

# Victoria's China Strategy

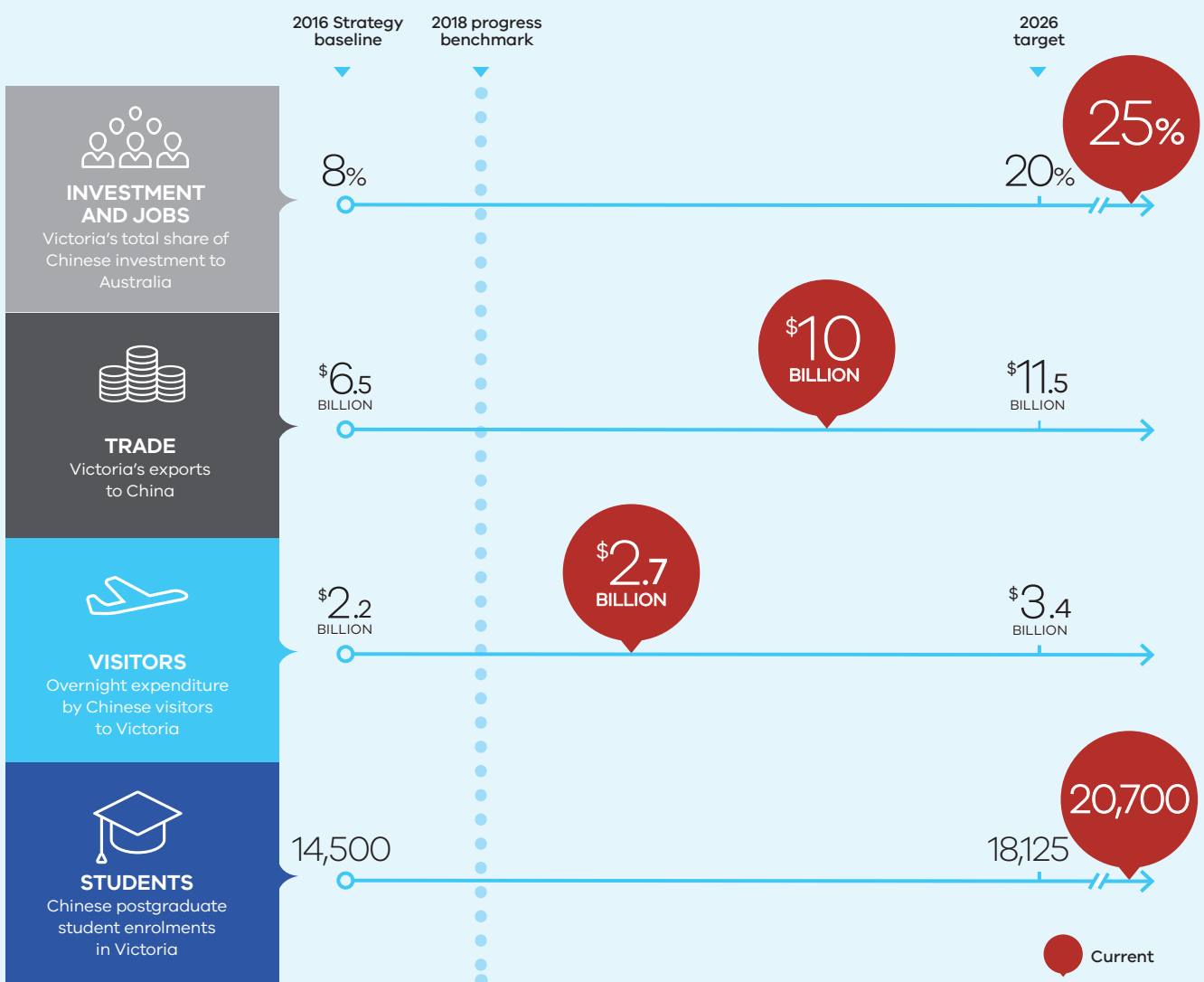
PROGRESS REPORT 2018



# OUR STRATEGY TO ENGAGING WITH CHINA

<b>VISION</b>	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.		
<b>THEMES</b>	<p><b>Deeper understanding</b></p> <p>Victoria's engagement with China will reflect a deeper understanding of the Chinese people, culture and economic needs – and Victoria will also work with China to build a similar understanding of Victoria and Australia.</p>	<p><b>Genuine connections</b></p> <p>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.</p>	<p><b>Mutual prosperity</b></p> <p>Victoria will work with China to identify economic opportunities that target the intersection of Victoria and China's respective comparative advantages and development needs to maximise the mutual economic value of our relationship.</p>

## AHEAD OF SCHEDULE TO MEET OUR TARGETS



# INTRODUCTION

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Two years ago, we launched Victoria's new China Strategy.

The Strategy provided a forward plan to support economic

growth here in Victoria and in China, while deepening our understanding of each other's people and culture.

Importantly, it was a document written in collaboration — encompassing the views of our partners, and demonstrating a genuine dialogue.

Like everything we do, this Strategy is underpinned by action and outcomes — which is why we included ambitious ten-year targets for trade, investment, visitors and students.

I'm pleased to report that we've already exceeded our ten-year target for more investment and postgraduate students from China — in just two years. And we're well on track to exceed our other targets too.

More important is what's behind these numbers — genuine connections and deeper understanding.

It's those connections that make our relationship so special.

As Premier, I have travelled to China every year and I'm pleased to be going again in 2018. Representing the reciprocity of our relationship, I've also been proud to meet some of the most senior figures in the Chinese Government, like Premier Li Keqiang, and welcome many to our state.

In 2017, I was honoured to be the only leader of an Australian state invited to the prestigious Belt and Road Forum for International Cooperation, held in Beijing and based on President Xi Jinping's vision for stronger economic and social ties with partner states.

A growing network of Victorian Government Trade and Investment Offices also play a vital role in strengthening our partnerships,

while our deepening sister-state relationships with Jiangsu and Sichuan Province are bringing us even closer.

We have already achieved so much together.

But there is always more we can do to further strengthen our partnership. The directions outlined in the China Strategy remain our guiding principles as we continue to work together.

On behalf of the Victorian Government, I would like to thank everyone who has helped strengthen our already strong partnership with China.

Your efforts have been essential to our shared success, and I look forward to celebrating more of it with you in the future.

**The Hon Daniel Andrews MP**  
Premier



The Victorian Government's strong focus on trade and investment ties with China is delivering results for Victorians.

In the two years

since we released our new China strategy, we have seen this most important relationship go from strength to strength. We have seen more business partnerships, major Chinese companies like Alibaba and JD.com choosing Melbourne for their regional headquarters, more research collaborations, more cultural engagement and rapid growth in exports.

International education is a great example of this success, with a 38 per cent increase in enrolments in Victorian classes and courses from Chinese students over the past two years. We are also seeing more Victorian students engaging with China with a 21 per cent increase in local students studying Chinese over

the past two years. This engagement is crucial to our economy, with Chinese students the largest group of international students in a sector that is our biggest services export and employs 58,000 Victorians. But it also leads to deeper engagement and better understanding between us and forges relationships that will last a lifetime and enrich us all.

The success we are seeing is no accident. Maintaining any good relationship requires effort and the Victorian Government is working hard to grow our ties with China. To attract more investment, drive new trade deals, deliver the best experience for international students, support the local Chinese-Australian community and encourage more Victorians to learn about and visit China.

**The Hon Philip Dalidakis**  
Minister for Trade and Investment



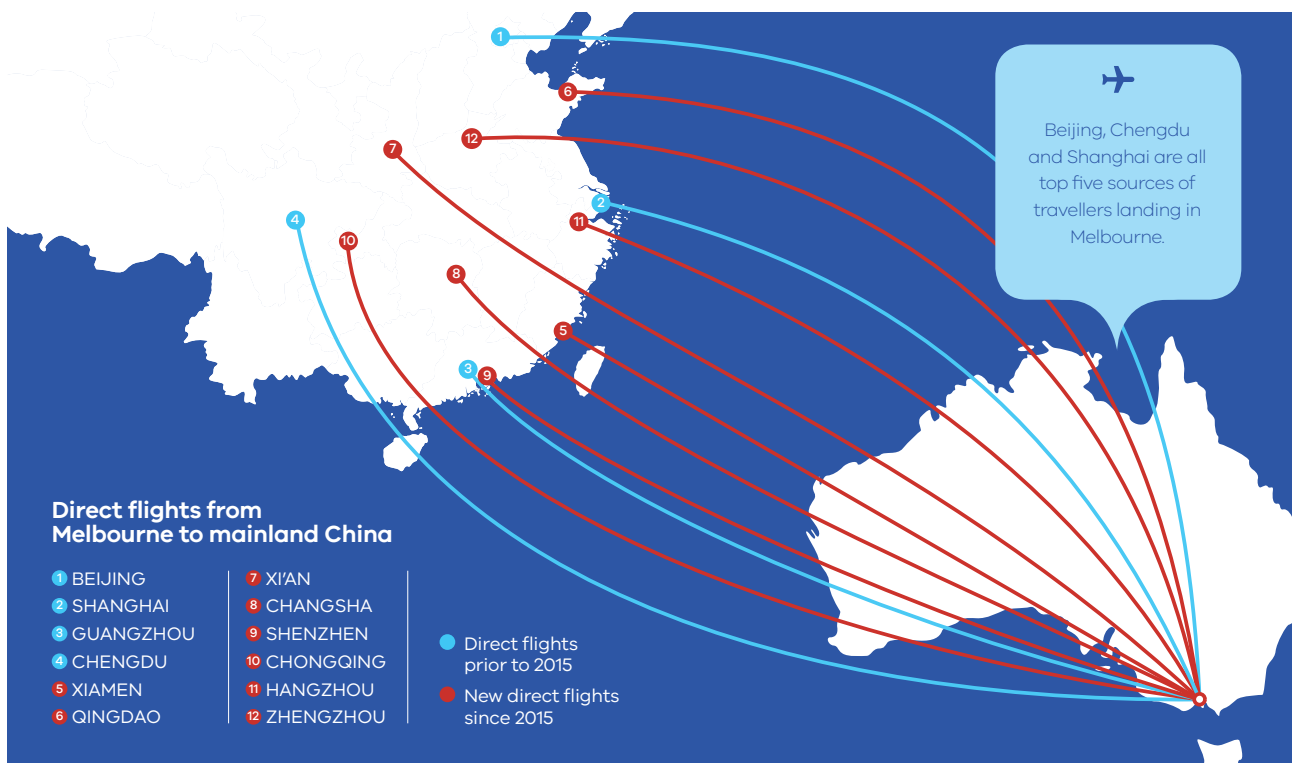
Melbourne's Chinatown during the Chinese New Year festival.



# Trade and investment with China has experienced huge growth and is on track to exceed the 2026 targets.

Underpinning this success are new investments from China, the outstanding performance of key sectors such as tourism and education, increases in trade and new opportunities in emerging sectors. The Victorian Government has facilitated strong business engagement and assisted companies to forge partnerships that are bringing more jobs to the state and helping Victoria's dynamic economy to grow in partnership with China.

## MORE DIRECT FLIGHTS ENABLING MORE CHINESE VISITORS TO VICTORIA THAN EVER BEFORE



Premier Daniel Andrews and Vice President of Air China, Wang Mingyuan, announcing Air China's direct daily flights between Beijing and Melbourne.

# 621,600

Visitors from China to Victoria in 2017 — the most to visit Victoria from any country.

# 27% ↑

Increase in Chinese visitors since 2015 — outpacing the growth of all international visitors to Victoria in the same period (19%).

# >1/3

Largest share of visitor expenditure in Victoria is from China — more than the next six markets combined.



**E-COMMERCE IS A KEY PART OF VICTORIA'S APPROACH TO GROWING TRADE WITH CHINA**

E-commerce was identified as an exciting opportunity for Victorian businesses in the China Strategy. In the last two years, Victoria attracted the Australian headquarters of two of China's largest e-commerce companies, Alibaba and JD.com, helping Victorian businesses to take advantage of online platforms to sell goods to an estimated 688 million Chinese internet users spending more than US\$779 billion each year.

During the Premier's 2015 visit to China, Chemist Warehouse reached an agreement with Alibaba to sell its products on a new e-commerce site. Chemist Warehouse is now projecting sales of \$22 million in the first year and \$88 million in the second year, and the creation of 50 new jobs in Melbourne.

And Victoria's health and nutrition products including Goat Soap Australia, Swisse and Nature's Way all top Tmall sales charts each year.

**ATTRACTING INVESTMENT TO CREATE VICTORIAN JOBS**

Victoria's share of investment from China into Australia has already reached 25 per cent — exceeding the ten-year target in the Strategy. This includes big investments from Hisense, Huawei, Qenos, FuWah, Hind Group, Power China, Bank of China and CITIC.

Most recently, CRRC — the world's largest train rolling stock manufacturer — established its Australian headquarters in Melbourne to design and manufacture 65 high-capacity trains for Melbourne, creating 1,100 highly-skilled local jobs in Victoria.

Also, the China Investment Corporation joined the Lonsdale Consortium to purchase 20 per cent of the 50-year-long Port of Melbourne lease.

The Jiangsu Victoria Research and Innovation Center will facilitate Chinese investment in Victorian technology start-up enterprises. Chinese investors, led by the Suzhou High Technology Town in Victoria's sister Province of Jiangsu, will invest \$20 million to assist the development of technology companies in Victoria.

*"The growth of trade between Victoria and China is a credit to both sides — we've worked hard to build trusting personal and economic relationships that are mutually beneficial, and we'll continue to do so. China is changing rapidly and we need to be agile to capture new opportunities and build on recent record growth in tourism, education and trade. That is why we have the largest presence in China of any Australian state with five strategically located offices."*

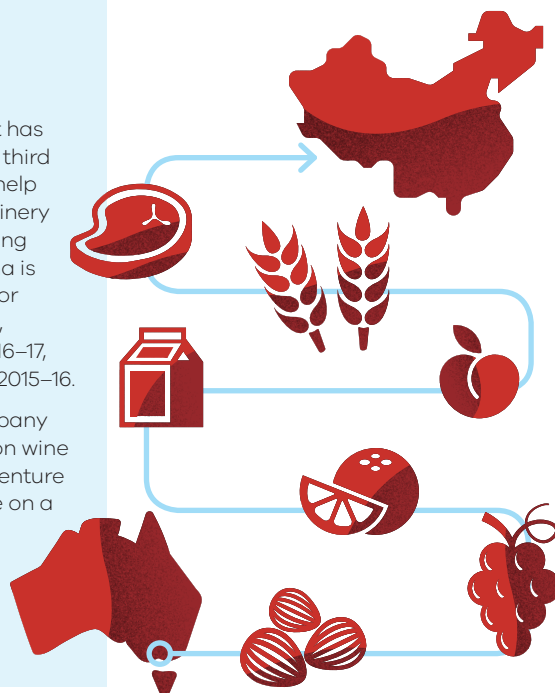
**Mr Tim Dillon**  
Commissioner for Victoria to China

**FOOD AND FIBRE – VICTORIA'S LARGEST GOODS EXPORT TO CHINA**

**WEILONG GRAPE WINE COMPANY**

The Victorian Government has been working with China's third biggest wine company to help it establish a \$110 million winery in Mildura by 2019, employing more than 60 people. China is the highest value market for wine exports from Victoria, valued at \$121 million in 2016–17, a 40 per cent increase on 2015–16.

Weilong Grape Wine Company operates the Grand Dragon wine brand in China. The new venture will help Victoria capitalise on a reduction in wine tariffs to zero, set to take effect in 2019 under the China Australia Free Trade Agreement.



**\$3.6 billion**


Victorian food and fibre exports to China in 2016–17 — a 24% increase on 2014–15.

**28%**

The share of 2016–17 Victorian food and fibre exports to China — our largest market and growing (24% in 2014–15).

**3.5x**

Victorian-prepared foods exports to China have more than tripled since 2014–15, and are now worth \$488 million.



Chinese superstar vocalist Tan Weiwei performs with conductor Tan Dun and the Melbourne Symphony Orchestra at the MSO's Chinese New Year concert.

#### **SHARING IN THE RICHNESS OF CHINESE AND AUSTRALIAN CULTURE BOTH HERE AND IN CHINA**

Shared cultural and creative experiences have increased since a landmark Cultural Exchange Agreement was signed between Victoria and China during the Premier's visit in 2015. These include Victoria hosting the Shanghai Symphony Orchestra and the National Ballet of China, while the Australian Ballet, Melbourne Symphony Orchestra and Circus Oz have toured China. In a first for an Australian city, Melbourne was chosen to be the partner city for the prestigious 2018 Hong Kong Business of Design Week, a global event showcasing the best of Victorian design.



# Cultural and educational exchanges complement the strong relationship between governments.

More Victorians than ever before are learning about China, while the number of Chinese students studying in Victoria continues to increase.

## SUPPORTING THE CHINESE COMMUNITY IN VICTORIA

Victoria values the richness and history of Chinese culture that we are so fortunate to share thanks to our thriving Chinese community. Between 2011 and 2016, Victoria's Chinese-born population increased by 71 per cent.

Recognising the many significant contributions the Chinese community continues to make to our social, economic and cultural life, the Victorian Government has supported Chinese community groups with 385 grants totaling almost \$2 million to around 140 Chinese community groups in this term of government.

Funding of \$2.9 million was provided in 2017 to 26 accredited Chinese community language schools to support the delivery of out-of-school-hours Chinese language programs to 12,718 school-aged students.

## CREATING OPPORTUNITIES FOR VICTORIANS TO COLLABORATE AND LEARN WITH THEIR CHINESE COUNTERPARTS

Victoria hosted the prestigious Boao Forum for Asia in December 2016, connecting the most senior international business and government leaders with influencers from across the Asian region and from Victoria. Victoria has also hosted the Australia–China Emerging Leaders Summit and supported the Australia–China Youth Dialogue held in Beijing. These events are an opportunity for young leaders to lead discussions on strengthening the bilateral relationship.

Victoria's relationship with China in the education and health sectors has strengthened since significant agreements were signed with the Chinese Ministry of Education in 2016. The exchanges between students, teachers and researchers that resulted are building strong cross-border connections and deeper cultural understanding.

## SUPPORTING CHINESE COMMUNITY BUSINESSES TO GROW

The Victorian Government invited Chinese Victorians to a free bilingual forum to hear expert advice on growing and succeeding in small business in late 2017. Guest speakers included Minister for Multicultural Affairs, the Hon Robin Scott MP, and Small Business Victoria Director Barbara Cullen. Attendees received information, practical training and free resources to help them innovate and plan for the future. Through Small Business Victoria, the Victorian Government is committed to assisting all Victorians to continue growing economic capital for the benefit of their families and communities.

# 38% ↑

Increase in enrolments in Victorian classes and courses from Chinese students over the past two years. In 2017, there were 80,137 enrolments of Chinese students.

# 21% ↑

Increase in students studying Chinese language over the past two years. In 2017, over 77,000 students were studying Chinese across 272 Victorian Government schools, and Victorian School of Languages.

# >1200

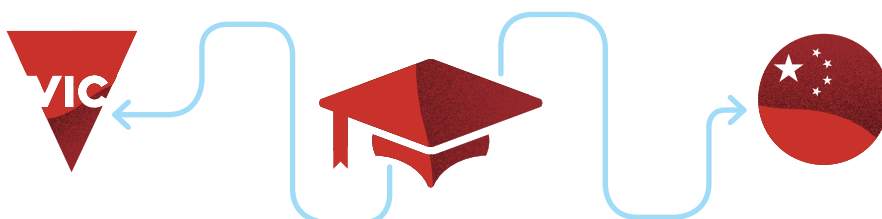
Students and teachers that have participated in the Victoria Young Leaders to China Program since 2014.

# 1220

Victorian Certificate of Education (VCE) enrolments across 15 Chinese provinces and municipalities. 27 schools in China are delivering the VCE in partnership with seven Victorian schools.

# 385

Victorian Government grants supporting around 140 Chinese community groups, totalling almost \$2 million.





# Victoria is leading the way in partnering with the Chinese Government to deliver mutually beneficial outcomes.

Our engagement with China is founded in the cherished relationships we have with our sister provinces — Jiangsu and Sichuan. Since the release of the Strategy, Victoria has also developed stronger connections with China’s national government. These relationships are more than transactional — they are grounded in meaningful partnerships and trust, and are creating opportunities for the private sector to engage and create jobs.

## VICTORIA’S PARTNERSHIP WITH CHINA’S NATIONAL DEVELOPMENT AND REFORM COMMISSION

In a world first, the Victorian Government signed an agreement with China’s National Development and Reform Commission (NDRC) on public private partnerships (PPPs) in March 2017.

The occasion marked the first time the NDRC has entered into an agreement with a sub-national government on this subject, recognising Victoria as a valued partner.

The Victorian Government is regarded as an international leader in the delivery of privately financed infrastructure and as one of the early adopters of PPPs.

Since the agreement was signed, the partnership has strengthened through reciprocal visits. Victorian education providers joined the Premier in Beijing where they were introduced to senior NDRC officials to discuss delivering training on PPPs in Melbourne.



*“China is committed to developing an open economy and sharing opportunities with other countries. Designed to promote mutual trust and seize the opportunities of China’s development, Victoria’s new China Strategy has been instrumental in enhancing economic cooperation and people-to-people connections with China, bringing tangible benefits to people on both sides. This has set a good example for China-Australia cooperation at the province-state level.”*

**Mr Zhao Jian**  
Chinese Consul General in Melbourne



NDRC Chairman, He Lifeng and Premier Daniel Andrews sign the historic MoU on PPPs in 2017.

## IAIN UREN, HAMER SCHOLARSHIP ALUMNA

The Victorian Government’s Hamer scholarships improve language skills and strengthen cultural awareness to support Victorian professionals to engage with Asia. After completing a Hamer Scholarship program in China, Iain Uren began working at Ausfine Foods International, a commodity trade company specialising in meat and dairy. As a trader and now a finance and risk analyst, Iain’s experience as a Hamer Scholar assisted him to develop language skills and cultural understanding to engage with clients from all around China. Iain’s skills enable him to discuss the company’s export capabilities and breadth of international trade experience. To date, 143 Victorians have received Hamer scholarships to study in China.





President Xi Jinping at the Belt and Road Forum.

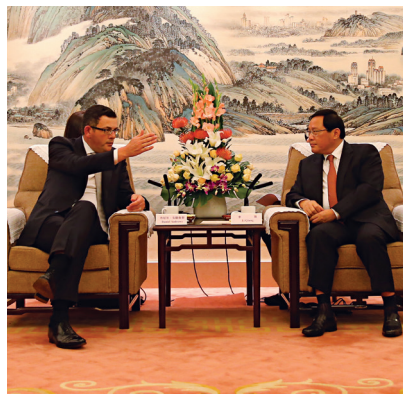
**THE VICTORIAN GOVERNMENT IS ENGAGING WITH CHINA AT THE HIGHEST LEVELS**

Upholding a Strategy commitment, the Premier has been to China every year and all Ministers have been to China during this term of Government.

Victoria's commitment was recognised when the Premier was the only state leader invited to the prestigious Belt and Road Forum in May 2017. Joining more than 90 world leaders in Beijing, the Premier delivered a speech on opportunities to collaborate with China on major infrastructure projects.

The Premier has also met the most senior national leaders from China during their visits to Australia, including Premier Li Keqiang, Foreign Minister Wang Yi, and Chairman He Lifeng of the NDRC.

In November 2017, the Victorian Government hosted the Australia–China High Level Dialogue in Melbourne, highlighting Victoria's position as Australia's leading state in engaging with China.



Premier Daniel Andrews and former Party Secretary of Jiangsu, Li Qiang (current Party Secretary of Shanghai).

**VICTORIA'S RELATIONSHIP WITH JIANGSU, OUR OLDEST SISTER-STATE, CONTINUES TO FLOURISH**

Building on the Premier's visits to Jiangsu in 2015 and 2016 and Governor Shi's visit to Victoria in 2017, in July 2017 the inaugural Victoria–Jiangsu Executive Leadership Program was held. The heads of all Victorian Government departments went to Nanjing for the first time to build connections, understanding and reciprocal agreements.

Victoria and Jiangsu will celebrate the 40th anniversary of the sister-state relationship in 2019.



Premier Daniel Andrews with students and the Principal of Xinhua School at a Melbourne Victory soccer clinic in Chengdu.

**A SISTER-STATE AGREEMENT WITH SICHUAN IS ALLOWING NEW COOPERATION WITH WESTERN CHINA**

In 2016 Victoria entered into a modern and ambitious sister-state agreement with one of China's fastest-growing regions, Sichuan.

The relationship is already delivering benefits for both sides, including through sports partnerships and Liveability Victoria International's collaboration to develop smart and liveable cities.

# Victoria is delivering on the directions set out under the China Strategy

Together, Victoria and China have achieved many great things. Our partnership for prosperity has been dynamic, fruitful and most importantly mutually beneficial. But we won't stop there. While we celebrate the strides we have made, we will continue to look to the horizon for more ways to strengthen our partnership.

## DIRECTION ONE

Strengthen government alliances within China's economic development zones

### Action: Strengthen government to government relationships and create new economic opportunities

- ▶ All Ministers have travelled to China and the Premier has visited China each year.
- ▶ The Premier has met high ranking Chinese officials including President Xi Jinping, Premier Li Keqiang and Foreign Minister Wang Yi as well as the leaders of Jiangsu and Sichuan.
- ▶ Signed national level agreements in education, health, culture and public private partnerships.

### Action: Grow sister-state relationships with Jiangsu and Sichuan

- ▶ Formalised sister-state agreement with Sichuan in September 2016.
- ▶ Reciprocal visits with senior Sichuan Government officials, education institutions and private sector on liveability, including water, environmental protection and urban design through Liveability Victoria International.
- ▶ Held public service leadership exchange with Jiangsu.
- ▶ Eleven new collaborative agreements signed with Jiangsu, including in medical research, clinical workforce training, urban development, innovation and technology, science and entrepreneurship, and liveability.

### Action: Expand the Victorian Government Trade and Investment network in China

- ▶ Ms Lisa Renkin appointed Deputy Commissioner for Victoria based in Western China in 2017.
- ▶ Increased resources in the Victorian Government Trade and Investment (VGTI) offices in China.

## DIRECTION TWO

Establish Victoria as Australia's centre of excellence for Asia insights and capabilities

### Action: Ensure Victorians have an international experience as part of their studies

- ▶ Victorians participated in the Victorian Young Leaders to China Program (which received a national award for excellence in international education), Hamer Scholarships and Sir John Monash Scholarships.
- ▶ Implemented the Leading Asia Capable Schools Program.
- ▶ Established more sister school partnerships.
- ▶ Provided opportunities for scholars to study at Sichuan University.
- ▶ Provided \$25,000 support for the Australia China Youth Dialogue in Beijing in September 2017.
- ▶ Provided \$10,000 support for the Australia China Emerging Leader's Summit in Melbourne in July 2017.

### Action: Emphasise Asia literacy in school curriculum and Asia capabilities of the public service

- ▶ Collaborated with HANBAN on Chinese language program delivery in Victorian schools.
- ▶ Improved language skills and cultural knowledge of more than 800 public servants through the Asia Capabilities and Scholarships Program.

## DIRECTION THREE

Build connections through reciprocal cultural partnerships and new platforms for people-to-people engagement

### Action: Promote and develop new cultural collaborations, including under the agreement with the Chinese National Ministry of Culture

- ▶ Victoria hosted the National Ballet of China and the Tao Ye Dance Theatre.
- ▶ China hosted the Melbourne Symphony Orchestra, the Australian Ballet and Circus Oz.
- ▶ Victoria to send its largest ever design trade delegation to Hong Kong for the 2018 Hong Kong Business of Design Week.

### Action: Cultural exchange initiatives with sister-states, Jiangsu and Sichuan provinces

- ▶ Participating in the Chengdu International Sister Cities Sculptures Creation and Exhibition Program, to be launched in November 2018.
- ▶ Partnerships established between Melbourne Museum and Chengdu Museum, and State Library of Victoria and Sichuan Public Library.
- ▶ Melbourne Opera performed with Jiangsu Symphony Orchestra in Nanjing.

#### Action: Promote sports-based collaboration and exchange with China

- ▶ Exchanges in sports including tennis, basketball, soccer and AFL.
- ▶ Partnership between the Australian Camps Association to collaborate on the Health China 2030 program.

#### Action: Promote knowledge sharing and connections through Chinese community led cultural outreach programs

- ▶ Chinese community led involvement in promotion and creative development during AsiaTOPA, the Australia-China Emerging Leaders' Summit, the Australia–China Youth Dialogue and the Australia–China Association for Scientists and Entrepreneurs events in both Victoria and China.
- ▶ Support of Chinese community festivals and events, showcasing Chinese cultural traditions to the broader Victorian community.

#### Action: Establish a Chinese film festival and stage a major Asia Pacific performing arts festival in Melbourne

- ▶ Supported the Melbourne International Chinese Film Festival in 2015 and 2016.
- ▶ Asia TOPA delivered from February to May 2017 to an audience of nearly one million people.

### DIRECTION FOUR

Attract investment to support Victoria's continued economic growth

#### Action: Promote the Government's infrastructure pipeline and improve China-specific investment assistance services

- ▶ Increased focus on China-specific investment facilitation.
- ▶ Major Chinese investments made into Victoria, including China Investment Corporation as a key partner investing in the lease of the Port of Melbourne and China Rail helping to build Victoria's new High Capacity Metro Trains.

#### Action: Provide more information and support to attract potential private Chinese investors

- ▶ Support for Chinese companies navigating new visa requirements, site location services and guidance on government policy.
- ▶ Updated Invest Victoria's priorities and resourcing, allocating \$200 million in funding across the recent State Budgets.

### DIRECTION FIVE

Support successful business engagement with China

#### Action: Support small and medium sized businesses to develop capability to identify opportunities and export to China

- ▶ Launched \$2 million Asia Gateway Program in early 2018 to provide Victorian companies support to increase their export capabilities with China and other key Asian markets. To date, 18 Victorian companies have been supported under the program to increase export activity with China.
- ▶ Delivered new skills and training programs.
- ▶ Worked with federal agencies to address barriers to trade.
- ▶ Researched Chinese consumer preferences.
- ▶ Facilitated business matching.

#### Action: Improve the outcomes of core business activities including targeted in and outbound missions

- ▶ Conducted highly targeted in and outbound missions including the multi-sector Victorian Invitation Program, where half of the international delegates at the annual VIP events have been from China.

#### Action: Attract Chinese e-commerce platforms to Victoria

- ▶ Attracted two of China's largest e-commerce companies, the Alibaba Group and JD.com, to establish their Australia and New Zealand regional headquarters in Melbourne.

#### Action: Better connect regional Victoria to potential partners in China

- ▶ Reaffirmed the Regional City Alliance between Victoria and Jiangsu at the 16th Victoria Jiangsu Joint Economic Committee in September 2016.
- ▶ Formalised bilateral relationships between Bendigo and Haimen, Ballarat and Yangzhou, Geelong and Lianyungang among others.

### DIRECTION SIX

Target trade activity according to Victoria's competitive advantages and identified market opportunities in China

#### Action: Support businesses to grow their exports to China through the Government's broader industry sector approaches

- ▶ Launched six Future Industries Sector Strategies in early 2016 to best support the growth of each sector, supported by the \$200 million Future Industries Fund.
- ▶ Launched Visit Victoria in 2016 to refresh Victoria's approach to the visitor economy.
- ▶ Launched the \$115 million Creative State Strategy in April 2016 to strengthen our creative and cultural industries.

#### Action: Apply a more targeted approach to trade missions to reflect Victoria's competitive strengths and new opportunities arising from the China-Australia Free Trade Agreement

- ▶ Delivered trade missions targeted to growth sectors where Victoria's offerings are well-matched with demand in China and vice versa, including in food and fibre, health and medical technologies, engineering and professional services, creative industries and e-commerce.



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