speed rail network in the world.

Victoria is also changing. We are Australia’s second largest economy—open, stable and continuing to grow. However, structural changes (particularly declining manufacturing) are creating employment challenges, especially for low skilled, youth and regional Victorians.

Victoria’s increased international focus provides unmatched access to capital, economies of scale, new markets and international expertise. Increasing international trade allows businesses to expand beyond the limits of the domestic market, increasing both employment and productivity. And engaging with international partners opens avenues for collaboration, learning and cultural exchange.

Like China, growth in knowledge intensive industries and the services sector positions Victoria for the greatest future economic growth and prosperity. The China–Australia Free Trade Agreement will make it easier to partner in these areas.

We each have the capabilities to help the other achieve their aspirations

Key demographic changes and increased rates of urbanisation and consumption, together with industry transformation, are challenging our Chinese partners. China’s urban residents are expected to account for 70 per cent of the population by 2030, while the population share of people aged over 60 years could reach 27 per cent. China’s private consumption (currently only 37 per cent of its GDP) will continue to grow as incomes rise.

These factors have led to new policy goals for the Chinese Government, as reflected in the 13th Five Year Plan. Victoria’s high value goods and services sectors can help China to achieve these goals (figure 1.1). And, for Victoria, it is growth in these sectors that will secure the state’s future economic prosperity.

Achieving this level of collaboration will depend on the strength of our relationships and deep mutual understanding of culture

We will build the next chapter of Victoria–China relations by maturing our relationships at the government, business, community and individual levels. Building our collective cultural competence makes our interactions more engaging, more meaningful and, ultimately, more productive.

Victoria is striving to develop the cultural capabilities and language skills of our current and aspiring leaders, as well as skills of future generations, to drive increased and meaningful engagement. To help, we will create and implement platforms to support engagement, such as the Regional City Alliance, enhance our sister state relationship with Jiangsu Province and build new connections across China, including with Sichuan Province. We will also engage closely with our Chinese diaspora, who stand as informal ambassadors for their language and culture and are a conduit for strengthening our ties with China.

We will also drive engagement through cultural exchange—in the areas of arts, design and sport. Cultural activities appeal to wide audiences and help us to recognise our similarities as well as appreciate our differences.

Victoria believes that the six directions in this Strategy will achieve our vision for the future of the Victoria–China relationship—a relationship that transcends the transactional and is built on a deep understanding of each other’s people, culture and economies; has genuine connections between governments, businesses and people at its foundation; and draws on complementary strengths to drive mutually beneficial outcomes.
### China’s emerging policy directions and challenges

**Prioritising the development of innovation industries:** supporting sectors to become globally competitive and the backbone of China’s future economy including biotechnology, new energy, new materials and next-generation information technology.

**Developing China’s West:** investing in new infrastructure, providing new services (including aged care and education), encouraging foreign investment and promoting ecological development to balance development across the country.

**Supporting sustainable and ecological development:** advancing ‘ecological civilisation’ and promoting green, low-carbon, climate resilient and sustainable development, including through a nationwide carbon trading scheme and commitments to renewable power and green buildings.

**Reforming the healthcare system:** re-thinking China’s healthcare system to ensure that healthcare is accessible to all Chinese citizens and that its aged care system is adapted to the demands of an ageing population.

**Supporting the e-commerce sector:** supporting Chinese citizens to source quality goods online, including safe and quality food and beverages, and luxury and leisure goods and services by regulating the e-commerce sector to ensure authenticity of goods and quicker delivery times.

**One Belt One Road initiative:** aiming to create a chain of infrastructure projects, with seed funding from the new Asian International Infrastructure Bank, that will revive the ancient Silk Road as a modern transit, trade and economic corridor, covering a population of 4.4 billion and an expected economic output of $21 trillion.

**Increasing demand for education:** with rising incomes and structural economic change, the demand for education is expected to rise and change, as students seek better preparation for employment in China’s growing service industries and higher value-added manufacturing sectors, and can afford an overseas education.

### Victoria’s established and emerging capabilities

**Strengths in innovation:** including medical technology and the life sciences, new energy, and advanced manufacturing technologies—increased collaboration can help China pivot towards sustainable growth and higher value industries.

**Liveability credentials:** our urban design, sustainability, education, health, creative industries and new energy technology providers can partner with Chinese provinces to build cities that respond to urbanisation pressures and realise the Chinese Government’s ecological and sustainable development goals.

**A world-class medical sector:** our health providers, medical researchers, and medical technology and pharmaceutical manufacturers can provide innovative solutions to help China reform its national health system.

**Food and fibre:** our agricultural sector produces premium quality food—including meat, dairy, fruit, grains, wine and vegetables—from clean and safe sources.

**Tourism and major events capabilities:** our creative and cultural sector and visitor economy is world-class and can assist our Chinese partners to successfully showcase their creative industries, develop cultural precincts to provide more leisure activities for the growing middle class and host global events.

**High value professional services:** our services sector has world-class capabilities and can help meet China’s increasing demand for more sophisticated services as its economy diversifies, its people become wealthier and it looks to meet its infrastructure ambitions.

**International education:** our education sector is well placed to meet China’s rising demand for high quality education—we have world-class schooling and tertiary institutions that can deliver services in China and provide a premium experience for international students coming to Victoria.

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*Figure 1.1 – Alignment between China’s emerging policy directions and Victoria’s established and emerging capabilities.*
The scale of opportunity in China for Victorian businesses cannot be understated. China’s total goods and services imports have grown 387 per cent from 2003–13. And the opportunities available for Victorian businesses will grow substantially with the China–Australia Free Trade Agreement (ChAFTA). But Victoria is also one of many states and countries currently operating in the Chinese market. To have an impact, Victoria will focus its efforts on partnering with Chinese provinces in key regions with common interests and abilities. Provincial level partnerships can facilitate access within broader economic zones and market clusters and be anchors for Victoria’s engagement across China.

Opening doors in China
The Victorian Government will pave the way for enhanced engagement with China. This is particularly important in China, where government plays a critical role in business, and influences trade and investment outcomes. To achieve this, the Premier will visit China annually and every Minister will travel to China during the first and subsequent terms of government. The Victorian Government will also identify opportunities to share its policy expertise to open doors for new kinds of collaboration—as is currently occurring in healthcare.

Anchoring our engagement through partnerships with Jiangsu and Sichuan Provinces
Jiangsu remains one of Victoria’s most important global partners based on our thriving sister state relationship that was established in 1979. We have a history of successful trade missions, visits, business programs, and education, health and cultural links. Situated in China’s well developed east, Jiangsu is China’s second largest provincial economy and is Victoria’s entrée into the Yangtze River Delta Economic Zone.

Sichuan is a key province in the Chinese Government’s Western Development Plan and one of China’s fastest growing provincial economies. Victoria has a relatively new relationship with Sichuan, but it’s already delivering benefits for both sides. The Letter of Intent signed with Sichuan as we developed this Strategy—committing to a sister state relationship in 2016—will be crucial for Victoria’s engagement with China’s burgeoning west and the West Triangle Economic Zone.

Case study
Jiangsu
Victoria’s sister state relationship with Jiangsu has led to many highly productive cooperative arrangements:

**The Innovation and Technology Collaboration Agreement** will strengthen the scientific, technological and industrial cooperation between Victoria and Jiangsu through joint research and development (R&D) activities.

**The Victoria-Jiangsu Joint Economic Committee**, established in 1987, meets every two years, to reflect on the relationship and agree to new areas of cooperation.

**Education partnerships** between the Department of Education and Training and the Jiangsu Provincial Department of Education have resulted in enormous growth of sister school partnerships and student mobility between Victoria and Jiangsu Province.

**The Hamer Scholarship Program**, established in 2012, allows Victorian professionals to undertake intensive Chinese language study and cultural immersion in Jiangsu.

**Monash University’s Suzhou campus**, established in 2012, is a partnership with Southeast University. Monash is the first Australian university licensed to operate in China.

Sichuan
Victoria’s relationship with Sichuan is relatively new, but has already delivered mutually beneficial outcomes:

**The Letter of Intent** signed between the Victorian Government and the Sichuan Government will lead to the signing of a sister state agreement in 2016.

**The Sister Park Agreement** between the Phillip Island Nature Parks and the Chengdu Giant Panda Breeding Centre encourages new initiatives in tourism, environmental conservation and scientific research.
Victoria will:

- strengthen government-to-government relationships through the Premier’s annual trips to China and visits by all Cabinet Ministers during each term of government, and encourage reciprocal visits by key partners
- leverage Victoria’s world-class policy frameworks as the basis for new collaborations with China, aimed at strengthening government ties and creating new economic opportunities
- increase resources for the VGBOs in China, including appointing a new Deputy Commissioner for Victoria for Western China.

Victoria and Jiangsu will:

- enhance the sister state relationship by enabling government officials to collaborate more closely between biennial meetings of the Victoria-Jiangsu Joint Economic Committee.

Victoria and Sichuan will:

- formalise their relationship by signing a new sister state agreement in 2016, which will anchor Victoria’s engagement in the burgeoning southwest of China.
A high-tech innovation partnership with Jiangsu Province will convert 21st century ideas into shared commercial interests

Victoria and Jiangsu are both centres of innovation. Victoria has a highly skilled workforce and a history of innovation. We have a world-class university sector and R&D community with strengths in advanced manufacturing, advanced materials, biotech, food and fibre and health related products and services.

The Chinese Government ranks Jiangsu as its top province for innovation and Jiangsu receives the most patents of any Chinese province.

Why should Victoria and Jiangsu work together?

Both governments are looking for opportunities to innovate and create the jobs of the future. Working together, Victoria and Jiangsu can realise the commercial potential of their R&D capacity.

During the Premier’s visit to China in September 2015, Victoria and Jiangsu announced a major new agreement at the Jiangsu Industrial Technology Research Institute that will strengthen our scientific, technological and industrial cooperation. We will focus our cooperation on areas of mutual interest, such as clean technology and environmental protection innovation, which are priorities of both parties. Ongoing practical partnerships will provide a pipeline of new ideas that will be converted into new companies and jobs, thereby sharpening our economy’s dynamic edge.

How do we all benefit?

International R&D partnerships generate commercial innovations with spillover benefits – international networks and further investment. Victorian entrepreneurs and researchers can also access China’s booming market from sectors with extraordinary growth potential.

Joint projects will complement existing innovation cooperation such as the Monash University–Southeast University Joint Research Institute (focusing on nanotechnology, bioinformatics, water, energy and advanced manufacturing) and the Burnet Institute’s Nanjing BioPoint Diagnostics Technology laboratory (developing diagnostic tools in areas of unmet medical need).

This new partnership is part of the Government’s broader innovation strategy and will build on the $60 million already committed to the LaunchVic initiative, which supports entrepreneurs to make their ideas a commercial reality.

Victoria and Jiangsu will:

• drive high tech and R&D collaboration between businesses and research institutions.
Collaboration with Sichuan Province can provide a platform for developing smart and liveable cities and precincts in China

Victoria and Sichuan have strong liveability credentials.

Victoria has gained a strong reputation for liveability through its strengths across the full range of liveability areas, including urban design, sustainability, environmental protection and management, cultural precinct development, governance and health and education services. Melbourne—Victoria’s capital—has ranked as the world’s most liveable city for five consecutive years. And in 2012, Port Fairy—a Victorian town—was ranked as the world’s most liveable town with a population under 20,000.

Sichuan is one of China’s largest provincial economies, with real GDP growth of 8.5 per cent in 2014. Chengdu—Sichuan’s capital—is mainland China’s most liveable city and was identified as one of this decade’s fastest growing cities. Chengdu was also one of the first cities to be approved as a National Ecological Environment Demonstration Area. It is forging ahead with a new development model that ensures urbanisation is ecological and sustainable.

Why should Victoria and Sichuan work together?

Victoria and Sichuan will benefit from each other’s expertise.

Victoria has a long history of environmental governance, and has the world’s second oldest environmental regulatory agency. Our strong capabilities in managing air and water pollution and providing effective waste management solutions are directly relevant to challenges stemming from China’s rapid industrialisation and urbanisation. Our health and education systems have also been key to attracting a growing population and investment to the state.

Sichuan’s experience of rapid population growth has built expertise in a number of areas including urban development, infrastructure planning and new energy technology development. Victoria can learn from this experience as it faces a period of the highest population growth of any Australian jurisdiction and aspires to maintain its liveability reputation into the future.

How do we all benefit?

Through our future sister state relationship, Victoria and Sichuan will partner to realise our joint ambition to develop smart and liveable cities. This partnership will capitalise on our respective strengths, which have earned Melbourne and Chengdu their liveability credentials.

This partnership will provide a platform for Victorian and Sichuan businesses to be solutions brokers for Chinese cities seeking to improve their liveability. Our governments will partner with industry to exchange expertise and promote business engagement in health, education, the creative industries, urban design and other professional services. It can be expected that demand for all of these services will increase exponentially as China continues to strive toward efficient, inclusive and sustainable urbanisation.

Victoria and Sichuan will:

- partner to become a solutions broker for Chinese cities seeking to become more liveable cities, connecting their respective public and private expertise to opportunities stemming from China’s urbanisation challenges
- develop knowledge exchange and research collaboration initiatives in liveability sectors.
Direction two: Establish Victoria as Australia’s centre of excellence for Asia insights and capabilities

As Victoria’s relationship with China matures, our engagement will progress from a transactional nature to collaborative relationships that generate more productive outcomes.

To realise these benefits, the Government aims to establish Victoria as Australia’s centre for excellence for Asia insights and capabilities.

Driving the development of Asia insights and capabilities

The Government is determined to make Victoria the gateway between China and Australia. Victoria’s intercultural competence makes us a natural point of contact for Chinese wanting to do business in Australia, as well as for Australians wanting to do business in China. And we have exceptional access to international business chambers and a base of institutional excellence for engaging with Asia.

Therefore, the Government is setting a target of making Victoria Australia’s preeminent state for understanding and engaging with Asia. In particular, we will accelerate efforts to attain stronger Asia capabilities in government, business and education, and of Asian market and consumer insights that stimulate business innovation and export success.

Building the skills of the next generation

As part of our commitment to establishing Victoria as the Education State, we are equipping young Victorians for this Asian Century. The new Victorian Curriculum incorporates studies of Asia, intercultural capabilities, and other critical skills for engaging with China and Asia. Languages, including Asian languages, are also a key element of the Victorian Curriculum. Over 52,000 Victorian students in Victorian Government schools study Chinese—an increase of over 200 per cent between 2008 and 2014. Further opportunities for students to develop their cultural competence and language abilities include:

- Immersion programs to experience China—The Victorian Young Leaders to China Program (VYLC) provides valuable in-country learning opportunities for Year 9 students.
- Sister school partnerships—143 Victorian schools are partnered with Chinese schools, which supports the curriculum, language learning and acquisition of skills for the Asian Century.
- International Student Program—Over 4,100 Chinese students were enrolled in Victorian schools in July 2015.
- Six Victorian schools are currently delivering the Victorian Certificate of Education in China in partnership with 19 Chinese schools.

Building the skills of our current workforce

The Victorian Government believes helping our emerging leaders to build their Asia literacy will create more opportunities for meaningful and effective long term relationships.

The Victorian Government will continue to support emerging leaders in the private, public, not for profit, academic and creative sectors through the Hamer Scholarships Program.

The Victorian Government has committed to improving the Asia capabilities of the public service to ensure the prosperity of our official relations with Asia. As part of this commitment, the Victorian and Jiangsu governments will foster public service exchanges that enable emerging leaders to have an in-country experience to develop Asia capabilities and language skills.

|hamer scholarships| victorians awarded a hamer scholarship to study at institutions in jiangsu
|---|---|
|vylc program participants| year 9 students and 45 teachers have participated in the victorian young leaders to china program, principally in beijing and shanghai as well as in jiangsu province
|students studying chinese| students studying chinese in 2014—over 52,000 students studied chinese in victorian government schools and an additional 14,000 students studied chinese at 30 community language schools
|chinese international students| 2,361 chinese international students were enrolled in victorian government secondary schools and 1,746 in non government secondary schools in july 2015
|australia china business council relocated| australia china business council relocated its national and state offices to the victorian government’s international chamber house
Case study

Building Asia literacy

The Victorian Young Leaders to China Program

The Victorian Government’s Victorian Young Leaders to China (VYLC) Program is helping to build students’ Asia capabilities through an in-country Chinese language and culture experience.

Between March 2014 and December 2015, 397 students from 57 secondary colleges across Victoria experienced this life changing opportunity to live and attend school in China. Over six weeks, students improved their Chinese language proficiency, leadership skills and intercultural understanding. The accompanying 56 teachers also improved their professional practice.

Over five years, 1,500 students and 150 teachers will participate in this program.

Learning Local Learning Global Network

The Learning Local Learning Global Network is a network of Victorian schools that have sister school partners in China. The Network uses industry exposure to improve students’ China literacy. Three schools have partnered with Murray Goulburn, a Gippsland-based dairy company with a manufacturing facility in Qingdao, to build industry specific skills and China literacy for young people aiming to work in the industry.

Long standing relationship with the Ministry of Education, China and with HANBAN

HANBAN is China’s national office for teaching Chinese as a foreign language and supports the learning and teaching of Chinese in Victorian Government schools by appointing a Chinese Language Adviser, running the Assistants to Teachers of Chinese program, and establishing Confucius Classrooms and in-country programs for students and teachers that are co funded by the Victorian and Chinese governments.

Victoria will:

• establish Victoria as Australia’s centre of excellence for Asia insights and capabilities, and drive a coordinated approach between government and the business and education sectors that promotes innovation and builds knowledge and capabilities

• ensure more Victorians have an international experience as part of their studies by continuing support for the Victorian Young Leaders to China Program, Hamer Scholarships, Sir John Monash Scholarships, and the Commonwealth Government’s New Colombo Plan initiative

• continue to emphasise Asia literacy in the school curriculum, maintain the long standing relationship with HANBAN to strengthen the learning and teaching of Chinese in Victorian schools, and support sister school partnerships between Victorian and Chinese schools

• improve the Asia capabilities of the public service through language, culture and exchange opportunities, including with Jiangsu.
Direction three: Build connections through reciprocal cultural partnerships and establish new platforms for people-to-people engagement

Taken literally, the Chinese word *guanxi* means ‘relationships’. In practice, the concept is much richer. It emphasises the importance of personal relationships of mutual benefit and, in China, these are central to personal and business success.

Our goal is to foster genuine relationships with China that are strong, resilient and enduring. To do this, we must develop trust, based on a deeper understanding of China—its people and culture, as well as its economic needs. Strong trust between Victoria and China will provide a solid foundation for all of our future connections.

Using culture to develop understanding

Cultural activities—encompassing the arts, design and sport—enable audiences to share interests, develop connections and enrich community engagement.

Sharing of Chinese cultural activities deepens appreciation of culture at the community and individual levels. Cultural exchanges can be high profile events, such as the highly successful ‘Golden Age of China—Qianlong Emperor’ exhibition at the National Gallery of Victoria. But they can also be community-level activities, such as Chinese New Year celebrations or sporting connections. Between 2008 and 2012, 79 per cent of Victorian arts organisations engaged in cultural exchange activities with Asia.

While developing Victoria’s new China Strategy, the Government negotiated a *Cultural Exchange Agreement* with the Chinese National Government, which will enable the exchange of festivals, exhibitions, performances and artist-in-residence opportunities.

Victoria looks forward to exciting collaborations and exchanges that will take place under this agreement between Chinese artists, organisations, cultural institutions and governments. It will bring Chinese cultural activities to Victoria, boosting our creative and cultural industries and our cultural connectedness.

Paving the way for new connections

Victoria has a large and long standing Chinese community of over 254,000 people who have a wealth of language skills, cultural knowledge and people-to-people connections on which the broader community could draw.

The Victorian Government will support Victoria’s Chinese diaspora to develop outreach programs that will develop the broader community’s understanding of Chinese culture and people-to-people connections in Victoria.

Building connections between youths from both nations is crucial to strengthening Victoria–China relations for the next generation. The Government will support opportunities for youths to develop their personal connections in order to share new ideas, foster entrepreneurship and increase their cultural competence.

$1.0bn
Cultural tourism contribution
to the Victorian economy

**Victoria will:**

- promote and develop new cultural collaborations through the major new agreement negotiated between the Victorian Government and the Chinese National Ministry of Culture
- continue to carry out cultural exchange initiatives with Jiangsu and Sichuan provinces
- promote sports based collaboration and exchange with China
- promote knowledge sharing and people-to-people connections through Chinese community-led cultural outreach programs
- establish a Chinese Film Festival that showcases the breadth of Chinese film
- stage a major Asia Pacific performing and visual arts festival in Melbourne over the summer of 2017.

**Case study**

**The Golden Age of China**

Melbourne was the first city outside China to host an exhibition from the Palace Museum in Beijing’s Forbidden City. The ‘Golden Age of China—Qianlong Emperor’ exhibition at the National Gallery of Victoria (NGV) brought more than 120 historically and culturally significant Chinese objects to Melbourne.

The exhibition attracted 66,739 visitors, double projected visitor numbers, reflecting Victorians’ curiosity and desire to learn about China.
Artist of the Australian Ballet Jessica Fyfe on tour in Beijing. Photo by Lisa Tomasetti.
Direction four: Attract investment, including into the Government’s infrastructure pipeline, to support Victoria’s continued economic growth

Victoria is a world-class location to invest in—with a stable economy that is continuing to grow, a transparent business environment, a triple-A credit rating, and the lowest business tax rate of Australian states. And Victoria needs and seeks investment—to create jobs, drive innovation and deliver public infrastructure at a competitive cost.

Chinese investment in Australia is booming, growing by over 2,700 per cent between 2004 and 2014. Changes to Foreign Investment Review Board Screening processes, agreed through the China–Australia Free Trade Agreement, mean there is potential for this growth to accelerate further.

The Victorian Government will make it a priority to attract more of this investment to Victoria, assiduously promoting Victoria’s investment opportunities and making our interface with foreign investors as easy to navigate as possible.

What are we currently doing to attract Chinese investment?

The Victorian Government has a dedicated investment attraction agency (Invest Victoria) that can be accessed directly or through any one of the Victorian Government’s Business Offices in China. Invest Victoria provides a range of confidential business facilitation services to assist businesses with market entry into Australia—including market potential evaluation, business introductions, site location services, guidance on government policy, processes and approvals, and ongoing client support.

As well, the Victorian Government supports high net-wealth individuals who wish to invest significantly in Victoria and settle here through:

- accelerated processing times for visa nomination applications
- information about trade and investment opportunities in Victoria
- contacts in the wealth management and financial services sector who can offer specialised assistance and advice on complying investments.

What more can we do to attract investment?

The China–Australia Free Trade Agreement will make private Chinese investment in Australia simpler, by raising investment-screening thresholds in non-sensitive sectors from $252 million to $1,094 million.

The Victorian Government will continue to improve the promotion of Victoria as a high value and high return investment destination for Chinese investors. Opportunities include the Government’s infrastructure program—the largest in Victoria’s history, with more than $17 billion to be invested in road and public transport projects—and the Renewable Energy Roadmap, which commits Victoria to generating 20 per cent of its electricity from renewable sources by 2020.

The Victorian Government is also leading an urban renewal program which includes Fishermans Bend (Australia’s largest urban renewal area), E-Gate and Arden Macaulay. These projects represent significant capital investment and partnership opportunities.

Potential Chinese investors in Victoria must navigate an unfamiliar business environment. The Government will do its part to ease their experience by further improving its interface with potential foreign investors, ensuring it is a transparent and streamlined process.

The Government will continue to attract high net-worth individuals to the State through a variety of support services, including visa nomination services.

Case Study

Infrastrucre Victoria

The Victorian Government has established Infrastructure Victoria—an independent body that will ensure Victoria’s immediate and long term infrastructure needs are identified and prioritised based on objective transparent analysis and evidence.

The body will release a 30 year infrastructure strategy for Victoria and assess the Government’s priority infrastructure projects and funding commitments against the Government’s 5 year infrastructure plans.

Infrastructure Victoria will provide the public, including potential foreign investors, with certainty around the state’s infrastructure needs and the Government’s commitment to meet them.
The Victorian Government will:

- promote the Government’s infrastructure pipeline and continue to improve our China-specific investment assistance services
- attract more private Chinese investors by providing more information and support to potential investors on the new investment requirements for investor and business migration visas
- ensure seamless engagement with foreign investors by better coordinating and resourcing investor services across government, under the leadership of Invest Victoria.

**Chinese Investment in Australia**

- **$64.5bn**
  - China Australia’s 7th largest overall investor, with 2.3% of total foreign investment

**Investment by Victorian-nominated investor and business migrants**

- **$4.54bn**
  - Investment by 5,018 Victorian-nominated investor and business migrants, from 1 July 2011 to 30 June 2015

**95% SIV Holders are Chinese**

Outcomes:

- Victoria’s total share of Chinese investment to Australia to increase from 8 per cent to 20 per cent by 2026.
- Victorian Government to attract and facilitate $2 billion of Chinese investment into the State, creating 3,000 new jobs within the next ten years.

Since 2005, Victoria has facilitated $1.2 billion Chinese investment, creating 1,763 jobs.

By 2026 Victoria aims to facilitate $2 billion of Chinese investment into Victoria and to creating 3,000 jobs.
The future is bright for Victorian exports to China

China will continue to drive demand across almost all Victorian sectors

Victoria is well-positioned to capitalise on China’s economic size (as the second largest economy by nominal GDP) and demand for imports. Not only are Victoria’s economic strengths aligned with China’s needs (see figure 1.1 on page 15), but many of Victoria’s growth sectors are set to receive new and significantly improved market access through the recently signed China–Australia Free Trade Agreement.

World’s leading merchandise trader

China is the world’s leading trader as measured by the sum of exports and imports of goods.

15 cities with over 10 million people

China has 15 cities with more than 10 million people. Continuing urbanisation may add 100 million more people to China’s cities by 2020.

75% of urban consumers to be middle class by 2022

By 2022, 75 per cent of China’s urban consumers are forecast to earn a middle class income of between 60,000 to 229,000 renminbi.

World’s largest economy by 2026

China is forecast to overtake the United States in nominal GDP by 2026.

US$1.9 trillion of goods imports in 2014

Although China is Australia’s leading merchandise export destination, taking 33.9 per cent of its goods exports, this is just 5 per cent of China’s total goods imports from all countries.

Key China–Australia Free Trade Agreement (ChAFTA) outcomes for Victoria

<table>
<thead>
<tr>
<th>Most-Favoured Nation (MFN) clause</th>
<th>Protects Australia’s competitive position into the future, if China extends any more beneficial treatment to other trade partners in key sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>Liberalised screening for private Chinese investors in non-sensitive sectors</td>
</tr>
<tr>
<td>Food and fibre</td>
<td>Phased elimination or reduction of tariffs on agricultural products and processed foods, on par or better access to China than any other FTA partner</td>
</tr>
<tr>
<td>Visitor economy</td>
<td>Australian providers able to operate Australian-owned hotels and restaurants in China</td>
</tr>
<tr>
<td>Medical technology, pharmaceuticals and healthcare</td>
<td>Australian travel agencies/tour operators able to establish subsidiaries in China</td>
</tr>
<tr>
<td>Professional services</td>
<td>Improved market access for professional services, including legal, telecommunications, financial, construction, engineering, architectural and urban planning services</td>
</tr>
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</table>
Direction five: Supporting successful business engagement with China

Victoria’s economy is transitioning to a more diversified industry base, bringing high value-added production and a stronger focus on services. To support economic growth during this transition and into the future, many Victorian businesses will need to focus internationally—selling the highest quality goods and services for which Victoria is renowned.

Asia will undoubtedly continue to be our major consumer—the region is expected to produce half of the world’s total economic output by 2025 and China will be a major driver of this growth. Further, the historic China–Australia Free Trade Agreement and the e-commerce boom (China’s e-commerce sector recorded sales of more than half a trillion Australian dollars in 2014, a 50 per cent increase on the previous year) will provide unprecedented market access for businesses.

But the Chinese market is competitive—China is the main export partner of 43 countries globally, and of many other sub-national jurisdictions, and is continuing to develop trade agreements with more partners. And despite our strong relationship, cultural and linguistic differences can pose a challenge for many businesses. It is therefore critical to equip Victorian businesses with the skills they need to successfully do business in the region and to seize specific opportunities.

What are we currently doing?
The Government is already helping Victorian businesses to address these challenges:

• The Government hosts a large number of inbound and outbound trade missions, which are targeted to drive growth in priority sectors and regions, including our largest multi-sector inbound trade mission, the Victorian Invitation Program.
• Skills and training programs for businesses are available including the Export Skills and Briefing program and the Access Program.
• The Government is working with federal agencies to address behind-the-border barriers affecting international market access for Victorian goods and services.
• Business matching in China and at home connect Victorian exporters with potential partners, including e-commerce platforms, and the Government contributed to Austrade’s E-commerce in China: a guide for Australian businesses.

Other initiatives canvassed elsewhere in this document will also assist businesses to obtain greater market access. These initiatives include the Premier and his Ministers committing to travel to China every year and at least once in this term of government respectively, and strengthening our sub-national relationships in Jiangsu and Sichuan. Additionally, building the linguistic and cultural competence of Victorian youth and professionals will ensure a pipeline of Asia capable workers for our businesses in the future.

9% Australian businesses currently operating in Asia, despite the enormity of opportunities in the region

65% Percentage of Australian businesses that have no intention of changing their stance on operating in Asia in the next 2–3 years
Enhancing Government support

Understanding the e-commerce boom in China
The Victorian Government is committed to providing businesses with up-to-date information on navigating the Chinese e-commerce environment, connecting Victorian exporters to e-commerce platforms and working with those platforms to promote Victorian goods and services online. The Government will also seek to leverage its logistical strengths to attract the physical infrastructure of e-commerce platforms to Victoria.

Connecting regional Victoria
Providing additional support to connect regional Victoria to China is also important. The Victorian Government will build on the Victoria–Jiangsu Regional City Alliance, established by the two governments in 2014. Both jurisdictions have committed to its implementation, which will see mutually beneficial economic development in areas of growth and competitive advantage; regular, ongoing economic and trade dialogue between cities; and a platform for increased exchanges and activities. There will also be a strong Regional City Alliance component to trade missions, ensuring our regions are well-represented.

Victoria will:
- support small and medium sized business to develop the know-how to identify and take up export opportunities in China, including those offered by ChAFTA and new trends such as e-commerce
- continually improve the outcomes of core business activities including the conduct of highly targeted in and outbound missions (including the large multi-sector Victorian Invitation Program) and working with the Commonwealth Government to address behind the border barriers in-market
- attract Chinese e-commerce platforms to Victoria by leveraging our logistical strengths and reputation for high quality goods and services
- better connect regional Victoria to potential partners in China through the Regional City Alliance with Jiangsu Province.
Promoting Victorian products in-market: Fruitday.com e-commerce marketing promotion
E-commerce: An exciting opportunity for Victorian businesses

Victorian businesses can now directly reach China’s online customers through a variety of e-commerce platforms—online malls, hypermarkets and specialty markets, flash sales and standalone e-commerce websites. The Chinese Government recently developed pilot cross-border e-commerce zones in seven cities—making more authentic foreign goods available to Chinese consumers at a lower cost and with faster clearance and dispatch times.

Engaging a third party Australia-based buying agent who represents Chinese distributors and online marketplaces can be a low risk, convenient and efficient way for small and medium businesses to reach Chinese consumers. The agent takes ownership of the product, including customs procedures and distribution, simplifying what was historically a lengthy, costly and complicated process. Some agents also offer tailored promotional and marketing assistance to drive more sales.

Major Chinese e-commerce marketplaces are also seeking to establish warehousing and office facilities in Australia and partner with Australian suppliers and logistics companies. This trend will better connect Australian products with their Chinese consumers, and provide great potential for more jobs in Victoria.

Boosting the Victorian economy

JD.com and Alibaba have both launched global extensions of their e-commerce platforms—these enable Victorian businesses to sell their products directly to Chinese consumers, overcoming a number of market entry barriers.

JD.com recently partnered with Treasury Wine Estates to offer the company’s wines to its more than 100 million active customers. In September 2015, Chemist Warehouse, following its recent partnership with Alibaba, announced it will establish a new entity in Victoria to support the e-commerce arm of its business. Chemist Warehouse has projected sales of $22 million in the first year and $68 million in the second year, and it anticipates 50 new jobs will be created in Melbourne to service this forecasted rise in sales.

Promoting Victorian products in-market

The Victorian Government partnered with Citrus Australia and Chinese e-commerce provider, fruitday.com, to actively promote Victorian produce in China. The partnership with fruitday.com contributed to sales of over $1 million in oranges to Chinese consumers during a one-week promotion, significantly contributing to the success of the Now! In Season campaign. This campaign was awarded an Asia Fruit Award for best horticulture marketing campaign in 2015.

150k
NEW CHINESE SHOPPERS PER DAY

An estimated 150,000 new Chinese shoppers use e-commerce every single day of the week.

¥10tr
E-COMMERCE SECTOR

Total value of e-commerce sector is estimated to be RMB 10 trillion by 2020.

70%
OF ONLINE SALES

Business to consumer transactions account for more than half of all online sales and is expected to grow to 70% by 2020.

25%
ANNUAL GROWTH RATE

Online sales in China continue to boom and will grow at an annual rate of 25 per cent.
Direction six: Target trade activity according to Victoria’s competitive strengths and specific market opportunities in China.

Victoria’s exports to China have been extraordinarily successful over the past decade, growing by 44 per cent over the past five years alone. The Victorian Government aims to grow our exports to China by building on our main industry and trade policies with a suite of Asia- and China-specific actions.

Cross-sector initiatives

The Government’s new China Strategy establishes three main cross-sector initiatives that address specific gaps in our trade relationship with China. The following initiatives—described in more detail under Directions 1 and 2—will help our businesses engage with and grow their exports to China:

- The Victoria–Jiangsu Innovation and Technology Agreement will fund joint projects between Victorian and Jiangsu organisations to commercialise innovations.
- The Victoria–Sichuan liveability initiative will support commercial outcomes for businesses in liveability sectors, by promoting them as a branded package of exports that address many of China’s urbanisation challenges.
- Positioning Victoria as the centre of Asia capabilities and insights will drive the capability of the business and education sectors to engage with and be successful in Asian markets, by coordinating and extending existing programs that connect aspiring exporters to experts.

Priority export markets in China

Central to the Government’s industry and trade policies are the six sectors identified in our Back to Work strategy that will define the future of our state and be major exporters to China. These sectors have the potential for extraordinary growth and the capacity to create high skill, high wage jobs:

- food and fibre
- international education
- medical technology and pharmaceuticals
- professional services
- transport, defence and construction technology
- new energy technology.

There are two other major Victorian sectors whose exports to China have extraordinary potential:

- visitor economy
- creative industries.

The Victorian Government is developing new policy directions for these eight sectors, to drive their development, growth and exports.

The Victorian Government will support businesses to grow their exports to China through its broader industry sector approaches by:

- developing strategies for the six Back to Work sectors that best support the growth of each sector, to be supported by the $200 million Future Industries Fund
- refreshing Victoria’s approach to the visitor economy by forming a new entity, Visit Victoria, which combines the Tourism Victoria and the Victorian Major Events Company
- developing a creative industries strategy to strengthen our creative and cultural industries
- applying a more targeted approach to trade missions—both to and from China—that reflects Victoria’s competitive strengths and new opportunities arising from the China–Australia Free Trade Agreement, such as professional services and the creative industries.

Case Study

Sports Diplomacy

Victorians’ passion for sport is evident in our extensive calendar of world-class major events—including the Australian Open, Victorian Spring Racing Carnival and the Melbourne Formula One Grand Prix—that distinguish Victoria as the nation’s ‘sporting capital’. 

Chinese participation in Victoria’s sporting events, such as Li Na’s win at the Australian Open in 2014, attracts significant numbers of visitors whose time here boosts our visitor economy and builds our cultural knowledge.

Programs such as Melbourne United’s basketball program—which is touring a team to China each year, and is seeking to recruit Chinese players—builds trust through long term partnerships, and fosters cultural understanding in the broader community.
Food and fibre
Agriculture accounts for 48 per cent of Victoria’s total goods exports and China is Victoria’s biggest export market for food and fibre products—equal to our top five markets combined. Victoria’s reputation for safe and clean produce is exceptional, and demand for our premium food and beverages continues to grow.

The Victorian Government helps businesses capture new opportunities in China, tailor their products for Asian consumers and navigate behind the border barriers, including quarantine. Support will continue for businesses to better understand Asian consumer tastes and preferences, including through the Centre for AgriBioscience.

The Government’s Food Source Victoria provides grants to support food producers and businesses to work together to grow exports and create new jobs. Hosting Chinese trade delegations and making the sector export ready will encourage Chinese investment to drive business growth and ease capacity constraints.

$2.8bn
FOOD AND FIBRE EXPORTS
Victorian food and fibre exports to China in 2014-15—the largest market for Victorian food and fibre products

International education
Educating international students in Victoria is the State’s largest services export, one third of whom come from China. Additionally, Victorian education institutions are amongst the most dominant Australian education providers operating in China. For example, Victorian TAFE institutions account for 78 per cent of Australian TAFE delivery in China. Chinese students and businesses are attracted by the quality of our education system and the premium student experience we offer, which we will continue to enhance.

Supporting Victorian providers build new research collaborations in China will also consolidate Victoria’s position as a premium education provider and build expertise in subjects of mutual interest. As part of this Victoria hopes to welcome to the State significantly more of China’s best and brightest postgraduate students.

The Victorian Government will also support Victorian education providers to deliver courses in China, including the Victorian Certificate of Education on a northern hemisphere timetable and vocational courses across a number of industries. The Government will also support research collaborations at the government and institutional levels, to support growth across multiple sectors.

25k
CHINESE HOSPITALS
The number of Chinese hospitals involved in the national reform process, reflecting the scale of opportunity for Victorian engagement

Medical technology, pharmaceuticals and healthcare
China is undergoing a massive reform of its healthcare system in response to demand pressures from its ageing and urbanising population. Victoria’s world-class medical, pharmaceutical and biotechnology sector is optimally positioned to assist China with this reform by providing whole of supply chain solutions.

The Victorian Government is developing government-to-government relationships to increase cooperation and create opportunities for Victorian businesses. The Government also collaborates with the China National Health Development and Research Centre on policy development, including hospital funding models, workforce development and caring for the elderly.

The Government is also supporting joint R&D projects in medical technology and pharmaceuticals. These projects can attract Chinese capital and help connect Victorian producers to Chinese distribution channels.

58k
STUDENTS
The number of Chinese student enrolments in Victoria in 2015
Visitor economy
Victoria offers diverse and distinct visitor experiences throughout the state and a world-class calendar of major events.

Four Chinese airlines have direct services to Victoria, driving growth in Chinese visitation (up 203 per cent), expenditure (up 205 per cent) and direct air freight (up 220 per cent) over the past five years. Airline attraction will be an ongoing focus of the Victorian Government.

The ‘Open Up To More—Melbourne’ brand campaign will be expanded to more Chinese cities to attract more business tourists and those visiting family and friends. The Government will continue to host Chinese investor groups, to attract investment in tourism infrastructure.

We will also work with the Commonwealth Government to optimise visa settings and maximise the future growth of the visitor economy.

Transport, defence and construction technologies
Victorian businesses account for almost half of Australian R&D in advanced manufacturing. Victoria can capitalise on its strength in advanced industries, such as defence, engineering and specialist design, and in advanced materials by supplying the increasing demand for the products of these industries in Asia. These strengths can be marketed as directly supporting China’s ambitions to develop its high tech and innovative industries as the backbone of its economy.

New energy
Victoria and China have a shared interest developing new energy technology, increasing renewable energy generation and improving energy efficiency. The Victorian Government’s Renewable Energy Roadmap commits Victoria to increasing its renewable energy generation from its current level of 12 per cent of all electricity generation to 20 per cent by 2020. This will encourage Chinese investment in our new energy generation projects and collaboration with our new energy R&D sector, as well as help develop the export of Victorian new energy technology to China.

50%
Victoria’s share of Australian R&D in advanced manufacturing

$14.7bn
ESTIMATED INVESTMENT OPPORTUNITY
The estimated amount of investment that Australia’s renewable energy sector will attract by 2020

$20bn
TOURISM CONtributes TO ECONOMY
The contribution of the tourism industry to Victoria’s economy, the state’s second largest export, generating 206,000 jobs
Professional services
Professional services—including financial, insurance, scientific and technical—account for 18 per cent of Victoria’s economy and are one of our top export earners. And implementing the China-Australia Free Trade Agreement will deliver new or improved market access for the professional services sector. Victoria is well placed to capture a large share of China’s growing demand for services as its economy grows and diversifies, and as its population becomes richer, older and more urban.

$13.5bn VICTORIA EXPORTED IN SERVICES
The amount of Victorian services exported in 2013-14, representing 36 per cent of Victoria’s total exports, more than the equivalent figure for Australia as a whole (17%)

Creative industries
China’s growing middle class brings with it rising disposable incomes, which is driving demand for cultural experiences at home and abroad. Victoria’s reputation as Australia’s cultural capital positions us perfectly to meet this demand.

The Victorian Government recently carried out a creative industries focused trade mission to China to raise our profile across a range of disciplines. Over time, the visit will add significantly to the Victoria-China cultural and creative relationship. We will also work with the Commonwealth Government to develop commercial opportunities by promoting Victoria’s expertise in creating and managing cultural precincts.

220k EMPLOYED IN CREATIVE AND CULTURAL ECONOMY
Victorians employed in the creative and cultural economy, representing approximately 8 per cent of total employment

Outcomes:
Victoria’s exports to China anticipated to increase by over $5 billion over the next 10 years.

Overnight expenditure by Chinese visitors to Victoria to increase from $2.2 billion in 2015 to over $3.4 billion by 2026.

Chinese post-graduate student enrolments in Victoria to grow by 25 per cent over the next 10 years.
The Victorian Government recognises that the most successful international partnerships transcend the transactional - they comprise trusted parties who truly understand each other’s people, cultures, attributes and challenges, and work together to achieve mutual prosperity.

With this in mind, we will collaborate with our Chinese partners to implement this Strategy, just as we worked together to develop it. This is critical to realising our vision of becoming the gateway between Australia and China.

The Victorian Government will take a whole-of-government approach to implementing the Strategy, and achieving its outcomes:

- The Premier will lead the Government’s overall engagement with China through his annual visits and annual Statements on International Engagement
- Ministers will pursue the Strategy’s directions during their travel to China, including by addressing the directions in their post-travel reports, and by encouraging reciprocal delegations from China
- Ministers will also engage with communities, businesses and institutions on the Strategy
- The Government will partner with its Chinese counterparts to facilitate more collaboration through the implementation of initiatives in areas of mutual benefit.

Working towards a deeper partnership with China and striving to achieve mutual benefits will help to address China and Victoria’s current and future challenges. This will put Victoria in a strong position to secure its economic prosperity into the future.