



**Australian Government**

**Austrade**

Thursday, 24 November 2005

Dr Kathleen Dermody  
Secretary  
Senate Foreign Affairs, Defence and Trade References Committee  
Suite S1.57  
Parliament House  
CANBERRA ACT 2605

**DRAFT**

Dear Dr Dermody

Reference is made to the Committee's current inquiry on Relations with China.

Austrade notes that the Committee's initial Report to the Senate on the reference was tabled on 10 November 2005, and that the Report contains a number of recommendations regarding Australian trade with China and – in particular – in relation to Austrade's role in improving and encouraging that trade.

Austrade does wish to lodge a submission to the Committee which sets out up-to-date detail of its current role and presence in China, and of the achievements made to date in enhancing and Australia's export trade with China.

Austrade was originally scheduled to make a presentation to the Committee in August 2005 at a hearing which was postponed.

Due to a breakdown in communications, Austrade's submission which was specifically prepared for presentation at that hearing - was not forwarded to the Committee upon its completion in September 2005.

Austrade's submission is attached and Austrade requests it be considered by the Committee in its further deliberations on the reference and to the matters covered by the submission. Austrade is ready to provide further information or detail of matters dealt with in the submission, if required.

Contact on any matter arising from the submission or this letter can be addressed to the writer (as below).

Yours sincerely,

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## **Austrade Submission**

# **INQUIRY INTO AUSTRALIA'S RELATIONSHIP WITH CHINA**

**Senate Foreign Affairs, Defence & Trade Committee**

**September 2005**

## **Contents**

TRADE OVERVIEW	3
Value of Trade	3
Profile of Australian Exporters in China	3
OVERVIEW OF INDUSTRY SECTORS	3
AUSTRADE CHINA STRATEGY AND ACTIVITIES	5
Market Coverage	5
Assistance In-market	6
Strategies in China	6
Strategies in Australia	7
APPENDIX	
Austrade Key China Contacts	8

## TRADE OVERVIEW

### Value of Trade

China is Australia's second largest export market and third largest trading partner. Merchandise exports are valued at \$A11 billion and grew by 20% in 2004. Services exports are valued at \$A1269m, making it Australia's 7<sup>th</sup> largest market for services.

Australian investment in China is \$A1.2billion and is concentrated in manufacturing, mineral exploration, legal, banking and education services.

### Profile of Australian Exporters in China

Australian exporters are enthusiastic and optimistic about China. This is reflected in recent and ongoing surveys of Australian exporters conducted by Austrade and global logistics firm DHL. Since the survey was first conducted in November 2003, China has been at or near the top the rankings of destinations from which exporters expect growth in their business. In each survey China has featured in the top 10 and on three occasions in the top 5 including one first and second ranking.

Austrade research conducted with the Australian Bureau of Statistics (ABS) shows that there are currently around **3245** Australian companies exporting to China, which makes China the 8<sup>th</sup> most important exporter destination for Australian businesses. In historical terms, China is also the fastest growing export destination over the past decade and a half. SMEs are also increasingly attracted to this market - according to the Sensis Business Index, around 10 per cent of all Australian SMEs who go international export to China, putting China in sixth place overall.

Austrade anticipates companies in a wide array of industries will continue to find opportunities in China and therefore seek to enter the market. In particular, it is anticipated that more service companies will head to China in the lead-up to the 2008 Olympics – particularly in environmental technology and engineering and construction to supplement strong growth in education, tourism and architectural services.

## OVERVIEW OF INDUSTRY SECTORS

Austrade estimates that about 25% of the resources of its China network are spent in support of resources and agribusiness, approximately 35 % on manufacturing and the remaining 40% on services. The section below provides a brief overview of current and emerging opportunity sectors for Australian companies in China.

### *Resources & Energy*

- In addition to Australia's already strong exports of minerals and energy related products, other sectors of opportunity - as the Chinese government seeks to modernise its mining industry - include: mining services and equipment; new mining technologies; and environmental related products and services.

### *Agribusiness*

- This sector offers rapidly expanding export opportunities throughout China. In addition to developing sectors of considerable opportunity like grains, fibres, hides and skins, horticulture and seafood, Austrade is also working with Dairy Australia, Meat and

Livestock Australia (MLA) and the Australian Wine Export Council on their targeted strategies for the China market.

### ***Automotive***

- A boom sector, the Chinese government recently stated ambitions to make the sector ‘a pillar of the national economy by 2010.’ With production reaching 5 million units in 2004 and automotive stock now in excess of 25 million, there are excellent prospects for specialty motor vehicles, investment in components, design services and the aftermarket sector.

### ***Infrastructure/Building & Construction***

- Key drivers in China’s economic growth – these sectors have led to considerable opportunities across the board, including design, architectural services, engineering services, advanced building materials, construction technology, fit-out and intelligent building systems.

### ***Olympics & Sport***

- Austrade has worked in close association with the Sydney Beijing Olympic Secretariat to secure deals for Australia in local sports sectors. To date, some 15 companies have won Olympic projects, mainly related to facilities design and development. With all facilities now under construction, the focus is shifting to procurement of goods and services and other aspects of Olympic preparation, including Olympic overlay, security, training and ceremonies. Other sports opportunities include Olympics sailing competition in Qingdao the Asian Games in 2010 in Guangzhou.

### ***Environmental Management***

- There are opportunities in all areas of environmental management including energy efficiency, recycling, waste management, water management, and environmental engineering and consultancy.

### ***ICT***

- China is a solid and maturing market for Australian providers of ICT products and services with the market for software, information services and network equipment valued at over US\$36 billion. Austrade is currently targeting opportunities in management (particularly financial and insurance services), transport and utilities (rail and energy), vocational training, and security applications (software and communications products).

### ***Biotechnology***

- Major opportunities for Australian companies exist in joint research and development, particularly in agribusiness and traditional Chinese medicine. Products related to pest monitoring and control without harmful environmental effects are of interest. Austrade is working on initiatives that promote integrated research and development and products which fall under the booming "health and well being" sector.

### ***Marine***

- Recreational boating is a new area of opportunity and typical of the many, sometimes surprising, niche markets now emerging in China. Recent marine exhibitions in Shanghai and Qingdao indicated strong consumer interest in boat ownership. A critical enabler is the provision of adequate marina and service infrastructure – which also offer promising market openings for Australian specialists.

## *Services*

- Due to the strong complementarities between the Australian and Chinese services sectors, this area offers promising and diverse opportunities for Australia, particularly in: education (post graduate and continuing); technical and vocational education (including industry-specific training); finance and insurance; management; franchising and consulting (particularly agribusiness and industrial). Another emerging trend is the growth in tourism to China, which, with the relatively underdeveloped state of Chinese tourist infrastructure, could present considerable opportunities for Australian tourism development companies.

## **A U S T R A D E C H I N A S T R A T E G Y & A C T I V I T I E S**

For operational purposes, Austrade groups China with Japan, Korea, Taiwan, Hong Kong, Vietnam and Taiwan under the 'North East Asia' (NEA) heading. All of these countries (bar Vietnam) are included amongst Australia's top 10 trade partners. Austrade's Regional Director for the North East Asia region, Mr Laurie Smith, has been based in China since October 2004.

### **Market Coverage**

The opening of 4 new offices in China this year (Ningbo, Shenzhen and Macau in July; and a fourth office in September) increases the total number of Austrade offices in China (including Hong Kong) from 11 to 15 locations.

The expansion of Austrade's China network is in response to the growth in opportunities in China; widening Austrade's geographic reach in this fragmented market, and to offer in-depth services in key sectors.

There are 3 types of Austrade offices in China. A 'hub post' with a Senior Trade Commissioner is located in the major cities of Beijing, Shanghai, Guangzhou and Hong Kong. These offices are responsible for regional sub posts in second tier cities and networks of trade correspondents (non employee 'opportunity spotters' and networkers working on Austrade's behalf) in third tier cities covering the major regions of China.

### **Austrade China Structure**

<i>Region</i>	<b>North China</b>	<b>East China</b>	<b>South China</b>	<b>Hong Kong</b>
<i>Hubs</i>	<b>Beijing</b>	<b>Shanghai</b>	<b>Guangzhou</b>	<b>Hong Kong</b>
<i>Sub-Offices</i>	Dalian Qingdao Xian	Hangzhou Nanjing Wuhan Ningbo	Kunming Chengdu Shenzhen	Macau
<i>Trade Correspondents</i>	4 of Harbin Tianjin Shijiazhuang Ulan Bataar Xian	4 Suzhou Wuxi Hefei Nanchang	4 of Chongqing Nanning Haikou Xiamen Changsha	

Including staff for the four new offices, Austrade will hire more than a dozen new marketing and business development specialists in China in the next six months, increasing the size of its China and Hong Kong team to almost 100. The expanded team will enable Austrade to better assist Australian clients across the full spectrum of industry sectors.

### **Assistance In-Market**

Austrade's network of offices and market development specialists facilitate Australian exporters' business dealings in China and reduce risk by:

- Scaling potential demand for products or services
- Identifying potential business partners, drawing on Austrade's extensive customer network
- Facilitating communications and negotiations
- Providing assistance with promotional events and strategies
- Troubleshooting
- Directing clients to expert advice on issues such as Industrial Property Rights protection
- Customer relationship management

In 2004-05 Austrade's China network (including Hong Kong) assisted over 950 clients achieved export success. Nearly 300 of these were first time exporters.

### **Strategies in China**

In 2005-06, Austrade China has a program of activities planned around key industry sectors where opportunities for Australian companies exist including mining, biotechnology, ICT, health and the automotive aftermarket. Examples of the types of activities include:

- Australian participation in major Chinese trade exhibitions in the building, sports infrastructure, consumer goods, aviation, food, automotive, mining, marine and environment sectors.
- Australian business missions to China from the education, mining, food, sports, building, equine and health sectors.
- Chinese buyer visits to major Australian trade events including the Austmine & Coal Summit, JAA Australian Jewellery Fair, Cosmoprof Expo, Ausbiotech, CEBIT 2005, FineFood, AAAA Exhibition and the RACV Homeshow.
- Chinese business delegation visits to major sporting events in Australia in the lead up to the 2008 Beijing Olympic Games including the Grand Prix and Commonwealth Games to promote Australian expertise in major event management and delivery.

Other Strategies include:

### ***Targeting Growth Regions: Greater Pearl River & Yangtze River Delta Regions***

The Pearl River and Yangtze River Delta regions are two of the fastest growing economies in China. To capitalise on the growth, Austrade recently opened 3 new sub offices – Macau and Shenzhen in the Pearl River Delta (PRD), and Ningbo in the Yangtze River Delta.

The opening of the two new sub offices in the Pearl River Delta, which together with offices in Hong Kong, and Guangzhou, provides Austrade with additional access to the

16th largest economy in the world with a GDP of more than US\$100 billion, a population of forty million and growing economic integration of the major centres. There are also 60,000 Hong Kong firms in Guangdong, and over US\$90 billion in Hong Kong investments in the PRD. With the PRD accounting for over 30% of China's imports and the highest disposable incomes in China, the PRD is a focal point for Australian export and investment activity in China.

The Yangtze River Delta area comprises Shanghai, Zhejiang and Jiangsu provinces. This region, led by the “dragon head” Shanghai, alone receives nearly half of China's total Foreign Direct Investment and has the highest per capita GDP. A major manufacturing base, the Yangtze River Delta is home to approximately 200 of China's leading private enterprises and industrial clusters. Australian exporter interest in this region has been keen, with nearly 700 Australian companies having invested in Jiangsu province, accounting for approximately a tenth of all foreign invested enterprises.

### ***Focus on greater China***

Austrade is also encouraging Australian exporters to leverage off its ‘greater China’ network of offices in China, Hong and Taiwan – assisting companies to incorporate the targeting of 3 Chinese markets in their business strategies.

To this end, Austrade’s Taiwan and China posts collaborated in a seminar series delivered in 9 locations throughout Australia from 17 March to 1 April 2005. The seminars entitled “Opportunities for SMEs in greater China” highlighted export opportunities in China-Taiwan and Hong Kong and the benefits for Australian companies in targeting these ‘greater China’ countries to leverage off their complementarities. Over 850 new and existing exporters attended the seminar series.

### **Strategies in Australia**

Austrade undertakes regular discussions with Australian and state government allies, stakeholders and industry associations to enhance coordination in its approach to assisting Australian exporters in the China market. For example, Austrade is currently discussing with relevant industry associations in Australia how it can work more closely with them in pursuing hot growth opportunities in China



## Appendix 2: Austrade Key China Contacts

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### **General Austrade Contact Points:**

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