



Invest & Trade
WESTERN AUSTRALIA



China Market Outlook

2022-23

Trade and investment opportunities
for Western Australian businesses



China market overview

Gross domestic product

US\$20 trillion

(China, Hong Kong, Taiwan and Macau combined – EIU 2021)

China is the most populous country in the world

1.445 billion

Mainland China population 1,413 million, Taiwan population 23 million, Hong Kong population 7 million and Macau population 0.7 million (EIU 2021)

2nd largest

economy in the world

China has a large, diverse and dynamic economy, offering a broad range of opportunities for Western Australian businesses looking for an export market or investment partnership. While mineral commodities are a large share of the value of Western Australia's exports with China, there are also export opportunities in energy, manufactured goods and services.

China's 14th Five-Year Plan (2021-2025) has a strong focus on making its economic growth sustainable, including by reducing emissions through new energy technologies and increasing scientific and technical capabilities. This may lead to growing opportunities in energy, mining equipment, technology and services (METS) and health and medical technology.

Western Australia's trade relationship with China

1987

Established the Invest and Trade WA Hong Kong office, which was relocated to Shanghai in 1996

\$143.6 billion

Largest trading partner in 2021-22

\$135.6 billion

Largest merchandise export market, with 80% of Australia's merchandise exports to China in 2021-22

Western Australian merchandise exports to China in 2021-22



80%

Iron ore



6%

Petroleum (mainly LNG)



6%

Non-monetary Gold

The Western Australian Government supports local businesses pursuing opportunities with China through Invest and Trade WA. This includes advice and assistance to Western Australian companies looking to export to China, Hong Kong and Taiwan, or attract investment to grow their business.

The relationship between Western Australia and China is also supported by the Sister-State Relationship Agreement with Zhejiang Province. Established in 1987, the relationship

provides a platform to continue to build trade, business and cultural relationships. Through the relationship, Western Australia and Zhejiang Province have developed bilateral projects in medicine, agriculture, water resource management, ocean science, policing, sports, culture and education. In September 2021, the Western Australia-Zhejiang Exchange Committee met to advance collaboration in the areas of vocational education and training (VET), new energy and cross border e-commerce.

Greater China, including Hong Kong and Taiwan, are key markets under Western Australia's Asian Engagement Strategy 2019-2030, which supports:

- » Maximising trade and investment opportunities
- » Asia literacy and capability
- » People to people links
- » Business networks and communities.

Australian investors and exporters receive preferential market access through free trade agreements (FTAs). Western Australian businesses looking to expand into China can reap the benefits of these agreements.

China-Australia Free Trade Agreement (ChAFTA)

The ChAFTA, which entered into force on 20 December 2015, has built on Australia's large and successful commercial relationship with China by securing markets and providing Australians with better access to China across a range of key sectors, including goods, services and investment.

The main benefits of ChAFTA include:

- » Increased access for Western Australian primary producers on barley, sorghum, seafood, sheep meat and a variety of horticulture. There will also be increased access to dairy, beef, wine and wool
- » Increased access to iron ore, gold, crude petroleum oils, LNG, coking coal, thermal coal, refined copper and alloys, aluminium oxide, zinc, aluminium, nickel and titanium dioxide. There will also be increased access to pharmaceuticals, car parts and engines, plastic products, opal and other precious stones
- » New or significantly improved market access commitments for Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters, as well as health, aged care, construction, manufacturing and telecommunications services businesses in China
- » Reduced barriers to labour mobility and improving temporary entry access within

the context of each country's existing immigration and employment frameworks and safeguards.

Australia Hong Kong Free Trade Agreement (A-HKFTA) and associated Investment Agreement

The A-HKFTA and associated Investment Agreement entered into force on 17 January 2020.

The main benefits of the A-HKFTA include:

- » Locking in the elimination of tariffs, giving certainty for Australian exporters that Hong Kong will continue to provide duty free entry
- » Increased certainty for Australian service providers and investors and locked in continued access for Australian exporters of education, financial and professional services to the Hong Kong market.

Regional Comprehensive Economic Partnership Agreement (RCEP)

RCEP negotiations were launched in November 2012 between the Association of Southeast Asian Nations (ASEAN includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and ASEAN's FTA partners (Australia, China, India, Japan, New Zealand and South Korea). On 15 November 2020, Ministers from 15 countries signed the Agreement.

The main benefits of RCEP include:

- » Increased opportunities for Australian business to build and access regional value chains and significantly reduce the burden of complying with rules of origin
- » Increased market access, including in education, healthcare and other business services
- » Core investment protection, providing greater protection for Australian investors in these markets
- » Easier access to enter and work in RCEP markets
- » Easier access to government tenders and provided certainty for intellectual property rights holders.

For further information on FTAs with China visit: ftaportal.dfat.gov.au

Trade and investment opportunities with China

An outline of trade and investment opportunities with China is provided below, categorised under Western Australia's key industry sectors.

Each section also describes the Western Australian Government's actions to support businesses pursuing these opportunities in 2022-23. The actions are a combination of initiatives to assist Western Australian businesses to develop their export capability (sector-based) and activities that specifically support trade and investment opportunities with China (market-based).

The COVID-19 pandemic has affected both the opportunities that can be pursued and the way the Western Australian Government can practically support Western Australian businesses. The Western Australian Government has adapted its approach to best support ongoing engagement with the Chinese market and will continue to adapt as the COVID-19 situation evolves in China.

Energy

Given China has the largest energy demand of any country and Taiwan and Hong Kong have high per capita energy consumption, energy is a key component of the trade and investment relationship.

Western Australia's energy relationship with the region has to date been based largely on Liquefied Natural Gas (LNG) exports to China and Taiwan. While LNG imports will continue to be an important part of the energy mix of China and Taiwan, the energy relationship between Western Australia and the region is likely to shift more to cleaner energy.

China is the world's largest battery electric vehicle market. In 2020, almost 1 million new battery electric vehicles were registered in China, which was almost half of the world's total (International Energy Agency April 2022). With policies to increase both the production and use of battery electric vehicles in China, there will be ongoing demand for battery minerals and components.

China is already Western Australia's largest market for battery minerals exports and has invested in battery minerals projects in the State. There are likely to be opportunities to expand the trade and investment relationship for battery minerals as demand in China grows.

Western Australian Government actions

- » Facilitate projects to stimulate the renewables industry in Western Australia, including implementation of the State's Renewable Hydrogen Strategy.
- » Work with partners in China to attract investment into downstream battery materials processing such as precursor-cathode active materials (CAM) and CAM manufacturing.
- » Facilitate engagement between Western Australian businesses and China's remote and renewable power sectors.
- » Connect Western Australian industry to investment opportunities in the Chinese LNG sector and facilitate business meetings and seminars to promote joint ventures and partnerships.
- » Extend the Australia China Natural Gas Technology Partnership Fund.
- » Continue to implement Western Australia's Lead Agency Framework to facilitate major projects and proposals in Western Australia.

Tourism, events and creative industries

While COVID-19 has disrupted international tourism, China remains a priority tourism market for Western Australia.

Greater China, including Hong Kong and Taiwan, ranked fifth, tenth and nineteenth, respectively, for international visitors to Western Australia in 2019, with a combined 118,000 visitors. These visitors spent a combined \$499 million in Western Australia in 2019¹.

Tourist attractions in regional Western Australia are of particular interest to many visitors from China.

¹ Due to COVID-19 travel restrictions from 2020-2022 the composition of international visitors in these years was significantly different from previous years. International visitor statistics for 2019 provide a better representation of the relative size of each market.

Western Australian Government actions

- » Establish Western Australia as the most desirable destination choice for international leisure visitors through the delivery of a new world-class tourism brand.
- » Reconnect China with Western Australia through enhanced in-market tourism promotion and engagement with key partners.
- » Investigate opportunities for direct aviation services between China and Western Australia
- » Support key distribution partners in-market to promote Western Australia as a premier tourism destination.

International education

Greater China, including Hong Kong and Taiwan, collectively accounted for 19% of international student enrolments in Western Australia in 2021. China is the largest market for higher education, schools, English language courses and non-award courses, while Taiwan ranks highly for English language and VET courses. Hong Kong ranks highly for schools and non-award courses.

While China remains a large prospective market for new enrolments, education providers will need to adapt to the changing nature of education in China. For example, China plans to increase the use of smart technologies in education (such as artificial intelligence in primary and middle school), enhance industry integration in the VET sector and promote physical education in schools through people-to-people exchanges in sports.

The Education Business Development Manager based in the Invest and Trade WA Shanghai office works with education agents across China to promote Western Australia as an education destination, including undertaking education agent training and familiarisation tours.

Western Australian Government actions

- » Leverage the State's offshore international education marketing campaign in-market.
- » Work with education agents in the region to elevate the profile of Western Australia's education sector and promote study programs offered by Western Australian universities and vocational education institutions.
- » Work with StudyPerth to promote Western Australia as a study destination of choice to education institutions and students in Greater China.
- » Gather intelligence to provide regular updates on in-market activities and trends to inform Western Australia's international education policy.
- » Collaborate with Western Australian education providers to undertake promotional activities and roadshows in China to assist universities and pathway providers in student recruitment.
- » Deepen offshore Western Australian student engagement through engaging with Western Australian alumni in China and facilitating networking activities.
- » Support international education consortia activities in Western Australia and China, including through the Education Business Development Manager in the State's Invest and Trade WA Shanghai office.
- » Promote Western Australia as a favoured education destination in China, including by:
 - » collaborating with education agents on relevant events and programs that promote the Western Australian School Curriculum and Standards Authority (SCSA), universities, TAFE institutions and public and private schools
 - » exploring the possibility of the SCSA offering the Western Australian pre-primary to Year 10 curriculum to select education institutions in China.
- » Support Western Australian universities to expand their student, academic and research links in China.

Mining and mining equipment, technology and services (METS)

China's economic growth and industrialisation has created high demand for a range of mineral commodities, including iron ore, nickel and copper. Western Australia is a large scale and stable supplier of these commodities. Securing supply of resources is a key priority for China, which creates opportunities for investment partnerships.

China's own mining industry is large and faces similar challenges to Western Australia's industry in the areas of safety and environmental management. This creates opportunities to develop partnerships in METS.

Western Australian Government actions

- » Continue to streamline approvals processes and regulatory reforms to create a more attractive investment environment for the mining industry.
- » Promote Western Australia as an option to fulfil mining industry skills shortages and provide expertise, including in offshore exploration and extraction, decommissioning and autonomous technologies.
- » Attract investment into critical minerals projects in Western Australia by:
 - » facilitating understanding of Western Australia's potential as a secure and reliable supplier and processor of critical minerals (including rare earth elements)
 - » developing investment attraction and trade promotion strategies for China.

Health and medical life sciences

With rising incomes and changing demographics, the demand for quality health services is increasing across China.

Health service providers in Western Australia have experience and expertise that could help improve the delivery of health and aged care services in China. There are opportunities for partnerships in telehealth, remote servicing, aged care services and training.

The Western Australian Government established the Future Health Research and Innovation Fund. The fund aims to drive health and medical research, innovation and commercialisation to better position the State as a leader in research and innovation and provide opportunities for collaboration with international partners.

The Western Australian Government has also developed the State's first Health and Medical Life Sciences Industry Strategy. As one of the fastest-growing regions in Australia for health and medical life sciences, this strategy aims to drive the growth of the industry that spans digital health, medical technology, biotechnology, pharmaceuticals and health and wellness. The strategy focuses on attracting investment, growing research and development and commercialising medical products and services.





Western Australian Government actions

- » Implement the Health and Medical Life Sciences Industry Strategy.
- » Identify and undertake opportunities to engage with key international markets to promote Western Australia as a destination for investment and partnership in health and medical life sciences.
- » Implement the Future Health Research and Innovation Fund and develop and implement communication tools to enable engagement with current and potential fund stakeholders.
- » Develop a strategy to attract investment capital, expertise and technology partnerships into Western Australia's technology and services fields.
- » Promote Western Australia's capabilities in aged care to the Chinese market.
- » Facilitate partnerships and joint ventures between companies in China interested in Western Australia's aged care sector and the medical technology research community.

Primary industries

China is the largest market for Western Australia's exports of agricultural commodities. As their incomes grow, consumers in China are increasingly interested in high-quality, fresh, clean, safe and value for money produce.

Western Australian producers may have opportunities to increase supply of seafood,

beef, lamb, citrus, health products and food and beverages. The State's reputation as a reliable supplier of clean, safe and high-quality food and its existing agricultural trade relationship, provides a platform to increase supply of these products to China.

The sale and promotion of agricultural products in China through e-commerce and live streaming is increasing. Food safety is also playing a more important role in consumer decisions, creating a need for source authentication and traceability.

Western Australian Government actions

- » Increase visibility of Western Australia's agrifood commodities and premium products in China.
- » Strengthen links with retailers, hotel and restaurant operators in China to assist Western Australian agrifood industries to access new market opportunities.
- » Further leverage Western Australia's success in exporting products to the Chinese market.
- » Explore opportunities for Western Australian exporters to utilise e-commerce platforms.
- » Attend and host events to promote Western Australian agribusiness capabilities including attending the Shine Australia series and the delivery of the Primary Industries Sector Connect event in Zhejiang.
- » Support Western Australian agribusinesses to invest in new market development projects, including in the food and beverage industry.



Western Australian business success with China

Cizzy Bridal

A Round 3 Access Asia Business Grant helped Perth-based wedding gown designer Cizzy Bridal Australia (Cizzy Bridal) establish a foothold in China's lucrative bridal gown market.

In 2021, Cizzy Bridal was awarded \$14,100 under Invest and Trade WA's Access Asia Business Grants program to fund the production of its first-ever virtual catwalk show and the accompanying social media campaign.

The Access Asia Business Grant helped Cizzy Bridal achieve its key objective of establishing a digital presence on the popular Chinese social media platforms WeChat and Little Red Book, as well as to connect with potential Chinese bridal gown stockists. Notably, the show resulted in all 18 of the showcased gowns being ordered by stockists in China.

Cizzy Bridal credited the Access Asia Business Grant with helping the company to establish a foothold in the Chinese market and providing it with an excellent launch pad for future virtual catwalk shows and engagement with other Asian markets.



Image credit: Christobel Saunders, University of Western Australia

Western Australia-Zhejiang 35th Anniversary celebration

Western Australia and Zhejiang Province celebrated the 35th anniversary of their sister-state relationship on 31 May 2022. Premier Mark McGowan and Zhejiang Governor Wang Hao co-hosted the virtual opening ceremony that included cultural performances, memoranda of understanding signings, speeches and gift exchanges.

The renewed Sister-State Relationship Agreement includes opportunities for working together to achieve economic outcomes in primary industries, technology, new energy and health and medical life sciences. In addition, it commits to continue supporting people-to-people exchanges between schools, business councils and government agencies.

The 35th Anniversary celebrations also included a WA-Zhejiang Sector Connect Event focusing on health and medical life sciences.

The WA-Zhejiang Health and Medical Life Sciences Sector Connect Virtual Event was a collaborative effort by the Department of Jobs, Tourism, Science and Innovation, MTPConnect WA Life Sciences Innovation Hub and Hangzhou Tianhe High-Tech Industrial Park. The Sector Connect Event provided a platform for the life sciences sectors of both regions to share knowledge and promote capabilities and infrastructure for incubators. This event was attended by 50 people in Zhejiang and Perth.



Western Australian Government support

Western Australia established an Invest and Trade WA office in Hong Kong in 1987, which was relocated to Shanghai in 1996 to support Western Australian businesses seeking to access trade and investment opportunities in China.

The Invest and Trade WA Shanghai office has established a strong network of contacts to support Western Australian businesses in China. This includes close working relationships with the Australian Embassy in Beijing and with the Australian consulates in Shanghai, Chengdu, Guangzhou, Shenyang and Hong Kong.

In 2020-21, Invest and Trade WA moved to a regional hub model. The Invest and Trade WA Shanghai office operates as part of the China regional hub, providing the following services:

- » Advice on markets in China and specific trade and investment opportunities
- » Advice on market-entry strategies
- » Supporting in-market promotion
- » Attend visits facilitating introductions to potential customers and partners.

