



**The Role and Policy of the South Australian
Government in the Development of Economic Ties
with Asian Nations**

by

Masaki Minami

**Centre for Asian Studies
The University of Adelaide**

**A thesis submitted for the degree of Master of Arts in The
University of Adelaide**

December 1997

Contents

List of Tables and Figures	vi
List of Abbreviations	vii
Research Declaration	viii
Acknowledgment	ix
Abstract	x
Chapter One: Introduction	1
Subnational governments in the international scene	2
Imperatives for the involvement of subnational governments in the international arena	3
Methods and types of international activities of subnational governments	8
Target nations of subnational governments	12
The conditions for the foreign policies of Australian state governments	16
• Motives	17
• Methods and target nations	20
Is the SA Government less positive to develop economic ties with Japan?	22
The structure of this thesis	25
Chapter Two: The Motives and Methods of the SA Government in International Activities	27
Motives of the SA Government for involvement in international economic activities	27
Structure for international activities in the SA Government	30
• Economic Development Authority	31
• Department of the Premier and Cabinet	34
• The evolution of South Australian Development Council	35
• Other international economic players	36
Overseas representative offices	38
The SA Government's development of commercial ties with foreign nations	39
Conclusion	43

Chapter Three: The Strategy of the SA Government in Economic Relations with Asia	44
Growing Asian markets and the strategy of the SA Government	44
SA Government policy for economic links with Japan	48
• The significance of Japan in the SA economy	48
• The recent history of the government's attention to Japan	49
The growth of the South Australian Government's interest in other Asian nations	52
• Chinese economies	53
• Singapore, Malaysia, and Indonesia	59
• Other major nations in Asia	63
Comparison of the SA Government's strategy towards Japan with the strategies towards other key Asian markets	65
Chapter Four: Merchandise Trade	70
Motives of the SA Government in the promotion of exports	70
The strategies of the SA Government in the encouragement of the state's exports	73
The government's approaches to Asian markets	75
Case study: food and beverages	80
• Activities of the EDA and its overseas offices to promote food exports to Asia	80
• The involvement of the SA Government in promoting wine exports to the Japanese market	83
Conclusion	89
Chapter Five: Service Trade	91
Case study: tourism	92
• The motives of the SA Government for involvement in international tourism	92
• Players and methods in the SA Government's activities to attract international tourists	95
• The strategies of the SATC regarding its target nations	98
• Differences in the strategies of the SA Government towards Japan and other Asian nations	102

Case study: education	105
• International students in Australia and the involvement of the SA Government	105
• Motives for the involvement of the SA Government in the promotion of exporting education services	107
• The activities of the SA Government to promote exports of education	108
• Target nations in the SA Government's recruiting of international students	111
• Potential for the deeper involvement of the SA Government in the export of education services	113
Conclusion	116
Chapter Six: Investment	118
The motives of the SA Government's involvement in attracting foreign investment	118
Means of attracting foreign investment	120
Strategies of the SA Government to attract investment from Asian nations	123
Case study: information technology industry	125
• The development of the SA Government's interest in the IT industry	126
• Activities of the SA Government to attract inward investment to the state's IT industry	128
• The SA Government's approaches to Japan and other Asian nations in the IT industry	129
Conclusion	132
Chapter Seven: Sister Relationships	134
The history of the SA Government's sister relationships	137
• Okayama Prefecture	137
• Shandong Province	139
• Province of West Java	140
Players in the SA Government involved in sister relationships	140
The economic activity in SA's sister relationships	142
• Economic aspects in the sister relationship with Okayama	142
• Economic aspects in the sister relationship with Shandong	143
Results from the economic focus of sister relationships	144
Potential benefits of sister relationships for the SA economy	146

Conclusion	150
Motives for the SA Government to be involved in the development of economic ties with foreign nations	150
Methods for the SA Government to develop economic ties with foreign nations	151
Target nations in the international economic activities of the SA Government	152
Appendices	155
Appendix 1: List of interviews	155
Appendix 2: List of organisations which provided information to the author	157
Appendix 3: The structure of the Department of Industry and Trade	158
Appendix 4: SA's exports to Asian nations from 1989-90 to 1995-96	159
Appendix 5: Wine exports from SA to Asian countries (1992/93 - 1996/97)	159
Appendix 6: Questionnaire sent by the author to SA wine exporters in August 1997 and the results from responses	160
Appendix 7: International tourists in Australia and SA by origin of country	164
Appendix 8: The top 10 countries of origin of overseas students in South Australia in 1996	165
Bibliography	166

List of Tables and Figures

- Tables

Table 4.1:	SA's top 15 merchandise export markets in 1988-89 and 1995-96	75
Table 4.2:	SA exports of major commodities to Asian nations in 1995-96	81
Table 4.3:	Australia's top eight wine markets in 1995-96	84
Table 4.4:	Wine exports from Australia and SA to the world and to Japan	84
Table 4.5:	SA wine exports by size	85
Table 4.6:	Number of SA wine firms exporting to major overseas markets by size	86
Table 7.1:	Sister relationships of Australian states	136

- Figures

Figure 2.1:	The organisational chart of EDA	32
Figure 3.1:	The structure of South Australian Office in Tokyo	67
Figure 5.1:	The structure of International Marketing Group	96

List of Abbreviations

ADL:	Arthur D. Little (Report)
AIEF:	Australian International Education Foundation
ATC:	Australian Tourist Commission
Austrade:	Australian Trade Commission
AWEC:	Australian Wine Export Council
BID:	Business Investment Division
DECS:	Department for Education and Children's Services
DETAFE:	Department for Employment, Training and Further Education
DITT:	Department of Industry, Trade and Technology
DPC:	Department of the Premier and Cabinet
DSDT:	Department of State Development and Technology
EDA:	Economic Development Authority
EDB:	Economic Development Board
EDAB:	Economic Development Advisory Board
ELICOS:	English Language Intensive Course for Overseas Students
EMDG:	Export Market Development Scheme
IBD:	International Business Division
IBS:	International Business Services
ISP:	International Student Program
IT:	Information Technology
MACAJ:	MFP Australia Cooperation Association of Japan
MFP:	Multifunction Polis
MFPDC:	MFP Development Corporation
MISBARD:	Department of Manufacturing Industry, State Business and Regional Development
NECS:	New Exporters Challenge Scheme
NSW:	New South Wales
NT:	Northern Territory
SA:	South Australia
SACFM:	South Australian Centre for Manufacturing
SADC:	South Australian Development Council
SATC:	South Australian Tourism Commission
TAFE:	Technical and Further Education
WA:	Western Australia

Research Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

Signed: _

Date: 23 June 1998

Acknowledgments

There are a number of people that I wish to acknowledge for their contributions to the research of this thesis. First of all, I am sincerely grateful to my supervisor, Professor Purnendra Jain, for his thoughtful encouragement and substantial advice throughout my study. His patient and timely guidance was extremely helpful for this research. I also thank staff and colleagues in the Centre for Asian Studies for their support and friendship. Especially, my gratitude goes to Donna Brunero, who assisted my editing of this thesis. The cooperation of the staff in the South Australian Government and other organisations is greatly appreciated. Many of these staff were kindly interviewed by me and in some cases provided useful information for my research.

I am grateful to my family for their support and understanding. Finally, I wish to express my thankfulness to Soo-jung Yoon for her encouragement and faith in me.

Abstract

While national governments are widely recognised as major players in international relationships, subnational governments, such as state and provincial governments, have recently increased their presence in the international economic scene in response to the globalisation of the world economy. The foreign economic activities of subnational governments have gained the attention of scholars, particularly in the US and Canada. Nevertheless, the range of research on subnational governments on this subject is still limited in comparison with studies on national governments, and noticeably little research has been done on Australian state governments.

This research examines the South Australian Government as a case study of subnational governments in the international economic scene. It specifically investigates motivations for the pursuit of external economic interests, methods for those activities, and the critical elements in deciding target nations. In terms of target nations, I focus on the government's strategy towards Asian economies generally, and towards Japan more specifically. To analyse these factors, this thesis explores the SA Government's activities over the last decade in export promotion of goods and services, attraction of foreign investment, and the use of sister relationships for commercial purposes.

This study has revealed that the major motives which have encouraged the SA Government, as well as many other subnational governments, to be involved in international economic activities are global economic interdependence, mistrust of central governments' activities, and competition with other subnational governments. Important tools adopted in subnational activities in the global scene have included: overseas offices, trade missions, programs to encourage small firm exports, packages to attract foreign investment, and special relationships with foreign counterparts. These methods are also employed by the SA Government, and its overseas offices, especially, play an important role.

The SA Government has paid greatest attention to Asian economies, namely Japan and other countries such as China and South-East Asian nations, mainly due to their economic significance. It is important to examine the SA Government's strategies towards its target nations. The exploration of these strategies identified some significant differences between its strategies towards Japan and other key Asian markets. The SA Government has been less active in sending trade missions to Japan and, instead, sought more effective approaches in enhancing economic ties with Japan, such as greater focus on the operation of the Tokyo office. The government's recognition that Japan is difficult to develop further economic ties with, but too important to ignore, influences these strategies.



Chapter One

Introduction

This is a case study of the involvement of subnational governments, in international economic fields. By subnational governments, I am referring to governments at lower levels than national governments, namely, state and provincial governments. While the activities of national governments are conspicuous in the global arena, subnational governments have been encouraged to advance to the international field, and also increased their presence in external relationships, particularly in the last few decades. This research examines the activities of the South Australian (SA) Government as a case of the engagement of subnational governments in the global sphere. While this study covers the issues for a decade from the late 1980s, the main emphasis is on the current issues particularly between 1994 and 1997.

This thesis analyses the role and policy of the SA Government in enhancing the state's economic ties with foreign nations, with the focus on Asian nations. The main objectives of this research are: the identification of the key factors that have prompted the SA Government to engage in international economic activities, an examination of how the government pursues such interests, and the motivations prompting the government to make efforts to develop the state's commercial linkages with certain nations. In terms of target nations, this study primarily focuses on the strategies of the government towards Asian economies, this being due to their significance for SA and the government's attachment of importance to them. I pay special attention to the government's approaches to Japan and compare it with other Asian nations targeted by the SA Government. I address this issue particularly because the government appears to foster a less positive attitude towards Japan than towards other Asian key markets despite Japan's prominence in the SA economy.

This introductory chapter reviews literature on the international involvements of subnational governments. This survey will serve as a framework of my analysis for the SA Government's case. This chapter has four main aims. First, I will review the international activities of subnational governments by means of literature survey, especially focusing on those activities in US, Canada, and Japan. This will clarify the main motives, methods, and factors for deciding target nations. Second, I will apply the results of the literature review to the case of Australian states, and identify Australian states' great attention to Asian countries. The third section is aimed at bridging the literature survey and the study of the SA Government in this thesis. This section also examines the question of the SA Government's attitude towards Japan. The final part of this chapter outlines the structure and main arguments of the subsequent chapters.

Subnational governments in the international scene

The following discussion seeks to establish a framework for the analysis of the SA Government by means of reviewing literature on the international activities of subnational governments. While this does not mean that generalised patterns can be applied to every case of such subnational activities, it will be helpful in clarifying the features of the involvement of subnational governments in the international arena, and establishing a method for analysing the case of SA.

The following literature review aims to clarify the international activities of subnational governments, primarily through the following questions:

- Why are subnational governments involved in international relations?
- How do subnational governments economically interact with foreign countries?
- What are the critical factors for subnational governments in deciding their target nations?

Generally, scholars tend to pay little attention to the international activities of subnational governments. In comparison with studies on national governments, a relatively limited range of research has examined this subject at the subnational level. Nevertheless, some substantial studies have focused on the subnational governments in

such countries as the United States (US) and Canada.¹ Subnational governments in other federal states such as Germany and Australia are also studied in the international context.² Although most studies focus on subnational governments under federal structures, which are generally more independent from the central government in policy matters than subnational units in a unitary system, the involvement of subnational governments in the international scene is by no means a phenomenon unique to federal states. In a unitary nation such as Japan, for example, many local governments are involved in international relations.³

Imperatives for the involvement of subnational governments in the international arena

The involvement of subnational governments in international relations is not an entirely new phenomenon. In the US, for example, the state governments paid attention to foreign affairs even in the early days of the national history, especially issues such as the protection of state products from foreign competitors, inward foreign investment and the promotion of exports.⁴ However, it was in the 1970s that the activity of subnational governments became more notable and convincing. Global economic events such as the oil crisis in the mid-1970s and the accompanying decline of the world economy made subnational leaders conscious of the dependence of their territories on foreign affairs, and

¹For example, E. H. Fry, 'State and local governments in the international arena', *The Annals of the American Academy of Political and Social Science*, May 1990, pp. 118-127; J. Kincaid, 'The American governors in international affairs', *Publius*, Fall 1984, pp. 95-114; E. J. Feldman and L. G. Feldman, 'The impact of federalism on the organisation of Canadian foreign policy', *Publius*, Fall 1984, pp. 5-32; and L. Bernier, 'The foreign policy of a subnational state: the case of Quebec', in *Perforated Sovereignities and International Relations: Trans-Sovereign Contacts of Subnational Governments*, eds I. D. Duchacek, Daniel Latouche and Garth Stevenson, Greenwood Press, Connecticut, USA, 1988, pp. 125-139.

²For example, J. Ravenhill, 'Australia', in *Federalism and International Relations: The Role of Subnational Units*, eds H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, pp. 76-123; and U. Leonardy, 'Federation and Lander in German foreign relations: power-sharing in treaty-making and European affairs', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 236-251.

³For example, P. Jain, 'Chiho jichitai no kokusaiteki yakuwari' (The international role of local governments), in P. Jain and T. Mizukami, *Gurasurutsu no Kokusai Koryu* (Japan's Internationalisation at the Grassroots Level), Harvest Sha, Tokyo, 1996, pp. 61-96; and Y. Yabuno, *Local Initiative: Kokkyo wo Koeru Kokoromi* (Challenges to Cross National Borders), Chuo Koron Sha, Tokyo, 1995.

⁴Kincaid, 'The American governors in international affairs', pp. 96-7.

of the necessity of their own approaches to international relations.⁵ Since then, subnational governments have increased their direct involvement in the international economic field, encouraged by such motives as global interdependence, mistrust in national governments, rivalry relationships with other subnational governments in the nation, and reduced financial support.

Many studies point out global interdependence as one major impetus for the involvement of subnational governments in the international arena. In the contemporary world, most societies, regardless of nation states or subnational units, are, more or less, closely linked with the global economy through such activities as the trade of goods and services, and investment. International trade is a significant factor in economic activities globally, and trade-related products represent one-fifth of total world production.⁶ US provides a clear illustration of the deep linkages between the global and domestic economies. Most US states have access to the world via international airports and as the main location for globally marketing enterprises. In 1988, the US exported products worth US\$321 billion and the number of export-related jobs reached over 6 million. In the US market, 70 percent of domestic goods had to compete with imported products, and the value of foreign direct investment represented \$329 billion and American assets worth US\$1.8 trillion were driven by non-Americans.⁷ The production activity is also internationalised. For example, cars produced by an American company contain components manufactured in other countries and some services, such as design and advertisement, consigned to foreign firms.⁸ As a result of the globalisation of the world economy, it is difficult to separate international matters from domestic issues, and thus, foreign affairs have become a principal concern for subnational leaders. In other words, foreign affairs influence the economic condition in their jurisdiction, such as the

⁵I. D. Duchacek, 'The international dimension of subnational self-government', *Publius*, Fall, 1984, p. 13.

⁶E. H. Fry, 'The US states and foreign economic policy: federalism in the "new world order"', in *Foreign Relations and Federal States*, p. 126.

⁷Fry, 'State and local governments in the international arena', p.120.

⁸Fry, 'The US states and foreign economic policy', p. 126.

improvement of the employment circumstances, which is an influential factor on the result of the next election for the leaders⁹

Global interdependence is not only a specific phenomenon for federal states such as the US, as the same forces have also driven Japanese subnational governments into the international arena. As Japan increased its presence in the international scene, especially in terms of economics, '*kokusaika*' (Internationalisation) became a key word not only for the nation but importantly for subnational units in Japan.¹⁰ Consequently, Japanese local governments have been actively involved in international relations. Along with other nations, Japan has been influenced by global economic events, and global interdependence has endangered the economy of local units, particularly since the 1970s. The quakes began with the recession in the areas holding heavy industries, caused by the transfer to the floating exchange rate system in 1971 and two oil crises in 1973 and 1979. Moreover, the appreciation of Japanese currency after the Plaza agreement in 1985 accelerated 'hollowing out of industry', shifting Japanese firms' production bases overseas where production costs are cheaper, and the trend has forced local economies in Japan to change their industrial structure.¹¹

As well as global interdependence, mistrust in the activities of central governments in the global economy is a major imperative which involves subnational governments in positively structuring their economic policies in the international fields, bypassing the central government in subnational activities. There is a view that national government is less efficient to represent local interest of each subnational unit in the global economy.¹² Especially in terms of economics, nation states are losing the significance as a major player. In the current world, economic factors such as labour, capital, products, and information move regardless of national boundaries, and the activities of national

⁹E. H. Fry, 'Trans-sovereign relations of the American states', in *Perforated Sovereignities and International Relations*, p. 57.

¹⁰Yabuno, p. i.

¹¹Ibid., p. ii.

¹²J. Kincaid, 'Consumerism versus citizenship: Is there wiggle room for local regulation in the global economy?' in *Foreign Relations and Federal States*, p. 27.

governments tend to be inefficient from the business viewpoint. Ohmae asserts that nation states tend to protect what they believe is a national profit, for example, the ownership of natural resources and the protection of unproductive farmers in the nation, neglecting the theory of the global economy.¹³ He also claims that, in contrast, subnational territorial units pay more attention to the global economy and work as economic players more effectively.¹⁴ In fact, it is debatable whether national governments are really ineffective in the international arena and it is a considerable way in subnational involvement in external relations to reflect their interests on the national policy.¹⁵ However, at the least, officials in subnational governments are sceptical that the central governments are able to represent subnational interests in the international field, and therefore officials consider themselves better able to understand the needs in their territories.¹⁶

While Tokyo has taken initiatives to internationalise local units in Japan through such schemes as the Japan Exchange and Teaching (JET) program (a scheme to invite foreign youths to Japan and provide them with jobs in local governments),¹⁷ the lack of reliability on the central government can be recognised as an incentive for local governments in Japan, especially those in a periphery, to create original policies in international economic issues. The central government in Tokyo recognises the connection between Tokyo and Japanese local units and between Tokyo and foreign nations, but not direct ties between Japanese local units and foreign nations. The plan of comprehensive development made by the central government in the 1980s was aimed to arrange Tokyo as an 'international hub city', and provoked the further centralisation to

¹³K. Ohmae, *The End of the Nation State*, Harper Collins, London, 1995, pp. 59-69.

¹⁴*Ibid.*, pp. 81-2.

¹⁵D. Latouche, 'State building and foreign policy at the subnational level', in *Perforated Sovereignities and International Relations*, p. 31.

¹⁶H. J. Michelmann, 'Conclusion', in *Federalism and International Relations*, p. 300.

¹⁷Jain, pp. 74-80.

Tokyo as a result.¹⁸ To solve the disadvantages of the centralised economic system in Japan, many local governments now pay attention to the potential of international economic activities. Seeing local units in Japan only as a part of the Japanese economy, they can merely be peripheral to Tokyo, but from a global point of view, local units can be a major component in international economic relations.¹⁹ The efforts of Kyushu, especially Fukuoka, to be a base of Asia in making use of its proximity to the Asian region, and the idea of the Sea of Japan zone by prefectures and cities along the Sea of Japan illustrate that local governments expect the direct connections with foreign countries to be a main method to vitalise the local economies.

Another factor which encourages subnational governments to make their own efforts to develop economic ties with foreign nations is competition with other subnational governments, especially those in the same nations. When a foreign car maker decides to establish the production facility in the US, many state governments propose incentives to attract the company in their constituency. In the 1980s, for instance, 35 states joined the race for being selected as the site for a production base of Volkswagen in the US, and 39 states competed to be the base for an assembly plant of Nissan.²⁰ Activity of national governments does not satisfy subnational governments especially when there are rivalry relationships between them. Thus, subnational governments are urged to be engaged directly in activities to introduce economic benefits from international fields with competing with their national counterparts.

The reduction of the financial assistance by the central government has also been an incentive for the involvement of subnational governments in international economic fields. The global economic decline and the deterioration of trade statistics of major national governments, which began in the 1970s, caused the tightening up of the fiscal

¹⁸T. Hobo, 'Naihatuteki hattenron' (The theory of self-managed development), in *Chiiki Keizaigaku* (Regional Economics), eds K. Miyamoto, S. Yokota and K. Nakamura, Yuhikaku Books, Tokyo, 1990, p. 328.

¹⁹T. Kiyonari, 'Seisaku keisei to kigyoka katsudo' (The creation of policies and the enterpriser activities), in *Jichitai no Seisaku Keisei* (The Policy-Making of Local Governments), ed. A. Tamura, Gakuyo Shobo, Tokyo, 1989, p. 24.

²⁰Fry, 'Trans-sovereign relations of the American states', p. 58.

supports from the central governments to their constituents.²¹ In the US, total federal grants to the states and localities dropped nearly by 40 per cent between 1980 and 1988.²² Consequently, the contribution of federal grants in the total revenue of subnational governments fell to 17 percent in 1991, from what had been 25 percent in the 1970s.²³ This resulted in provoking the subnational governments to seek their own financial sources by the increase of tax revenue, heightened promotion of exports, and attracting foreign investment to contribution to funding. Accordingly, establishing international economic policies has become common among subnational governments in the modern world.

Methods and types of international activities of subnational governments

After having surveyed the motives behind the involvement of subnational governments in international economic activities, the following section reviews the styles and means adopted by subnational governments in the international arena, particularly in commercial fields.

There are broadly two ways of interaction of subnational governments in the international arena.²⁴ One is a rather traditional method, pursuing their own interests by influencing policies of the national government. The other, which is relatively new, and the main focus of this thesis, is essentially a move beyond the central government in the development of direct ties with other nations and subnational units. As this study focuses on the activities of the SA Government's efforts to develop the state's direct ties with Japan and other Asian nations, the following section reviews the independent actions of subnational governments bypassing the central governments.

²¹Duchacek, 'The international dimension of subnational self-government', p. 8.

²²Fry, 'State and local governments in the international arena', p. 120.

²³Fry, 'The US states and foreign economic policy', p. 128.

²⁴I. D. Duchacek, 'Multicommunal and bicomunal polities and their international relations', in *Perforated Sovereignities and International Relations*, pp. 4-5.

Duchacek, in his studies of the international dimensions of subnational self governments, identifies two types of activities of subnational governments in the international fields: transborder regionalism, and global micro-diplomacy.²⁵ My research focuses on the latter field as most of the activities of the Australian states are limited to this type due to Australia's geographic condition. In global micro-diplomacy, subnational governments pursue their economic interests through the promotion of exports and the attraction of foreign investment.²⁶ There are several methods commonly adopted by those governments in such activities.

For direct engagement in foreign affairs, one popular tool for subnational governments is the establishing of representative offices in capital or other major cities in foreign nations.²⁷ Those offices mainly aim at attracting inward foreign investment and enhancing trade and tourism linkages. In 1989, 43 American states kept 132 offices overseas, and the number of such states increased approximately 50 per cent and the number of their overseas offices doubled in 5 years.²⁸

Canadian provinces also operate representative offices in foreign countries. In 1990, the Ontario Government kept offices abroad in 17 cities,²⁹ and the Quebec Government had opened 20 offices in 14 nations by the end of the 1980s.³⁰ While a transborder relationship is common among subnational governments in European countries, they are also involved in global micro-diplomacy and manage offices overseas. For example, the Flemish Community of Belgium has kept the Flemish Centre in Osaka in

²⁵Duchacek, 'The international dimension of subnational self-government', pp. 8-9.

²⁶Ibid., p. 13.

²⁷I. D. Duchacek, 'Perforated sovereignties: toward a typology of new actors in international relations', in *Federalism and International Relations: The Role of Subnational Units*, p. 14.

²⁸K. Archer and P. Morici, 'State export promotion policies', in *States and Provinces in the International Economy*, eds D. M. Brown and E. H. Fry, Institute of Governmental Studies Press, University of California, Berkeley, 1993, pp. 193-5.

²⁹D. K. M. Dymont, 'Substate paradiplomacy: the case of the Ontario Government', in *Foreign Relations and Federal States*, pp. 157-8.

³⁰Feldman and Feldman, 'Canada', in *Federalism and International Relations: The Role of Subnational Units*, pp. 181-2.

Japan since 1975 and the centre has been involved in investment-promoting activities since 1986. Many prefectural governments and some city governments in Japan have opened overseas office, independently or jointly with Japan External Trade Organisation (JETRO), in such cities as New York, Los Angeles, and Hong Kong.³¹

Another avenue for subnational units to be involved in international relations is to exchange official missions with foreign countries. In 1987, in the US, 43 states sent governor-led delegations aimed at promoting closer trade and investment ties, to 36 nations on 87 occasions in total.³² Overseas exhibitions in an effort to advertise the export products are popular and utilised by 40 states.³³ Japanese local governments, particularly prefectural and major city governments, are also involved in commercial oriented missions. In the mid-1980s, Japanese local governments carried out more than 300 economic exchanges with their counterparts overseas.³⁴ These exchanges encompassed initiatives such as sending delegations to inspect foreign markets, exhibiting products in overseas trade fairs, and the hosting of business missions from foreign nations.

New initiatives to encourage local enterprises to export are often adopted by subnational governments. By 1987, almost all US states had established separate programs to enhance their export activities.³⁵ In the promotion of exports, those governments tend to concentrate on small and medium-sized enterprises due to the facts as below.³⁶ A 1984 US report confirmed that approximately 300 firms contributed on 85 percent of the US export activity and that more than 20,000 companies were capable to export their products. While big companies can manage export activity with little support from governments, small and medium-sized firms' capacity to export products is only

³¹Chiho Jichi Seisaku Kenkyukai (ed.), *Kokusai Koryu Gaidobukku: Chiho no Kokusaika ni Mukete* (International Relations Guidebook: Towards the Internationalisation of Regions), Gyosei, Tokyo, 1988.

³²Fry, 'State and local governments in the international arena', p. 122.

³³E. H. Fry, 'The United States of America', in *Federalism and International Relations: The Role of Subnational Units*, p. 283.

³⁴Chiho Jichi Seisaku Kenkyukai, pp. 70-72.

³⁵Fry, 'Trans-sovereign relations of the American states', p. 58.

³⁶Kincaid, 'The American governors in international affairs', p. 108.

increased with assistance such as: information about international markets, the opportunities to access the global market, and financial support. Therefore, subnational governments can play a major or complementary role in assisting small exporters. In addition, the growth of those small scale businesses can be more reliable sources for employment in their areas. In comparison, larger companies are more inclined to move their production bases for better conditions in other areas or to reduce them for streamlining of management.

Programs giving incentives to foreign investors are also a popular instrument for subnational governments. In his work on trans-sovereign relations in the US, Fry discusses a program of the Kentucky Government as a good example of attracting investment by a subnational unit.³⁷ The government placed its advertisement both in the US and overseas in a bid to attract investment to the state. The government offered such incentives as partial exemptions from taxes, the possibility of special funding, and service for training employees. Further to this, they promoted seven industrial zones providing various commercial advantages, two exporting zones where export-oriented enterprises could receive financial concessions, and the system to avoid inefficient official response at any level in the state by the observation of ombudsman. These efforts ensured Kentucky's success when competing to offer the site for a US\$800 million assembly plant of Japanese motor giant, Toyota, in 1987.

Special relationships, such as sister relationships, with foreign counterparts are widely established to foster international linkages. State governments in the US have established more than 50 sister-state relationships with their counterparts in Europe, Asia, and Latin America, in order to enhance their economic, tourism, and cultural linkages.³⁸ For instance, Illinois signed an accord with Liaoning Province, China in 1984 which opened offices in each other's jurisdiction and developed economic ties. The Alberta Government in Canada has established special relationships with Hokkaido in Japan, Heilongjiang Province in China, and Kangweon Province in South Korea in efforts to

³⁷Fry, 'Trans-sovereign relations of the American states', p. 59.

³⁸Fry, 'The United States of America', p. 285.

promote close ties in the field of culture, education, recreation, agriculture, science, and technology.

In many subnational governments, specific departments or agencies handle international issues through the methods discussed above. In Ontario in Canada, the Ministry of Industry, Trade and Technology (MITT) plays a pivotal role in international activities, while other ministries, such as the Ministry of Tourism and Recreation and the Ministry of Agriculture and Food, are also involved in external affairs.³⁹ The MITT is responsible for the Office of International Relations, and operates the state's representative offices abroad. The Alberta Government in Canada is involved in international relations mainly through the Alberta Agency for International Development in the Department for Economic Development and Trade.⁴⁰ Most prefectural governments and major city governments in Japan have established sections and departments which deal with international exchanges and promote the internationalisation of the jurisdiction.⁴¹

Target nations of subnational governments

Generally, subnational governments have limited financial resources in comparison with central governments. Therefore, they usually need to be selective in international activities and focus on narrower range of target nations and subnational units. The following discussion surveys the factors influencing the strategies of those governments, especially how they select the targets.

One major determinant is geographical proximity, particularly for subnational units which share boundaries with foreign counterparts. International relationships at subnational level over national boundaries are discernible between US-Canada, US-Mexico, and European countries. For example, the governors of New England states in the US and the premiers of Eastern Canadian provinces have had annual summit meetings since 1973, and made agreements on such matters as special trade relations, energy

³⁹Dyment, pp. 157-8.

⁴⁰Ibid., pp. 186-7

⁴¹Chiho Jichi Seisaku Kenkyukai, pp. 18-25.

contracts, and environmental issues.⁴² In the economically growing Asian region, subnational components have formed economic zones beyond national borders which have strong business linkages. Examples of such commercially-oriented regional integration are the Growth Triangle of Singapore, Johore of Malaysia and Batam of Indonesia, and the group of Guangdong and Fujian Province in China, Hong Kong, and Taiwan.⁴³ Japanese local governments on the coast of the Sea of Japan pay great attention to the regions across the sea, such as counterparts near the sea in Russia, Korea, and China. By 1987, local units in the 12 prefectures, including Hokkaido, along the coast had picked up one-quarter of partners in their sister relationships from regions on the sea. In contrast, other parts in the main island of Japan chose counterparts from similar regions in only 9 out of 245 cases.⁴⁴

Cultural similarities and relations can connect subnational governments in different nations, especially in the establishment of partnerships. The Walloon Region, the French Community of Belgium, has established a partnership with Quebec, which has similar French influences in terms of language and culture, to foster economic cooperation.⁴⁵ A sister relationship often originates from historical linkages. For example, Simoda City in Japan entered a sister relationship with New Port, Lord Island in the US in 1958, because Commodore Perry, who was born in New Port, landed in Simoda with a mission of the US Government to initiate an official relationship with Japan.⁴⁶ Similarities concerning natural conditions can initiate a special relationship in

⁴²Fry, 'Trans-sovereign relations of the American states', p. 60.

⁴³See, Ohmae, pp. 79-88.

⁴⁴M. Ichioka, 'Nihonkai engan koryu no kadai' (The problems in exchanges along the Sea of Japan), in *Jichitai no Kokusai Seisaku* (International Policies of Local Governments), ed. K. Matsushita, Gakuyo Shobo, Tokyo, 1988, p. 49.

⁴⁵L. Balthazar, 'Quebec's international relations: a response to needs and necessities', in *Foreign Relations and Federal States*, p. 157.

⁴⁶M. Mizutani, et al., 'Kokusaika heno tayona torikumi (Various programs towards internationalisation)', in *Jichitai no Kokusaika Seisaku to Chiiki Kasseika* (Internationalisation Policy and Regional Development of Local Governments), Gakuyo Shobo, Tokyo, 1988, p. 31.

such cases as that between Alberta in Canada and Heilongjiang in China, both of which have cold climate and supply oil.⁴⁷

It is not surprising that subnational governments would prefer to develop ties with foreign areas which are economically significant for their business-related activities. According to a survey, Tokyo was the favourite location for the US state governments to establish offices, 32 such offices were operated in 1988. West Germany and Taiwan were the next favoured locations with 11 state offices respectively. These nations were followed by Belgium and South Korea with 10 offices in each case. Thus, East Asia and Western Europe are most preferred locations for US state representative offices abroad. The positioning of the state offices abroad seems to correspond to the significance of the nations for the US economy. For the US, Japan is the second most important trade partner both in exports and imports after Canada. Germany and Taiwan are in the fifth and sixth position as markets for US products. All of the top 15 export markets for the US are in East Asia or Europe except Canada and Mexico, its NAFTA partners. Japan and European countries, especially United Kingdom (UK), are also major sources for foreign direct investment.

While many state governments in the US focused on enhancing their ties with Europe in the early years of international economic activities, their targets got diversified as their involvement in the international economic arena expanded. For example, Florida showed interest in Latin America, Texas and Arizona focused on Mexico, New England and northern states in the Mid-West made efforts to develop ties mainly with neighbouring Canada, and Oregon and Washington attached great importance to regions across the Pacific Ocean.⁴⁸ This diversification of target regions for state governments will possibly indicate a trend to avoid too fierce a competition among the states focusing on the same nations for their economic interests.

⁴⁷G. MacLean and K. R. Nossal, 'Triangular dynamics: Australian states, Canadian provinces and relations with China', in *Foreign Relations and Federal States*, p. 175.

⁴⁸J. Kline, 'Managing intergovernmental tensions: shaping a state and local role in US foreign relations', in *Foreign Relations and Federal States*, pp. 106-7.

For Canadian provinces, major cities in the US are the most popular location for representative offices. This reflects that the Canadian economy is closely connected with that of the US. Exports to the US accounted for nearly four-fifths of the total Canadian exports in 1995, and imports from the US were three-quarters. According to the figure used by Feldman and Feldman, the US held 17 of the offices established by the four most active Canadian provinces in the international scene. Among them, Quebec managed seven offices, Ontario six, Alberta three, and British Columbia one.⁴⁹

Although each of these four Canadian provincial governments kept at least one office in Europe, their interests have recently been mostly outside Europe.⁵⁰ Exports to the European Union all together occupied only six per cent of the total Canadian exports in 1995, and the growth of its exports to Europe was relatively small in comparison with the boosting of exports to the US and Japan. While Quebec has paid attention to Latin America and maintained four offices there, all of the four provinces concentrate on the Asia-Pacific region as well as the US. The Ontario Government pays attention to the Pacific Rim and enhances economic and cultural linkages with Japan, South Korea and China.⁵¹ British Columbia, which itself is a part of the Pacific Rim, pays more attention to Asia than the other provinces, and has established substantial economic relations with Asian nations, Japan in particular. A quarter of the total provincial exports went to Japan and it occupied half of Canadian exports to Japan in 1984.

In the international activities of Japanese local governments, many of their exchanges have been with western nations such as the US, Europe as well as with Brazil where many Japanese have migrated. On the other hand, Japanese local governments have paid more attention to Asia, especially China, since the 1980s. For example, while Japanese local governments had only 20 sister states and cities in China in 1980,⁵² the

⁴⁹E. J. Feldman and L. G. Feldman, 'Quebec's internationalization of North American federalism', in *Perforated Sovereignties and International Relations*, p. 75.

⁵⁰Ibid.

⁵¹Feldman and Feldman, 'Canada', pp. 192-3.

⁵²Chiho Jichi Seisaku Kenkyukai, p. 80.

number had increased to 197 by 1995.⁵³ China was the most popular destination for business missions by those governments according a survey in 1988.⁵⁴ Japan's geographical proximity is an important factor influencing the interests of the local governments in Asia. Along with the attention of local governments looking on the Sea of Japan to Russia, Korea, and China, Okinawa, an island prefecture in the south-east edge of Japan, has made use of its proximity to regions such as Taiwan in its international activities.

Yabuno asserts in his study on Japanese local governments in the international arena that the interests of those Japanese local governments in Asia mainly come from the remarkable economic growth of the region rather than its proximity or intimacy.⁵⁵ In fact, the trade figure of Japan shows its close economic linkages with Asian countries. In 1995, 7 of the top 10 export markets of Japan were in Asia, and 46 per cent of its exporting products was destined to the region. Moreover, the shift of the production base of many Japanese enterprises to Asian nations, urged by the rapid increase of value of Japanese currency since the late 1980s, has interacted the Japanese economy with Asia dramatically. It is certain that the economic factor is a major driving force which impels those local governments to turn towards Asia.

As above, geographical proximity, cultural and ethnic linkages, and economic interest are the major impetuses in choosing target regions for subnational governments. Economic interest is especially the prominent factor for targeting specific nations in their efforts to develop international commercial ties.

The conditions for the foreign policies of Australian state governments

The preceding literature review on subnational activism in the international arena has clarified the motives and activities, particularly of subnational governments in the US,

⁵³Jain, p. 74.

⁵⁴Chiho Jichi Seisaku Kenkyukai, p. 70.

⁵⁵Yabuno, pp. 99-100.

Canada, and Japan. It is now essential to outline some features that are specific to Australia before I examine the SA Government's case.

The role of Australian subnational governments in the international field has attracted less attention from scholars in comparison with that of American and Canadian counterparts. However, some studies do mention that state involvement in the international scene is an integral part in Australia and state governments play an important role in foreign affairs.⁵⁶ The following survey clarifies the motives, methods, and factors in identifying target nations in the case of Australian states, in contrast with those of other subnational governments reviewed earlier.

- Motives

Compared with the activities of other federal components such as Canadian provinces, the engagements of Australian states with external affairs were less discernible until recently. While Canadian provinces began international activities comparatively earlier, the following conditions delayed the substantial participation of Australian states in external issues. In comparison with large economic gaps between Canadian provinces, economic capacities in Australian states were relatively equal.⁵⁷ The less diversified economic conditions and structure among the Australian states did not evoke strong demands for their independent industrial policies including those related with foreign affairs. Moreover, the Australian federal governments, particularly during 1949-72, when the Coalition was in office, were reluctant with the involvement of the states in the foreign affairs.⁵⁸ In addition, the geographic isolation of Australia prevented or discouraged Australian states from paying attention to international affairs.

⁵⁶For example, D. McNamara, 'State government activity in Asia', in *Asia-Australia Survey 1994*, eds R. Trood and D. McNamara, MacMillan Education Australia, Melbourne, 1994, pp. 38-54, and K. Elliott, 'Subnational activism in Australia: The NSW-Japan experience', MA thesis, University of Sydney, 1995.

⁵⁷D. Corbett, 'Australia's states and Canada's provinces: the pace and pattern of administrative reform', in *Dynamics in Australian Public Management: Selected Essays*, eds A. Kouzmin and N. Scott, The MacMillan Company of Australia, South Melbourne, 1990, p. 295.

⁵⁸Ravenhill, p. 77.

Although Australia has had those negative influences on subnational activities, the motives identified as involving subnational governments in the international scene can be applied to the case of the Australian states. First, global economic interdependence is the major impetus for the international activities of Australian state governments.⁵⁹ Specifically, Australia's 'resources boom' in the 1960s resulted in giving states incentives to be involved in international affairs, as financial sources for resource development have mostly been reliant on foreign investment and most mineral products have been headed for overseas markets.⁶⁰ In addition, the development of mineral resources changed the economic patterns of Australia, domestically and internationally. Inside Australia, peripheral states such as Queensland and Western Australia (WA) economically advanced more than other states due to an increase of their mineral exports. While the difference between Australian states was relatively small in terms of the economic condition, the contrast between growing states and stagnant states has become increasingly distinct in Australia. For example, WA, which supplied 27 per cent of Australia's total exports in 1991-92 (while representing less than 10 per cent of the national population), experienced an increase of its real GDP by 53 per cent between 1981-92 and 1991-92, much higher than the national average of 26 per cent.⁶¹ In the international context, Japan, a major buyer of Australian natural resources, became the most important trading partner, and the position of the UK in Australia's export performance decreased. This shift impelled Australian state governments to establish new representatives in foreign nations, particularly Japan.⁶²

Second, as with the case in other nations, mistrust in the activity of the central government in the global economy is an impetus for the involvement of Australian states in the international arena. Australian state governments consider that international economic

⁵⁹H. Collins, 'A political science perspective', in *Australian Federalism*, ed. B. Galligan, Longman Cheshire, Melbourne, 1989, p. 185.

⁶⁰Ravenhill, p. 77.

⁶¹Bureau of Industry Economics, *State Economic Performance 1981-92 to 1991-92*, AGPS, Canberra, 1994, p. 4.

⁶²Ravenhill, p. 77.

issues are too important to be handled only by the Federal Government which, they believe, is not as interested in specific economic issues for the states as they are.⁶³ Supporting this, there is a claim pointing out the shortcoming of the central government in the globalisation of the world economy. Ohmae claims that the Federal Government blocks the flow of foreign capital into Australia, especially from the Asian region, to protect 'national interests', and the strategy results in the lack of investment in the nation along with small share of Australian products in the Asian market.⁶⁴ According to a survey, *Yellow Pages Small Business-Index Special Report*, in August 1994, 55 per cent of 1,000 small businesses regarded the policy of the Federal Government as working against them and only 6 per cent felt that it was supportive.⁶⁵ On the other hand, the same study showed that 17 per cent of small businesses believed that the state governments' policies were working against them and 25 per cent of them found those policies supportive.⁶⁶

Rivalry relationships between state economies have also encouraged Australian state governments to be engaged directly in international economic fields. For example, several state governments have strategies to present their states as a more attractive site for establishing regional headquarters of international enterprises than other states.⁶⁷ In short, global interdependence, scepticism on the activity of the Federal Government in the international economic field, and competition with other states are the major motives to commit Australian state governments to involvement on the international scene. In Australia's case, reduction of financial support from the Federal Government was not identified as a prominent motive.

⁶³Ibid., 98.

⁶⁴Ohmae, p. 61.

⁶⁵Yellow Pages Australia, *Small Business Index: A Special Report on Small Business Attitudes to Government October 1994*, Pacific Access Pty Ltd, Victoria, 1994, p. 2.

⁶⁶Ibid., p. 5.

⁶⁷For example, S. Fitzgerald, 'Sydney wins most in regional HQ push', *The Australian Business Asia*, 8-21 June 1994, p. 14; A. Shand, 'Battle to attract RHQs', *The Australian Business Asia*, 14-27 September 1994, p. 16.

- Methods and target nations

In case of Australian states, their involvement in international relationships is mainly limited to global micro-diplomacy because transborder regionalism can not take a major role due to the lack of shared borders between Australia and other countries. Therefore, Australian state governments are involved in the international scene mainly by means of popular instruments in global micro-diplomacy, especially for commercial purposes.

All Australian states except Tasmania have overseas representative offices. Australian state governments have maintained offices in London since the era before federation, in order to sustain direct relationships including commercial fields.⁶⁸ The regions where state governments kept representative offices expanded to outside Europe, such as the US and Japan, as the economic magnitude for Australia shifted from the UK to those nations. Along with national programs, state governments have created innovative schemes to enhance the international economic performances of the state economy by means of, for example, financial support and providing advice.⁶⁹ Australian state governments also utilise sister relationships with foreign counterparts as a vehicle to develop the states' economic ties with other nations.

The arrangement of trade missions is also an important tool for the international activities of Australian state governments. For example, ministers of the Victorian Government visited such countries as Vietnam, Singapore, Indonesia, Malaysia, Thailand, Hong Kong, China, and Japan mostly for the development of trade and investment ties during 1995.⁷⁰ Australian state governments also pursue international activities through specific sections and branches. In New South Wales (NSW), for example, the International Management Group within the Department of State and Regional

⁶⁸G. Chaikin and D. McNamara 'State government activity in Asia', in *The Asia-Australia Survey 1997*, eds R. Trood and D. McNamara, MacMillan Education Australia PTY LTD, Melbourne, 1997, p. 38.

⁶⁹D. Harman and J. Ford, *Asia Initiative Directory: A Comprehensive Guide to Australian Government, University & Private Sector Asia Programs and Initiatives, 1997 Edition*, Scitech Publication, Canberra, 1997, pp. 95-128.

⁷⁰Chaikin and McNamara, p. 52.

Development has major responsibility for the pursuit of the state's economic benefits in the international arena.⁷¹

In their activities to develop international economic ties, the Australian state governments now pay more attention to Asia than the US and Europe, as the location of their overseas offices illustrates. While five mainland states still keep their offices in London, Tasmania closed its London office in the early 1980s and all remaining offices except WA's office reduced the number of their staff in the latter half of the 1980s. Both NSW and SA closed their Los Angeles offices in late 1988.⁷² In contrast, Australian state governments have paid and increased their attention to Asian nations. Cities in Asia are favourite places for overseas offices of the state governments. For example, all states in the mainland have opened representative offices in Tokyo, and they, and the Australian Capital Territory as well, have established sister relationships with Japanese prefectures, including the Tokyo Metropolitan Government. Each state, including Tasmania, has a sister state in China.⁷³ State governments of Victoria, Queensland, SA, and the Northern Territory (NT) have representative offices in Hong Kong. There are four sister relationships between Australian states and Indonesian provinces, and six offices of Australian states and NT in Indonesia.⁷⁴ The NT Government has established the Department of Asian Relations, Trade and Industry to deal with issues on the territory's Asian neighbours.⁷⁵

The interest of the Australian state governments in the Asian region in their international activities, reflects the significance of Asian nations in the Australian economy. The presence of Asian economies in Australian industries has especially grown throughout the last few decades. Half of Australian exports currently go to Asia, and Australia maintains a trade surplus in the Asian region. While South Korea was the sixth largest

⁷¹Ibid., p. 39.

⁷²Ravenhill, p. 98.

⁷³Harman and Ford, pp. 105-135.

⁷⁴Chaikin and McNamara, pp. 38-59.

⁷⁵Ibid, p. 42.

market for Australia in 1980-81, it is now in the second position having exceeded the US. In 1996, 9 out of the top 12 markets for Australia were Asian nations. Tourists from Asia represented only around 20 per cent of all international visitors in Australia in 1980, however, the percentage began to grow in the late 1980s.⁷⁶ More than half of foreign visitors in Australia in recent times come from Asia and the growth continues the high level. In addition, more than 80 per cent of international students in Australia come from the Asian region.⁷⁷

In contrast to its significance in Australia's export activities, Asia is relatively inconspicuous in the field of foreign investment in Australia. This is with the exception of Japan, which is the third largest foreign investor in Australia with 13 per cent of the share in 1995, after US and UK. Nevertheless, investment from other Asian economies has steadily grown in recent years. Hong Kong and Singapore occupied four and two per cent respectively of levels of total foreign investment in Australia at the end of June 1995. The increasing economic presence of Asia in Australia has attracted attention from Australia's state governments. This reinforces that economic importance is the most influential factor for Australian states in identifying the target nations in their international activities.

Is the SA Government less positive to develop economic ties with Japan?

Based on the results of the literature survey on the international activities of subnational governments and those in Australia, this research investigates the role and policy of the SA Government in the encouragement of commercial linkages with foreign nations. In terms of target nations, this thesis mainly deals with the following major economies in Asia, Japan, the Republic of Korea (Korea), the People's Republic of China (China), the Republic of China (Taiwan), Hong Kong, and South-East Asian nations with major focus on Singapore, Malaysia, Thailand, and Indonesia, due to their economic significance for Australia and SA.

⁷⁶Bureau of Tourism Research, *International Visitor Survey 1995*, The Bureau, Canberra, 1996, p. 2.

⁷⁷International Division, Department of Employment, Education and Training, *Overseas Student Statistics 1996*, The Department, Canberra, 1997.

Among the activities of the SA Government in developing economic ties with Asian nations, this study pays special attention to the government's strategy towards Japan. The main reason for the interest in the issue is that the approach of the government to Japan appears less positive than that to some other Asian nations, although Japan has been the most important economic partner for SA as well as for Australia as a whole.

While other Asian nations such as Korea, China, and ASEAN members are increasing their presence in the Australian economy, Japan remains by far the most important economic partner for all Australian states as well as for Australia as a whole. Australia has developed its ties with Japan since the 1950s, most prominently in the economic field. For Australia, Japan has been the largest market for its exports since the mid-1960s. In 1995-96, more than one-fifth of Australian merchandise exports were headed for Japan, and the value of exports to Japan was nearly equal to the sum value of exports to next three largest markets for Australia, namely, Korea, New Zealand, and US. Japan has also been a main source of imports for Australia, next to the US, and Japanese products occupied 18 per cent in total imports of Australia in 1994. Australia has enjoyed trade surplus in its trade with Japan, which was almost \$4 billion in 1994. Japan is also the largest market for Australia's service exports and these exports to Japan in 1994-95 accounted for approximately 20 per cent of Australia's total service exports. In the field of investment, too, Japan has been a major source for Australia along with US and UK.

Accordingly, state governments target Japan as a main economic partner in their international policies.⁷⁸ However, an investigation of Harman and Ford, in a directory containing information about the commitment of various organisations in Australia including state governments to Asian affairs from commercial to educational issues, showed that the SA Government recognises Singapore, Malaysia, Indonesia, Thailand, Hong Kong, and China as priority markets and does not include Japan as one. Even if the investigation of Harman and Ford, which does not specify the reason why the SA Government excludes Japan from its target markets, is not reliable, the activities of the

⁷⁸Harman and Ford, pp. 95-128.

government in relation to Japan apparently seem less active in comparison with other Australian state governments.

It is pertinent to briefly examine the direction towards encouraging ties with Japan taken by the state governments excluding SA. The NSW Government keeps its representative office only in Tokyo in the Asian region. The International Management Group in the Department of State and Regional Development has a specialist unit to cover Japan.⁷⁹ In Queensland, the State Government maintains an International Secretariat for Japan in the Department of the Premier, Economic and Trade Development.⁸⁰ In addition to its sister ties with Saitama Prefecture in Japan, the government has established a friendship agreement with Osaka Prefecture. The Department of Commerce and Trade in the WA Government gives assistance to the industry of the state to explore the Japanese market, as well other Asian nations such as China and Vietnam, with the Export Market Support Scheme.⁸¹ The Victorian Government also pays great attention to Japan, although the share of Japan in the total exports from Victoria is relatively modest with nearly 18 per cent in 1994-95. The Department of Business and Employment of the State Government has organised a specialist Japan Program within the North Asia Program, which is aimed at encouraging commercial exchanges of Victorian enterprises with Japanese counterparts and promoting investment from Japanese firms to the state.⁸²

In following the trend among the other states, the SA Government manages a representative office in Tokyo and has established a sister relationship with Okayama Prefecture. However, the government does not operate any specific program or maintain any specialist focused on Japan, and seems less positive to enhance further commercial ties with Japan in comparison with other states. This thesis analyses the strategy of the government towards Japan when compared with that towards other major Asian economies.

⁷⁹Chaikin and McNamara, p. 39.

⁸⁰Harman and Ford, p. 102.

⁸¹Chaikin and McNamara, pp. 55-56.

⁸²Ibid., p. 53.

The structure of this thesis

This study is aimed at exploring the motives, methods, and target nations in the international economic activity of the SA Government. The examination of the State Government's interest in Japan is a central subject in the investigation of the government's target nations. The content of the thesis chapters is as below.

Chapter Two seeks to clarify the motives and methods of the SA Government in its activity in the international economic scene. The first section identifies the major imperatives in the SA's case. The second section outlines major players in the government responsible for international economic matters. While there have been changes in the government's organisations since the state election in October 1997, this thesis examines the government's role based on its structure prior to this. The third section describes main means for the government to enhance the state's linkages with foreign economies. In Chapter Three, I examine the SA Government's target nations, especially Asian economies. After clarifying the government's increasing attention to Asia in the last decade, the chapter explores the history of the SA Government's interest and activity regarding each of the major Asian economies. Again, focus is placed on Japan.

The following four chapters investigate the SA Government's activities more elaborately, in specific fields of merchandise exports, service sector, inward investment, and sister relationships. Each of the four chapters examines the motives, methods, and target nations, particularly the government's approach to Japan and other Asian nations. Chapter Four analyses the government's activity in the area of the state's merchandise exports. In this chapter, food and beverage sectors, a key industry of the state, is taken as a case study to examine the government's commitment to the promotion of exports. Chapter Five explores the government's engagement with strengthening service exports from the state, mainly through studies of the development of tourism and education services. Chapter Six analyses the efforts of the SA Government to attract foreign investment, and investigates the information technology industry in the government's activity to promote foreign capital, especially from Japan. Chapter Seven examines SA's sister relationships mainly from the viewpoint of economic benefits, and explores the

issues of the relationships with Okayama in Japan, Shandong in China, and, to a lesser extent, with West Java in Indonesia.

Chapter Eight, the concluding section of the thesis, outlines the main findings of the research, obtained through the analysis of wide-ranging data and information.

Chapter Two

The Motives and Methods of the SA Government in International Activities

After the review of the international activities of subnational governments in the previous chapter, this chapter investigates the case of the SA Government's initiatives. This chapter basically consists of three sections. The first part surveys the factors which specifically drive the SA Government into activity designed to enhance external commercial ties. The second part reviews the principal actors in the government involved in foreign commercial affairs. The third section outlines main methods utilised by the government to enhance commercial linkages with foreign nations and subnational units.

Motives of the SA Government for involvement in international economic activities

As reviewed in the previous chapter, global economic interdependence is a major imperative which involves subnational governments in international activities. This factor also gives the SA Government incentives to participate in foreign economic affairs. The events which engaged Australian states in international activities, such as the changes of major trade partners for Australia accompanying the resources boom in the 1960s, influenced the role of the SA Government as well. For example, the shift of the centre of gravity from the UK to Asia, particularly Japan, in Australian trade patterns motivated the SA Government to establish overseas offices in Asia. During the 1970s, the government established its representatives in Asian nations including Japan, Hong Kong, and Singapore.

The internationalisation of the Australian economy has weakened the economic position of SA whose export activities have been poorer than the national average. As indicated in Chapter One, Australia's dependence on foreign markets increased in the

1970s due to the growth of mineral exports, and Queensland and WA strengthened their economic positions in Australia with the rise in their shares of Australia's exports.¹ Especially WA has continued to grow for a few decades. WA occupied 10.8 per cent of Australia's Gross Domestic Products in 1995-96 while the state represented 9.2 per cent in 1985-86.² More notably, WA's exports represented 26.2 per cent of Australia's total merchandise exports in 1995-96, despite having less than 10 per cent of Australia's population. The contribution of natural resources to WA's exports is huge. For example, iron ore and gold bullion represented 15 and 17.7 per cent respectively in the state's total exports in 1995-96.³

SA and WA both share some disadvantages, namely, their geographically peripheral positions in Australia and relatively small state markets in comparison to NSW and Victoria, the two central states with large local markets. In contrast, however, the economic growth of SA, which does not have as rich natural resources as WA, has in the last decade been far below the national average. The average growth of General State Products of SA between 1984-85 to 1994-95 was 2.2 per cent, while it was 3.1 per cent nationally, and the growth of the state was the second lowest among all Australian states and territories after Tasmania.⁴ Moreover, SA has suffered high unemployment rates. This rate has been constantly higher than the national average, especially in the 1990s.

In 1991, the SA Government hired a US-based international consultant, Arthur D. Little, as a part of the state's 'Economic Development Strategy study'. Little was asked to report on the state's economic performance from an international viewpoint. The final report, titled *New Directions for South Australia's Economy: Final Report of the Economic Development Strategy Study*, was released in August 1992. The Arthur D.

¹J. Ravenhill, 'Australia', in *Federalism and International Relations: The Role of Subnational Units*, eds H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, p. 77-78.

²Australian Bureau of Statistics, *Australian National Accounts: State Accounts 1995-96*, Cat. no. 5220.0, ABS, Canberra, 1997, p. 13.

³Australian Bureau of Statistics, *Western Australia Year Book 1997*, Cat. no. 1300.5, ABS WA Office, Perth, 1997, pp. 278-279.

⁴Australian Bureau of Statistics, *Australian National Account*, p. 1.

Little (ADL) report attributed the poor performance of the SA economy to its lack of internationalisation.⁵ It reported that the state's economy, which heavily depended on manufacturing industries, such as automobiles, under great pressure because of further tariff cuts, was too vulnerable to face the global competition, and suggested that SA should improve its performance in the global economy since Australia was opening its markets to global competition. familiar to

The ADL report highlighted the low exports-to-GDP ratio of SA, which was 10.2 per cent in 1991-92, and mentioned that the state industries focused on the domestic market, and were uncompetitive in the global market. While the exports-to-GDP ratio of SA improved to 13.1 per cent in 1995-96, the ratio was still below the national average of 15.4 per cent. The ADL report expected the SA Government to play a supportive role in restructuring the state economy, especially in the international field. For example, the report encouraged the government to open representative offices in and send trade missions to key markets, to provide access to overseas markets for the state's service industries and to establish government-to-government alliances in Asia.

As well as global economic interdependence, the SA Government's lack of faith in the activities of the Federal Government in international economic areas has provided an incentive for the State Government to engage in foreign economic policies. An official of the Economic Development Agency (EDA) in the SA Government, states that the government needs to work for the state economy because the Federal Government focuses not only on SA but on overall Australia.⁶ In addition, the Federal Government does not always support the industries which the SA Government attaches importance to. For example, the Federal Government planned to reduce tariffs on automotive vehicles in 1997, which would damage the automotive industry in SA, a key industry in the strategy of the State Government. Therefore, the Premier of SA visited Japan in May 1997, to talk

⁵A. D. Little, *New Directions for South Australia's Economy Final Report of the Economic Development Strategy Study*, Arthur D Little International Inc., Adelaide, 1992.

⁶Personal interview with staff of EDA on 27 June 1997.

directly with leaders of the parent companies of some of the main automotive manufacturers in Australia.

Competition with other Australian states is also a factor which drives the SA Government into the enhancement of economic ties with foreign nations. For instance, while the SA Government identifies great opportunities for exports of processed food, especially in Asian markets, many other state governments have also been active in promoting food exports to Asian nations.⁷ As already mentioned in Chapter One, state governments rival each other in their efforts to attract inward investment. The SA Government also tries to introduce international investment to the state by presenting its advantages, compared with other states, as a site for establishing production bases and regional headquarters for foreign enterprises.⁸

Therefore, factors such as the necessity for the state economy to be internationalised, dissatisfaction with the activities of the Federal Government, and competition with other Australian states have encouraged the SA Government to be increasingly involved in the development of the state's economic ties with foreign nations. The next section reviews the primary players in the SA Government's international activities.

Structure for international activities in the SA Government

The SA Government has had four premiers in the decade to 1997: John Bannon, Lynn Arnold, Dean Brown, and John Olsen. All these premiers and their governments have put an emphasis on developing economic ties with foreign nations. While several departments in the government have dealt with international activities, the EDA and its predecessors could be regarded as the most significant player in the internationalisation of

⁷D. Harman and J. Ford, *Asia Initiative Directory: A Comprehensive Guide to Australian Government, University & Private Sector Asia Programs and Initiatives, 1997 Edition*, Scitech Publication, Canberra, 1997, p. 110 and p. 128; Department of State Development, *Annual Report 1995-96*, Victorian Government, Melbourne, 1997; and Greg Chaikin and Deborah McNamara, 'State government activity in Asia' in *The Asia-Australia Survey 1997*, eds R. Trood and D. McNamara, MacMillan Education PTY LTD, Melbourne, 1997, p. 47.

⁸For example, Department of Manufacturing Industry, State Business and Regional Development, *South Australia's Competitive Case*, SA Government, Adelaide, 1996.

the state economy. The Department of the Premier and Cabinet (DPC) and the South Australian Development Council (SADC) are other major organisations that deal with external economic relations.

- Economic Development Authority

In the SA Government, the EDA, established in 1992, has recently been the most pivotal body comprehensively concerning economic issues in the state, including international affairs. While it was decided that the EDA should be absorbed into the new Department of Industry and Trade in late November 1997, this thesis carries out a study based on issues before the restructure.

The governmental organisations responsible for economic matters have undergone various structural changes in the last decade. In the late 1980s, the Department of State Development and Technology (DSDT) was responsible for industrial issues, including those in the international field. Under the DSDT, the Investment Attraction Branch sought investment from overseas and managed the state's representative offices overseas, and the Trade Development Branch took initiatives for programs to develop trade activities in the target industries and market. The Investment Attraction Branch and the Trade Development Branch were merged in 1988-89 to form the Investment Attraction and Trade Branch.⁹ In 1989-90, the DSDT was replaced by the Department of Industry, Trade and Technology (DITT), and the functions to handle international industrial affairs were transferred to the new department. The following year, the DITT abolished the Investment Attraction and Trade Branch and established the International Business Branch under the new Business Development Division as a further result of the department's restructure.

In 1992, the SA Government established the EDA as a Statutory Authority, replacing the DITT. Following the emergence of a new Liberal Government at the end of 1993, the EDA was reorganised and upgraded to the level of a government department with responsibility for overall economic development in SA. It was placed under the

⁹Department of State Development and Technology, *Annual Report 1988-89*, SA Government, Adelaide, 1990, p. 16.

control and direction of the Minister for Industry, Manufacturing, Small Business and Regional Development in 1994.¹⁰ In 1996, the EDA changed its name to the Department of Manufacturing Industry, Small Business and Regional Development (MISBARD) with some structural modification, but returned to its original name after Premier Olsen took office in November 1996.¹¹ The structure of the EDA is supposed to move to the newly-established Department of Industry and Trade at the end of November 1997. While the organisation of the new department has not been completely revealed to date in November 1997, it is certain the department will succeed the role of the EDA. According to staff of the EDA, most of the structure of the EDA would be moved to the new department without major changes.¹² The structure of the EDA is shown in Figure 2.1.

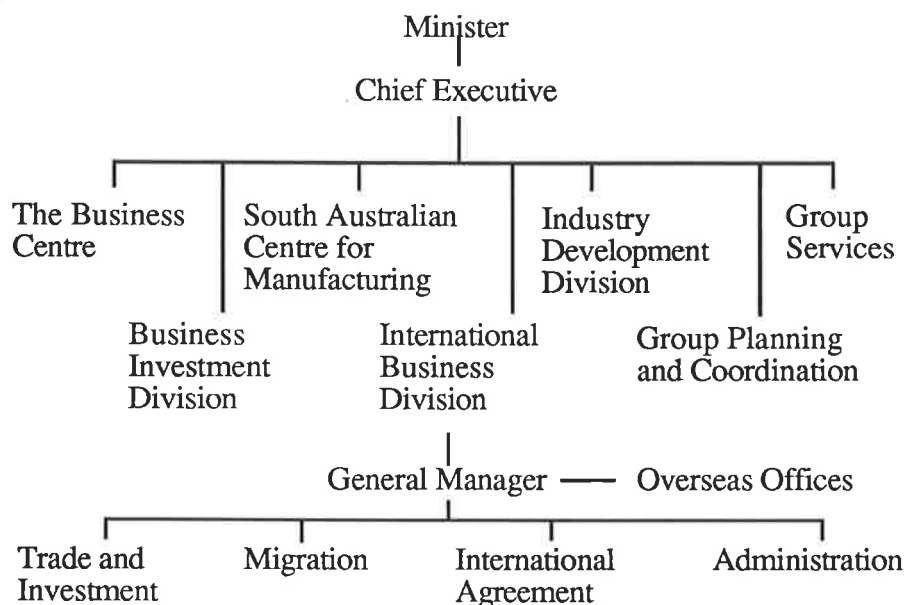


Figure 2.1: The organisational chart of EDA
(based on information provided on 27 June 1997)

While the EDA is responsible for a wide range of economic activities, one of its tasks is the creation of an attractive business environment in the state for overseas

¹⁰Economic Development Authority, *Annual Report 1993-94*, SA Government, Adelaide, 1995, p. 1.

¹¹Ibid, 1995-96, 1997, p. 1.

¹²Information provided to the author by the EDA on 10 November 1997.

investors and to encourage SA industries to be internationally competitive. Among the divisions of the EDA, the International Business Division (IBD) has the responsibility for internationalising the SA economy. The IBD provides the state's industries with support to identify and access trade and investment opportunities by means of overseas offices in priority markets. The General Manager directs the overseas offices of the EDA. In 1997, the IBD consisted of four sections: Trade and Investment, Migration, International Agreement, and Administration. The International Agreement bureau deals with such issues as the state's sister relationships from an economic viewpoint. To organise overseas trade missions of SA companies, including state delegations to international trade fairs, is also a task of the IBD.

While the IBD has the main responsibility for the international economic activities of the EDA, some other divisions, such as the Business Investment Division (BID), the South Australian Centre for Manufacturing (SACFM), and the Business Centre, are also engaged in external issues. The main task of the BID is to establish strategies to attract investment to SA, including that from foreign nations. The SACFM aims to enhance the international competitiveness of the SA industries in manufacturing and manufacturing-related services, and supports the improvement of international competitiveness of those sectors. This is pursued through participating in a strategy to win overseas projects. The Business Centre focuses on assisting small and medium enterprises and its responsibilities include encouraging enterprises to explore export markets.

The Business Centre has administrated the New Exporters Challenge Scheme (NECS). This program aims to encourage small businesses in SA to advance to international markets with goods and services produced in the state. The NECS targets those companies which do not have enough resources to launch their products in the international market, including those which are too small to apply for Export Market Development Grants (EMDG) provided by Austrade.

The EDA has also managed the Business Skills Migration Program in the state. This program aims to contribute to the economic development of SA through the acceptance of business migrants. Investments which the EDA received from business

migrants were spent on such projects as: (1) the development of textile manufacturing industry with provision of new technology, (2) improvement of the productivity and addition of employees, (3) the re-development of tourism infrastructure in Victor Harbour, (4) the establishment of accommodation for international students with assistance from the University of Adelaide and the Malaysian Business Council, and (5) the purchase and redevelopment of a facility of clothing manufacturing.

While most of these components and tasks will be succeeded by the Department of Industry and Trade, staff of the IBD will be moved to another new organisation called the Office for Asian Relations.¹³ While details on the new organisation are not available to date, it will be a specialist agency focused on Asian nations. In addition to the function of the EDA, the new department will absorb the organisation of other agencies including the South Australian Tourism Commission (SATC).

- Department of the Premier and Cabinet¹⁴

The basic role of the DPC is to make the policy of the State Government to improve the state's society and economy. The direction of the government's strategy in international economic relations is an important responsibility of the department. Currently, the department's offices, such as the Strategic Policy and Cabinet division and the Project Coordination division, are responsible for supervising the government's economic development strategy. While the EDA handles most economic issues, including those in the international field within the government, some bodies within the DPC, such as the Overseas Representation Management Board, the Agent General, and the Executive Services and Program Coordination division have also been engaged in the government's foreign activity.

The Overseas Representation Management Board was established in the department as a joint board between the DPC, the EDA, and the SATC in 1993-94. It is

¹³Ibid.

¹⁴All information on the department discussed in this section is based on Department of the Premier and Cabinet, *Annual Report 1994-95*, SA Government, Adelaide, 1996, and Ibid., 1995-96, 1997.

responsible for surveying comprehensive aspects of overseas representation to maximise the benefits which the state obtains from the representatives.

The Agent General represents the government in UK and seeks to promote SA products and to attract foreign investment to SA from Europe. While the EDA is actually responsible for the economic activity of the London office represented by the Agent General, its organisation is placed in the DPC. The Agent General's office manages an investment attraction program aimed at promoting SA as a springboard to Asia-Pacific markets. The Agent General is also involved in the promotion of the information technology and telecommunications industry in SA, and the state's wine to Europe, and encouragement of the business migrants from Europe to SA.

The Executive Services and Program Coordination division's main responsibility is the managing of the government's international relationships such as sister state relationships with foreign counterparts, although commercial contacts are mostly handled by the EDA. The division is involved in the government's sister relationships with foreign partners, hosting delegations from overseas and coordinating overseas trips of ministers.

In addition to the above organisations, the DPC has supervised the SADC, which aims to facilitate the economic development of the state including international affairs. The next section describes the tasks and outlines a brief history of the SADC.

- The evolution of South Australian Development Council

In the DPC, the SADC is responsible for the state's economic issues including those in the international fields. While the EDA was established as an agency of the SA Government, the aim of the SADC was a collaboration between public and private sectors in the state. The SADC was originally established as the Economic Development Board (EDB) in 1992, under the Labor government. The ADL report strongly recommended the creation of the EDB as a single body comprehensively responsible for the economic and industrial development policies which were spread across many government agencies. At that time, the EDB was under the supervision of the EDA, but the difference of the roles between the EDB and EDA was not clear. Both seemed to be responsible for the direction

and implementation of comprehensive economic development policy in the state, broadly coordinating with other departments, authorities, and private sectors.

After the change of government, the new Brown Government reviewed the activity of the EDB in January 1994, and restructured the Board. As a result, the government dismantled the EDB and formed the new Economic Development Advisory Board (EDAB) in April 1994. While under the Labor government the EDA was responsible for the former EDB, however, under the Brown Government the function of the EDAB was moved to the DPC. The new EDAB strengthened its character to represent private sectors, rather than with broad contacts over governmental sections relevant to economic development. The EDAB changed its name to the South Australian Development Council in October 1994.

The SADC's aim is to identify the policy directions in developing the SA economy by cooperating with the DPC. Its activities range from an analysis of the state's capacity to enhance exports, especially to the Asian region, in value-added food industry in the state, to an evaluation of the SA tourism industry.

In comparison to the EDA, the SADC's role has been shrinking. According to a recent newspaper article, Premier Olsen attaches much greater importance to the EDA and is likely to dissolve the SADC (which was constituted by the former Premier, Dean Brown) within 1997.¹⁵ While the EDA has over 200 staff and its budget in 1997-98 was \$96.6 million, in the same year the SADC operated with only 4 staff and the budget of \$1.75 million.

- Other international economic players

While the organisations reviewed earlier in this chapter are the major actors in the SA Government regarding the state's economic ties with foreign nations, there are some other departments that are also concerned with foreign issues. For example, the SATC is responsible for promoting and marketing international tourism for the state. In commercial issues, Primary Industry South Australia works on the international matter of agriculture,

¹⁵G. Kelton, 'Olsen scraps Brown advisers', *The Advertiser*, 18 June 1997, p. 4.

fishery, and forestry and the Planning and Industry Development Group in the department, operates Trade and Market Development Plan to explore export and investment opportunities.¹⁶ Mines and Energy South Australia is in charge of the state's mining industry, including issues in external fields and the officials travel overseas for such purposes as discussions of joint ventures and attendance of trade fairs.¹⁷ The South Australian Health Commission maintains Health Industry Export and Development Unit which is involved in providing public health services to overseas. Ports Corp South Australia manages the matter of ports in the state, and is involved in international affairs such as sister port relationships. The Department for Employment, Training and Further Education (DETAFE) and the Department for Education and Children's Services (DECS) are engaged in recruiting overseas students to educational institutions in the state and in international projects on education and training.

SAGRIC International is the SA Government's international technology transfer company established in the early 1970s, originally to provide technology on dry land farming to the Middle East.¹⁸ SAGRIC has delivered technology to overseas projects in such fields as education, training, health, land management, and environment. Meanwhile, the Government Services Export Unit, formed in 1997 in SAGRIC, provides international consulting services, making use of its experiences in foreign nations. The services include information on opportunities in foreign markets and the facilitation of finding joint venture partners. While the services are mainly offered to public organisations, such as departments in the State Government, the unit has been expanding them to private sectors. Although supporting private industries is a major task of the EDA, SAGRIC has a cooperative relationship with the EDA. While owned by the government, the company's activity is independent from it and on a commercial basis.

As a cooperative partner of the SA Government in its overseas economic activity, Australian Trade Commission (Austrade, which is the organisation of the Federal

¹⁶Primary Industry South Australia, *Annual Report 1995-96*, SA Government, Adelaide, 1997, pp. 48-49.

¹⁷Mines and Energy South Australia, *Annual Report 1995-96*, SA Government, Adelaide, 1997, p. 51.

¹⁸Personal interview with staff of SAGRIC International on 23 October 1997.

Government responsible for developing Australia's trade and investment ties with foreign nations), is very important. While maintaining a collaborative partnership with the Adelaide office of Austrade, the SA Government makes use of the global network of overseas offices of Austrade, partly through the cooperation between offices of EDA and Austrade. Other cooperative partners are the South Australian Employers' Chamber of Commerce and Industry, which operates SA Export Centre, and the Council for International Trade and Commerce, consisting of more than 30 chambers of commerce and business councils in the international field. In the issues of economic ties with Japan, the Melbourne office of JETRO helps SA industries to access the Japanese market through, for example, holding seminars for the local businesses about the Japanese economy.¹⁹

While these actors play an important role in their specific fields, the EDA remains the central agency in the SA Government, in terms of activities in international economic issues, particularly trade and investment. The EDA is most active in promoting the SA Government's interests in the international economic scene, by means of overseas offices and the exchange of trade missions. The following section outlines how the SA Government makes use of these major methods to develop economic ties with foreign nations .

Overseas representative offices

As mentioned in the previous chapter, the establishment of representative offices abroad is an important means through which subnational governments promote their international activities. Similarly, the SA Government has established its overseas offices to achieve economic benefits for the state. While other bodies in the SA Government such as the SATC also operate overseas offices and/or appoint local agencies as their representatives in foreign markets, the offices of the EDA are most actively involved in the pursuit of the government's international economic interest. In 1997, the EDA maintained representative offices overseas in London, Tokyo, Hong Kong, Singapore, Jakarta, Shanghai, and Jinan.

¹⁹Personal interview with staff of EDA on 27 June 1997.

These offices work as a channel between SA and the markets they are responsible for. Overseas offices of the EDA organise trade missions from foreign companies to SA. The aims of such missions include facilitating business contracts between overseas companies and SA exporters, and introducing investment potential in the state to foreign businesses. For instance, in March 1996, the Singapore office of the EDA organised a trade mission of eight people from Singaporean food sectors to visit SA and seek opportunities in aquaculture investment.²⁰

Another practice for overseas offices of the EDA is to organise seminars to introduce trade and investment opportunities in SA to local businesses in their priority markets. For example, the Hong Kong office of the EDA held an 'Invest in South Australia' Roadshow in two major cities in Taiwan in September 1995, and these seminars designed to attract investment and business migration to SA, received more than 200 participants.²¹ Other tasks of these overseas offices include: supporting trade missions from SA, coordinating the attendance of SA industries in international trade fairs, organising and leading commercial delegations from overseas to SA, introducing business opportunities for trade between SA and foreign businesses, providing information on international markets to SA companies, and assisting the development of marketing strategies of new SA exporters.

The SA Government's development of commercial ties with foreign nations

The activities of the overseas offices play a crucial role in the SA Government's direct involvement in international economic fields. Moreover, the government pursues various methods to directly strengthen the state's business relations with foreign nations.

The government has been seeking to establish agreements, such as Memoranda of Understanding, to enhance trade and/or investment ties with foreign nations and subnational units. For example, the State Government reached an agreement to enhance trade and investment linkages between Adelaide and Singapore with Singapore's

²⁰Economic Development Authority, *Annual Report 1995-96*, p. 28.

²¹*Ibid.*, p. 26.

Economic and Trade Boards in 1992.²² The government's partnership with NT is also a means of facilitating international economic activities of SA businesses. The governments of SA and NT signed a Memorandum of Understanding on Economic Co-operation in the Asia-Pacific Region in June 1995. The collaborative activities include promoting exports, attracting tourists, joint trade missions, partnership in international exhibitions, and cooperation between overseas offices.²³

The SA Government has actively exchanged commercial missions and delegations with overseas countries. The SA Government employs various types of trade missions. Trade missions led by the Premier generally tend to be large, including people from many industries, and often tour more than one nation. Premier's visits usually have important objectives such as signing agreements on the facilitation of trade and investment between SA and overseas economies, developing SA's sister state relationship network, meeting with foreign political and business leaders, launching a campaign to promote SA overseas, and establishing strategic alliances with foreign governments.

In June 1994, Premier Brown visited China, Singapore, Malaysia, Hong Kong, and Japan.²⁴ This business-oriented tour aimed to investigate the business chances for SA enterprises in Asian markets and to seek new investment from the region to the state. A main objective during the visits was the restructuring of the existing state's sister relationships with Shandong in China and Okayama in Japan to focus more on commercial aspects. One direct result obtained from the mission was the establishment of the SA-Shandong Business Council. This new council has enabled SA to make use of links with the Singapore-Shandong Business Council. During the Premier's five-day visit in Japan, he discussed with the Governor and business leaders of Okayama the reform of their relationship through the development of new trade and investment ties.²⁵ One aim of his

²²'Joint port agreement with Singapore', *South Australian International Brief*, July 1992, p. 4.

²³Information provided to the author by the NT Department of Asian Relations, Trade and Industry on 30 October 1997.

²⁴'New ties with China following Premier's mission', *South Australian International Brief*, September 1994, p. 8.

²⁵Economic Development Authority, *Annual Report 1993-94*, p. 24.

visit to Malaysia was to encourage activities in several joint commercial agreements between SA's education sectors and private education institutions in Malaysia.

Missions headed by the Minister for Industry also tend to be relatively large-scale including several sectors. The Minister for Industry, Manufacturing, Small Business and Regional Development, visited Taiwan and Hong Kong in September 1996, with a delegation of governmental bodies and state industries including food, finance, business consulting, and information technology.²⁶

In contrast, delegations led by other ministers such as the Minister for Primary Industry and the Minister for Education usually focus on the specific area the minister is responsible for and typically would tour one nation with specific objectives. For example, the Minister of Education, Employment and Children's Service visited Thailand in February 1993, with a mission of establishing a joint venture contract and providing assistance for the education-related programs of SA institutions in the region.²⁷ Delegations coordinated by the government without Premier or Minister also normally represent one industry and travel to one country. Attending an international trade fair is often the main aim of this type of overseas missions. In November 1995, 11 companies from the state joined a delegation organised by the EDA to attend the BIMP-EAGA trade exposition, 'Bridging the Global Market' in Brunei.²⁸

Overseas trade missions sometimes develop a major campaign in foreign markets. When a large trade mission from SA, organised by the EDA, visited Hong Kong in November 1994, the mission held a six-day display to promote SA industries and attract investment to the state. The campaign included a show case by food and wine sectors, and seminars on tourism, education, and information technology.²⁹

²⁶Department of Manufacturing Industry, State Business and Regional Development, *South Australia-We Mean Business: Trade and Investment Mission to Taiwan and Hong Kong, September 1996*, SA Government, Adelaide, 1996.

²⁷D. McNamara, 'State government activity in Asia', in *The Asia-Australia Survey 1994*, eds R. Trood and D. McNamara, MacMillan Education Australian PTY LTD, Melbourne, 1994, p. 48.

²⁸Economic Development Authority, *Annual Report 1995-96*, p. 25.

²⁹'Asian spotlight on SA during the Grand Prix', *The Advertiser*, 1 November 1994, p. 9.

Sending delegations to international trade fairs within Australia is another example of the SA Government's involvement in foreign economic fields. SA sent 11 companies to Darwin from 27 June to 3 July in 1995 to attend the NT Expo. The exposition was aimed to promote Australian products to Asia, and exhibit products from Indonesia, Brunei, Malaysia, the Philippines, and China. Approximately 700 international delegates participated in the NT Expo, from China, Sarawak, the Southern Philippines, Sabah, Java, and the eastern provinces of Indonesia, Vietnam, and Macau.

Hosting foreign missions is also a significant aspect of the SA Government's involvement in international economic affairs. One common occurrence is to be visited by foreign delegations, and the missions are sometimes headed by political leaders. In June 1996, the SA Government received a visit from the Indonesian State Minister for Investment and Chairman of the Investment Planning Coordinating Board with an investment mission.³⁰ The visit aimed to develop economic ties between SA and Indonesia, with main focuses on the encouragement of bilateral investment, and talks on export opportunities in mining and education. During their stay in SA, the delegation met Premier Brown, ministers including Minister for Mines and Energy and Minister for Employment, Training and Further Education, and representatives from the three SA universities. The MISBARD organised an investment seminar to display more than 100 SA companies.

It is also important for the SA Government to host top level political and economic figures from SA's sister states, in order to deepen the cultural and commercial relationship. One example is a visit of the Governor of West Java, SA's sister province in Indonesia, with more than 30 business people of the province, in August 1997. The main aim of the visit was to sign the Memorandum of Understanding for the sister relationship between SA and West Java.³¹

Holding an international trade fair in SA is another important method to promote economic ties. In May 1995, for example, the EDA hosted Business Asia 95, held in

³⁰Department of the Premier and Cabinet, *Annual Report 1995-96*, p. 49.

³¹Information provided to the author by the EDA's Jakarta office on 3 September 1997.

Adelaide.³² The event aimed to develop the trade linkages between SA and the Asian region, and to attract new investment to the state. Approximately 300 representatives attended the conference including international guests from China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, and Vietnam. The conference focused on such industry sectors as manufacturing, information technology and telecommunication, tourism, health, education, and agribusiness.

Conclusion

As surveyed in this chapter, the SA Government has actively been involved in the development of the state's economic ties with foreign nations. In concurrence with the other subnational governments previously examined, global economic interdependence, the mistrust of the Federal Government's policy on foreign economic issues, and rivalry with other states, are the main motives which have engaged the SA Government in the external commercial field. While many departments and agencies in the government have been committed to international activities, the EDA has recently played the principal role in the government's activities which pursue foreign economic interest. The main methods of the government, especially of the EDA have included the management of overseas offices and exchanges of trade missions. The next chapter examines the SA Government's strategies in terms of its target nations in its involvement in foreign economic fields.

³²'Asia conference results in big business', *South Australian International Brief*, June 1995, p. 1.

Chapter Three

The Strategies of the SA Government in Economic Relations with Asia

The previous chapter surveyed the structure of the SA Government departments and agencies which are responsible for promoting the state's international economic activities, and showed the active involvement of the government in the state's economic ties with foreign nations. While subnational governments can be active in the global economic arena, given their size and resources, it is unrealistic to focus on developing economic ties with many nations in the world. In the case of the SA Government, the target of the recent activity has been on the Asia-Pacific region. Therefore, this chapter examines the strategy of the SA Government in its activities related to the state's economic ties with Asian nations, particularly Japan, which has been one of the most important economic partners for the state.

The first section examines the recent history of the government's growing interest in the Asian region, especially as the significance of the Asian economies for SA has increased. The second section analyses the strategy of the SA Government regarding Japan for the decade to 1997. In the third section the development of the government's attention to other Asian nations is examined. The final section explores the differences between the government's policy towards Japan and other key Asian markets .

Growing Asian markets and the strategy of the SA Government

There is strong evidence to suggest that the SA Government pays great attention to the Asian region in its international economic activity. For example, all overseas offices of the EDA, except its London office, are located in Asia. The 1995-96 annual report of the EDA discusses that it is most effective to concentrate on East Asia in supporting the

state economy's pursuit of trade opportunities.¹ The Chief Executive of EDA further supported this commenting that SA can be economically successful with closer commercial ties with Asia.²

In concurrence with Australia as a whole, recent international trade figures of SA show the dramatic growth in significance of the Asian region for the economy. In 1980-81, the state's economic ties with the Asian region were weaker, with only Japan, China, and Singapore from Asia ranked in the top 10 destinations for SA exports. In the early 1980s, SA's top overseas market was the Soviet Union. Several oil-rich Arabian nations such as Saudi Arabia, Iran, Iraq, Egypt, and Kuwait were included in the top 10 markets until the early 1980s, although the value of exports to them varied from year to year.

As a contrast, statistics in the 1990s show the large increase of Asia's significance for SA economy. Russia, the main nation of the disintegrated Soviet Union, has lost its position as a major customer of SA products and so too have the nations in the Middle East. While the value of state exports to Asia accounted for only one-third of total exports in the late 1980s, the percentage grew steadily in the 1990s amounting to over 50 per cent in 1994-95. Although the proportion of exports to Asia declined below 50 per cent of exports in 1995-96, due to the boost of agricultural exports to the Middle East, especially Iran, SA's exports to the Asia-Pacific region continued to grow.

While the Bannon Government paid attention to the Asian economic dynamism in the 1980s, it still attached importance to the state's traditional economic partners in Europe. The government regarded European countries such as West Germany, UK, and Sweden, as key markets in the late 1980s.³

The SA Government established an office in Los Angeles under the DSDT in 1986, to promote the state's exports to North America, particularly in high technology industries. However, the office was closed in 1988, in response to aims to allocate more

¹Economic Development Authority, *Annual Report 1995-96*, SA Government, Adelaide, 1997, p. 16.

²J. Cambridge, 'Connecting with Asia', *South Australian International Brief*, August 1997, p. 4.

³South Australia, *Securing the Future: South Australia's Economic Development*, SA Department of the Premier and Cabinet, Adelaide, 1989, p. 17.

resources of the government to its activities in Asia.⁴ The government recognised that it was more effective to make use of Austrade in its activity in North America rather than to be involved directly in the region, where the markets were too large to be covered by one office and Austrade already invested substantial resources to establish a network.

The higher priority of economic ties with Asian nations than those with Europe was unambiguously expressed in the 1990-91 annual report of the DITT. The report explicitly stated that: 'Although specific opportunities are being pursued in Europe, ... the state's principal focus for international activities is now North and South-East Asia',⁵ and 'Asia has become our primary region'.⁶ While the SA Government paid attention to European markets for some SA products, especially wine, and as a source of investment, the economic focus of the government firmly shifted to Asian nations in the beginning of the 1990s.

This shifting of economic focus was precipitated by various factors. For example, the significance of the Asian region for the state economy was pointed out most clearly in the ADL report.⁷ The report focused specifically on commercial linkages with the Asia-Pacific region. While the report recognised the importance of maintaining the investment linkages with Europe and the US, it recommended paying greater attention to the vibrant Asian economies, particularly as markets for the state's manufacturing products and tradeable services.

Notably from a viewpoint of analysing the government's strategy concerning Asia, the report urged the government to take part in the establishment of Asia-Pacific alliances. These alliances would support SA enterprises' exploration into the growing but unfamiliar markets of the Asia-Pacific region. This would contribute to the attraction of

⁴Department of State Development and Technology, *Annual Report 1988-89*, SA Government, Adelaide, 1990, p. 3.

⁵Department of Industry, Trade and Technology, *Annual Report 1990-91*, SA Government, Adelaide, 1992, p. 9.

⁶*Ibid.*, p. 17.

⁷A. D. Little, *New Directions for South Australia's Economy Final Report of the Economic Development Strategy Study*, Arthur D Little International Inc., Adelaide, 1992.

investment from the region into the state, supplementing the state's insufficient finances. To implement this strategy, the report proposed actions which included the coordination of trade missions and the placement of representative offices in appropriate markets in Asia. The most important action suggested to the government was the establishment of government-to-government links. The report recommended Indonesia and Taiwan as initial candidates to develop official ties with.

The EDA placed a clear focus on Asia in the development of economic ties with foreign nations in its 1992-93 annual report which was released as the first, and the last under the Arnold Government. The report indicated that strategies were to be pursued in respective key markets in the Asian region, more comprehensively and explicitly than before the emergence of the EDA. The Brown Government, which took office at the end of 1993, showed interest in economic ties with Asian nations this being in concurrence with former governments. The government's efforts to develop commercial linkages were even more vibrant - sending frequent and larger trade missions to Asian nations and establishing additional offices in Asian markets. The Olsen Government has also promoted a strong focus on Asia, and, for example, the Premier has toured to Asian nations several times during the first year of his premiership and formed a sister relationship with an Indonesian Province, West Java.

Even while focusing on the Asian region, the government has made efforts to lure investment from those European and American companies in SA which have plans to establish a base in the Asia-Pacific region. For example, the government was successful in attracting the headquarters of the US information technology giants, such as EDS (Electric Data Systems) and Motorola to Adelaide.⁸ Nevertheless, the government's attention to the US and Europe is limited to investment ties and exports of wine, particularly to European countries. Accordingly, the EDA currently does not have any representative in North America, and has mostly depended on Austrade in the region. Moreover, although the government still maintains the London office which covers Europe, particularly UK, Germany, and Scandinavian nations, the role of the office is

⁸Economic Development Authority, *Annual Report 1994-95*, 1996, p. 15.

limited in comparison with the EDA offices in Asia. The London office basically focuses on attracting investment from Europe to SA and facilitating business and skilled migrants to the state. Its responsibility on export promotion is restricted to some specific areas such as wine, in order not to duplicate the activity of Austrade in Europe.⁹

Hence, the SA Government has increased its attention to the Asian region in the last decade. Then, the main question addressed in the next section is how the government has developed its strategies towards Asian nations, namely Japan and other major economies in the region. The following discussion analyses the changes of the government's attitude to Japan since the 1980s, in comparison with attitudes to other Asian nations.

SA Government policy for economic links with Japan

- The significance of Japan in the SA economy

The strength of SA's economic linkages with Japan has been most perceptible in their trade ties. Japan has been the largest overseas market for SA products since 1966-67 except between 1978-79 and 1982-83 when the Soviet Union was the top overseas market. While the proportion of exports to Japan in the total SA exports was relatively low in the first half of the 1980s, around 12 per cent, the figure stabilised around 15 per cent in the last decade. Japan has been a major market for the state's primary products. Between 1988-89 and 1995-96, Japan imported 52.2 per cent of the state's exports of fishery products, 27.8 per cent of petroleum, and 21.1 per cent of meat products.¹⁰

Japan has also been the largest source of imports for the state. The state's imports from Japan grew sharply in the early 1970s, and has remained in the first position of total imports since 1982-83. SA's dependence on Japanese products results in the trade deficit of the state with Japan, unlike Australia which enjoys a trade surplus with Japan.

⁹Information provided to the author by the EDA on 5 June 1997.

¹⁰Calculations based on Australian Bureau of Statistics, unpublished data and Australian Bureau of Statistics, *South Australian Economic Indicator September 1997*, p. 24.

The state's imports from Japan have accounted for between 20 and 30 per cent of the total imports for over a decade.

It is difficult to precisely evaluate the benefits to the SA economy from its investment ties with Japan since official statistics on foreign investment by country at the state level are not disclosed. Nevertheless, Japanese investment has played an important role in the state economy, particularly in the automotive sector which has been a core industry of SA. Mitsubishi Motors Australia, owned by Mitsubishi Motors in Japan, has been one of the two motor vehicle makers, along with GM- Holden, leading the industry in the state. Mitsubishi Motors established a manufacturing base in SA in 1980, after taking over the facilities of Chrysler which retreated from Australia. Since then, Mitsubishi has played a pivotal role in the state's automobile industry. Mitsubishi employed 4,800 workers in SA in April 1996,¹¹ which accounted for approximately 0.7 per cent of total employment in the state. Mitsubishi has recently expanded its operation in SA. In 1996, the car giant invested another \$525 million to a main plant in the state. It has been increasing SA's exports of finished car products mainly to the US and components to Japan.¹² Along with Mitsubishi, Bridgestone, a Japanese major tyre and auto component manufacturer has kept its base in SA since 1980. Bridgestone employs 2000 workers according to a material published for 1996-97.¹³

- The recent history of the government's attention to Japan

The SA Government certainly paid great attention to economic ties with Japan by the 1980s, corresponding to the significance of the Japanese economy in the state. Except its London office, the SA's representative in Tokyo has the longest history (established in 1970) among the state's overseas offices. The state's sister relationship with Okayama in Japan originated from an economic aspect. A major port in Okayama was chosen for the

¹¹B. Jennings, 'Mitsubishi in jobs, export corp', *The Advertiser*, 3 April 1996, pp. 1-2.

¹²Ibid.

¹³*Your Guide to Exports from South Australia 1996-97*, sponsored by the South Australian Exporters Association, a Section of the South Australian Employers' Chamber of Commerce and Industry Inc., Adelaide, 1996, p. 29.

sister relationship with Port of Adelaide in 1984, because the two ports exchanged a significant amount of freight, and this connection blossomed into the sister relationship between SA and Okayama.¹⁴

The Bannon Government explicitly identified Japan as a key market for the state economy in *Securing the Future*.¹⁵ The Tokyo office was upgraded to a full-time office in 1990 replacing a local agency. The government actively sent trade missions to Japan. In 1986, two trade and investment missions, one led by the Premier and the other by the Minister of State Development and Technology, visited Japan, and both resulted in signing agreements to facilitate Japanese investment in SA with Japanese financial institutions.¹⁶ In May 1990, the Premier led an investment mission to Japan, coordinated by the state's Tokyo office. During the visit, he met with the Japanese Prime Minister and the Opposition leader and visited Okayama.¹⁷ The main aim of the visit was to promote the Multifunction Polis (MFP) project in Adelaide to Japan. Meanwhile, in December 1991, SA received a delegation of about 50 business people from Japan which was the first major mission to investigate investment opportunities in the MFP plan.¹⁸

The government showed active approaches in the state's relationship with Okayama, where the development of trade and investment ties has been a main objective. Premier Bannon led a 10-day trade and cultural mission to Japan, and South Korea in April 1988. During this mission, he visited and joined SA Week - an exposition in Okayama with 150 people representing the state's business, education, and government.¹⁹ The result of the mission in Okayama included the signing of a formal trade agreement between SA and Okayama Prefecture. The EDA's report in 1992-93 emphasised the

¹⁴Personal interview with staff of the DPC on 30 June 1997.

¹⁵South Australia, p.17.

¹⁶'New bank links with Japan', *South Australian International Brief*, December 1986, p. 2.

¹⁷Department of the Premier and Cabinet, *Annual Report 1989-90*, SA Government, Adelaide, 1991, p. 21.

¹⁸'Japanese study MFP investment', *South Australian International Brief*, December 1991, p. 3.

¹⁹'Positive results from trade mission', *South Australian International Brief*, May 1988, p. 1.

state's efforts to penetrate markets in Japan from Okayama, in concert with a national strategy to make use of areas outside Tokyo to access to Japanese markets.²⁰

Although the Arnold Government was short-lived, Premier Lynn Arnold visited Tokyo, Nagoya, Osaka, and Okayama, in Japan in May 1993, with his ministers and 70 people from the government and SA industries.²¹ During the visit to Okayama, the Premier signed an agreement of the formal establishment of a sister relationship between SA and Okayama Prefecture, and the SA Government held an exhibition to promote the state's products and tourism. In October of the same year, Okayama Prefecture sent the state a large delegation led by the Governor accompanied by 209 people including top-level officials in the Okayama Government, business leaders, and the media, to strengthen economic and cultural ties.²²

During 1994, the Brown Government showed a strong interest in enhancing economic ties with Japan. In February 1994, the new Premier visited Tokyo on a trade mission in his first overseas trip as Premier.²³ During the travel in Japan, he received a senior delegation from Okayama in Tokyo and they discussed the positive and successive relationship and agreed with continuant commitment and further focus on the enhancement of economic ties. Premier Brown visited Japan again in June that year, and discussed with the Governor and business leaders of Okayama the reform of the relationship through the development of new trade and investment ties.²⁴

While there was no high-level commercially-oriented visit from SA to Japan for three years, Premier Olsen visited Japan in May 1997, to meet with leaders of the automobile companies such as Mitsubishi and Toyota as well as Bridgestone to negotiate with them on the issue of tariff cuts.²⁵ The event followed a series of activities from the

²⁰Economic Development Authority, *Annual Report 1992-93, 1994*, p. 33.

²¹'Trade flows from Okayama relationship', *South Australian International Brief*, August 1993, p. 7.

²²'Okayama mission the biggest ever', *South Australian International Brief*, December 1993, p. 10.

²³Department of the Premier and Cabinet, *Annual Report 1993-94, 1995*, p.10.

²⁴Economic Development Authority, *Annual Report 1993-94, 1995*, p 24.

²⁵M. Murphy, 'Olsen's Tokyo tariff crusade', *The Advertiser*, 7 May 1997, p. 10.

State Government in objection to the policy of the Federal Government to reduce the tariff on imported passenger motor vehicles in Australia to five per cent by 2004. The SA Government put pressure on the Federal Government and campaigned for a freeze of the tariff cuts because the automobile manufacturers producing finished cars in Australia warned that the tariff cuts would make them consider the shrinkage or closing their operations in Australia. The Premier's visit to Japan was aimed at confirming the attitude of Japanese car makers operating in Australia. Meanwhile, the events ended in the decision of the Federal Government to reduce tariff on passenger motor vehicle from current 22.5 per cent to 15 per cent by 2000 and keep the level until 2005.²⁶

According to the EDA, Japan is still a priority market as the government maintains its representative offices only in the first-level priority markets. However, the growth of the interest of the SA Government in some other Asian economies appears distinct, especially since 1994. The next section explores the government's attention to each of major economies in Asia.

The growth of the SA Government's interest in other Asian nations

While Japan is still the most important economic partner for SA, the State Government has increased its attention to other Asian nations as their significance for the state becomes greater. While the growth of SA's exports to Japan has remained steady, the state's exports to other Asian economies have grown dramatically, especially since the beginning of the 1990s. SA's exports to Asia excluding Japan occupied around 20 per cent of total exports in the late 1980s, the figure rose to approximately 35 per cent in 1994-95.

In various economic fields, some other Asian nations are showing bigger presence in SA. For example, investment from Singapore and Malaysia has been rising, especially in real estate. Meanwhile, students from Malaysia and Indonesia respectively represented 17.1 and 9.3 per cent of all international students in the state in 1996, with the

²⁶M. Denholm, 'Our victory on car tariffs', *The Advertiser*, 6 June 1997, pp. 1-2.

share of Japanese students, being only 8.7 per cent.²⁷ The following section examines the strategies of the SA Government towards Asian nations, which are categorised into three groups: (1) China, (2) Singapore, Malaysia, and Indonesia, and (3) other major Asian countries, particularly Korea and Thailand.

- Chinese economies

Apart from Japan, the SA Government's attention to China has been most consistently strong in Asia in the last decade. Although the value of SA's exports to China changed from year to year, throughout the 1980s China was the second most important market for the state in Asia, after Japan. For example, the state's exports to China represented 8 and 7.3 per cent of all exports in 1984-85 and 1986-87 respectively.

The Bannon Government was actively involved in the state's ties with China as well as Japan. The government was highly positive to encourage the exploration of closer economic linkages with the market containing huge potential. To that end, SA signed a sister-state relationship agreement with Shandong Province in China in April 1986,²⁸ and made efforts to enhance the state's economic linkages with the province and China.

Since then, the State Government actively exchanged high-level delegations with Shandong and these missions have often been commercially oriented. In June 1987 the Vice Governor of Shandong Province led a delegation to SA to discuss future development between the state and province. SA hosted a delegation from Shandong in Adelaide's Expo 21, which was the state's annual trade fair, sponsored by the Chamber of Commerce and Industry South Australia Inc.²⁹ In April 1989, the Minister of State Development and Technology led a trade mission with state officials and business representatives to Shandong.³⁰ However, the government's approach to China was not limited to

²⁷International Division, Department of Employment, Education and Training, *Overseas Student Statistics 1996*, The Department, Canberra, 1997, p. 74.

²⁸Department of the Premier and Cabinet, *Annual Report 1985-86*, 1987, p. 3.

²⁹*Ibid.*, 1987-88, 1989, p. 12.

³⁰*Ibid.*, 1988-89, 1990, p. 20.

Shandong. In July 1987, the Premier visited Tianjin in China to open a joint venture and meet with senior Chinese Ministers. The SA Minister of State Development and Technology led a trade mission to China in September 1987, which travelled Beijing and Shanghai as well as Shandong.³¹

The SA Government's exchanges with China slowed down as a result of the Tiananmen Square incident in Beijing on 4 June 1989. The Commonwealth suspended Australia's official contacts with China because of the incident and the SA Government followed the decision.³² In addition, the massacre in 1989 seemed to have influenced the attitude of the SA Government, and the government seemed to withdraw its interests in China. This is apparent from the fact that the report on the government's economic strategy, *Securing the Future*, published in 1989, excluded China from the state's key target markets.³³ While this factor seems to have made the ADL report not as positive to focus on China as South-East Asia, the EDA already showed renewed interest in the Chinese market in its first annual report for 1992-93.

The SA Government resumed its efforts to enhance business linkages with China after the Commonwealth's withdrawal of the sanction in official exchanges with China. The first major delegation from China to SA after the resumption was led by Vice Governor of Shandong Province in June 1991.³⁴ Premier Arnold visited Shandong Province in 1993 and discussed the issue of a new partnership in such fields as environmental protection, irrigation, housing, and the wine industry.

The Brown Government also made efforts to enhance the state's economic ties with China, particularly through SA's sister relationship with Shandong Province. Premier Brown criticised the former Labor government, saying that it did not bring substantial commercial benefits to the state from its relationship with Shandong. The Premier visited the province in June 1994 to make the relationship focus more on

³¹Ibid., 1987-88, p. 12.

³²Ibid., 1989-90, p. 21.

³³South Australia, p. 17.

³⁴Department of the Premier and Cabinet, *Annual Report 1991-92, 1993*, p. 23.

commercial ties.³⁵ The state's active exchanges with Shandong have been maintained. For instance, in March to April 1995, a trade mission of 12 South Australians visited Shandong, aiming to explore the opportunities of aquaculture investment. Towards the end of March 1996, SA hosted a top-level, 10-member delegation from Shandong Province, led by the Chairman of the Standing Committee of the Shandong Provincial People's Congress.³⁶ One objective of the visit was the signing of a Memorandum of Understanding, which would strengthen the economic and cultural ties with SA. The SA Government expected the renewal of the relationship to create more trade opportunities and enhance economic cooperation between SA and Shandong.³⁷

While, in the early 1990s, the SA Government was involved in China mainly through exchange of missions. In more recent times the government has taken a more direct approach towards China with the EDA opening two offices in China: in Shanghai in 1995, and in Jinan, the capital of Shandong Province. Currently, the Jinan office covers north-east China, the Shanghai office is in charge of middle-east to south-east China, and the Hong Kong office is also committed to the mainland of China, mainly to Guangdong Province.

The SA Government has maintained a commercial representative in Hong Kong since the 1970s, aiming at developing business ties not only with Hong Kong but also with the ever growing market in China.³⁸ In the 1980s, the government's attention to export markets in Hong Kong seemed relatively small in comparison with its attention to investment from Hong Kong and markets in China. In fact, the state's trade ties with Hong Kong remained weak in the 1980s, and SA's exports to Hong Kong usually accounted for less than two per cent of its total exports. While the Bannan Government

³⁵N. Cater, 'Shandong's SA link to be revamped', *The Advertiser*, 15 June 1994, p. 13.

³⁶'Chinese to renew links', *The Advertiser*, 30 March 1996, p. 10.

³⁷*Ibid.*; and C. Milne, 'Fast-tracking our China ties', *The Advertiser*, 1 April 1996, p. 44.

³⁸For example, see Department of State Development and Technology, *Annual Report 1987-88*, 1989, p. 15.

identified Hong Kong as a key market,³⁹ the focus was mainly on inward investment. For example, the Department of State Development organised a delegation to Hong Kong in October 1986, which took part in an exhibition of high-tech industries and sought to attract investment from Hong Kong to the industries in SA.⁴⁰ The 1992-93 annual report of the EDA only mentioned export opportunities for education sectors in terms of export ties with Hong Kong.⁴¹

As well as a major source for investment, the government increased its interest in Hong Kong as an important market, as the state's exports to Hong Kong began to grow in the 1990s. The EDA provided more resources to its Hong Kong office during 1994-95 because of the significance of that market to the state.⁴² In 1995-96, the exports to Hong Kong occupied 5.1 per cent in the state's total exports, particularly with the growth of fish exports.

The government's attention to Hong Kong further increased under the Brown Government. Since 1994, the EDA has sent many commercial missions to Hong Kong. The EDA led a trade mission with business people from 50 state companies to Hong Kong in November 1994, which was a larger commercial promotion activity than ever before. The six-day display included events for promoting SA industries such as tourism, education, food, wine, and flowers, and presented the state as an attractive investment destination.⁴³ In November 1995, the EDA organised the 'Hong Kong Grand Prix' mission, supported by its Hong Kong office, with 80 South Australians to promote such industries as tourism, food and wine, education, and advanced technology, in Hong Kong.⁴⁴ In concert with the SA Government's promotion campaign 'Case for South

³⁹South Australia, p. 17.

⁴⁰SA high tech 'surprises' Hong Kong-east Asian markets looking good', *South Australian International Brief*, December 1986, p. 10.

⁴¹Economic Development Authority, *Annual Report 1992-93*, p. 33.

⁴²*Ibid*, 1994-95, p. 21.

⁴³Asian spotlight on SA during the Grad Prix', *The Advertiser*, 1 November 1994, p. 9.

⁴⁴Economic Development Authority, *Annual Report 1995-96*, p. 24.

Australia', a trade mission of 40 participants from state industries including food, finance, construction, information technology and telecommunications, business consulting, and education, visited Hong Kong as well as Taiwan in September 1996.⁴⁵ In May 1997, the EDA sent a delegation led by the Premier to Hofex '97 in Hong Kong, an international exhibition of food and beverage sectors. More than 20 food companies from SA displayed their products in the fair.⁴⁶ The EDA is planning to send a delegation to the trade fair in 1998 as well.⁴⁷

In addition, the SA Government attaches great importance to Hong Kong as a source of business migrants, especially electronic and software engineers. During the visit of Premier Olsen to Hong Kong in May 1997, the 'Immigration South Australia scheme' was launched in a seminar to attract skilled workers to the state with incentives such as financial support for housing.⁴⁸

In comparison with the government's attention to China and Hong Kong, its active involvement in the state's economic ties with Taiwan has begun only recently. Until the mid-1990s, the SA Government mainly focused its commercial efforts on the mainland of China through the Hong Kong office. While the DPC's annual report in 1991-92 indicated that the SA Government would make efforts to establish commercial ties with Taiwan (following an agreement between Taiwan and the Federal Government for Taiwan to establish its commercial representative in Canberra),⁴⁹ the SA Government did not actually have significant activities in Taiwan until the mid-1990s. This is despite the fact that a trade mission visited Taiwan in October 1990. Although the ADL report suggested that the SA Government should establish close linkages with Taiwan at the government

⁴⁵Department of Manufacturing Industry, State Business and Regional Development, *South Australia-We Mean Business: Trade and Investment Mission to Taiwan and Hong Kong, September 1996*, SA Government, Adelaide, 1996.

⁴⁶Department of Manufacturing Industry, State Business and Regional Development, *South Australia-Food Divine-Wine Sublime*, SA Government, Adelaide, 1997.

⁴⁷Information provided to the author by the EDA on 5 June 1997.

⁴⁸M. Murphy, 'Welcome to SA-the state of "harmony"', *The Advertiser*, 9 May 1997, p. 4.

⁴⁹Department of the Premier and Cabinet, *Annual Report 1991-92*, 1993, p. 23.

level and open a representative office, the EDA did not follow the suggestion because it evaluated the Hong Kong office to be a sounder base to work from in the Chinese region.⁵⁰

While the Hong Kong office was meant to cover Taiwan since its establishment in the 1970s, the office only began to be active in Taiwan recently. This seems to be a result of the establishment of two offices in China and the reduction of the office's responsibility in China. In the 'Case for South Australia' campaign, Taiwan was a main target as a source of investment. As mentioned earlier, a large trade mission from SA visited Taiwan in September 1996. While the government has paid attention to Taiwan mainly as a potential source for investment in official reports, the Hong Kong office identifies export opportunities in Taiwan as well.⁵¹ In fact, SA's exports to Taiwan have been greater than those to Hong Kong. Throughout the 1990s, Taiwan was always in the top 10 export markets for SA, and the state's exports to Taiwan were even larger than those to Hong Kong except in 1995-96.⁵²

The government's interest in Taiwan is part of its great attention to the Chinese Economic Area including Taiwan as well as Greater China with Hong Kong. The EDA explains that it is natural to pay great attention to China because China after the return of Hong Kong has as much importance as Japan in terms of an export destination for SA.⁵³ The state's representative in Hong Kong indicates that SA's exports to China, Hong Kong, and Taiwan have already exceeded those to Japan. In 1995-96, the combined exports to the three Chinas accounted for \$694 million while those to Japan were \$678 million.

⁵⁰Economic Development Authority, *Annual Report 1992-93*, p. 33.

⁵¹Information provided to the author by the EDA on 5 June 1997.

⁵²Australian Bureau of Statistics, unpublished data.

⁵³Personal interview with staff of the EDA 27 June 1997.

- Singapore, Malaysia, and Indonesia

Along with the Chinese region, the SA Government has recently attached great importance to South-East Asia, particularly Singapore, Malaysia, and Indonesia. While the government's direct involvement in Malaysia and Indonesia began in the 1990s, its activity in Singapore started in the 1970s. The SA Government has maintained a representative in Singapore since the early 1970s, which is the second oldest in Asia. The Singapore office was aimed at enhancing the state's commercial linkages not only with that nation, but also with other Asia-Pacific countries with which Singapore had strong trade ties, namely Malaysia and Indonesia.

While Singapore was already one of SA's top 10 export markets in the 1980s, the government showed more interest in Singapore as a potential investor. In 1987, the Minister for State Development and Technology led an investment mission to Singapore to promote SA's wine and high-technology industry.⁵⁴ Although the SA Government decided to downsize the Singapore office in 1991 as Austrade upgraded its Singapore office,⁵⁵ the activity of the government has shown continuous commitment in Singapore in the 1990s. The EDA's annual report in 1992-93 regarded Singapore as a main source of productive investment to the state, in concert with the Singaporean Government's policy to encourage Singaporeans to invest overseas. Meanwhile, according to the report, SA developed a relationship with Singapore, which had established substantial transport and trade links with nations in both Asia and Europe, to contribute to establishing Adelaide as a transport hub in Australia. The SA Government expected the relations to facilitate the state's exports to Asia and Europe and to encourage investment from Singapore to the transport infrastructure in the state. In August 1992, the Minister of Industry, Trade and Technology visited Singapore to promote the strategy.

The Brown Government maintained its focus on Singapore. A major achievement in the government's activities with respect to Singapore was a business

⁵⁴'High impact for Singapore mission', *South Australian International Brief*, June 1987, p. 8.

⁵⁵Department of Industry, Trade and Technology, *Annual Report in 1990-91*, 1992, p. 18.

agreement between the island nation and the State Government. The SA Government gained this opportunity through SA's sister state in China, Shandong Province, that already maintained a commercial partnership with Singapore. The Prime Minister of Singapore has been involved in this relationship.⁵⁶ Along with the EDA, the SATC has kept its representative office in Singapore.

The Brown Government sent commercial delegations to Singapore more frequently than previous governments. The Premier visited Singapore every year during the term of his premiership, namely in 1994, 1995, and 1996. The Minister for Industry also travelled to Singapore in 1994 and 1996. The EDA organised an attendance of eight state companies to 'Environmex/Watermex Asia 1995', an environment and water management exhibition in Singapore in September 1995. It also sent a food and beverage business delegation with over 20 companies to Singapore in April 1996, to attend five-day Food and Hotel Asia '96.⁵⁷ Premier Olsen also led a trade mission to Singapore in April 1997. The EDA is planning to send delegations to Environmex/Watermex Asia in November 1997 and to Food and Hotel Asia in April 1998.⁵⁸

While the Singapore office identifies export opportunities in Singapore for such industries as food and service sectors, the SA Government has paid attention to Singapore mainly as a source of investment. In fact, the Singapore market has been losing its significance for the state's merchandise trade throughout the 1990s. While SA's exports to Singapore peaked in 1990-91 with over \$200 million, the value has decreased and was only \$116 million in 1995-96.⁵⁹ Therefore, the Singapore office has actively organised missions aimed from Singapore to SA at seeking investment opportunities.

While the SA Government maintains its interest in Singapore, its interest in Malaysia has been more pronounced over the last few years. A manager in charge of Malaysia has recently been appointed in the Singapore office. The government began

⁵⁶Personal interview with staff of the DPC on 30 June 1997.

⁵⁷Economic Development Authority, *Annual Report 1995-96*, p. 25.

⁵⁸Information provided to the author by the EDA on 5 June 1997.

⁵⁹Australian Bureau of Statistics, unpublished data.

positive approaches to Malaysia, primarily as a market for the state's service exports, since the early 1990s. For example, the Minister of Industry, Trade and Technology led a trade mission, accompanied by eight medical industry organisations, to Malaysia with a focus on health services and medical equipment in late 1991.⁶⁰

The importance of Malaysia for the state's merchandise exports has been relatively low. In 1995-96, the exports to Malaysia represented 2.3 per cent of the state's total exports.⁶¹ The Singapore office identified the opportunities for merchandise exports as being limited to food sectors. Therefore, the government attaches importance to Malaysia mostly as a major market for service industries such as health services, education and training, multimedia, environmental management, and construction. In March 1997, the state's largest trade mission, with more than 80 companies including such service sectors, visited Malaysia.⁶² In addition to a market for service industries, the SA Government has recognised Malaysia's potential as an investor as well. SA has succeeded in attracting investment of \$200 million from a Malaysian company, 'MBf Group of Companies', in a resort spot in SA, the Wirrina Cove Paradise Resort.

The SA Government's recent approach to Indonesia has been even more positive than that towards Malaysia and Singapore. While the SA Government paid little attention to Indonesia in the 1980s, its emphasis in building the state's economic ties with Indonesia has been one of most discernible activities of the government in the international field after the release of the ADL report. The government adopted the suggestion in the ADL report that SA should build official connections to be a springboard for the expanding Indonesian market, and opened its representative office in Jakarta in 1993. The SA Government expects to boost the state's exports to the Indonesian market which contains nearly 200 million people.

⁶⁰Mission targets Malaysia', *South Australian International Brief*, March 1992, p. 10.

⁶¹Australian Bureau of Statistics, unpublished data.

⁶²J. Turner, 'Governor leads export mission: state's biggest Malaysian push', *Advertiser*, 6 March 1997, p. 2.

In fact, SA's exports to Indonesia have been growing in the 1990s. The share of exports to Indonesia in the state's total merchandise exports increased to 3.3 per cent in 1995-96, in comparison with only 1.1 per cent in 1988-89.⁶³ The Jakarta office has been focusing on such industries as water technology, mining projects, education, information technology, agriculture, and health-related industries.⁶⁴

SA's exchanges with Indonesia became active under the Brown Government. The EDA coordinated a mission to 'Australia Today '94', an Australian national business promotion held in Indonesia in June-July 1994.⁶⁵ The delegation led by the Minister for Industry, Manufacturing, Small Business, and Regional Development, was larger than delegations from other Australian states. During 1994-95, two senior members of the Indonesian Cabinet, the Minister of Public Work in November 1994 and Minister of Research and Technology in May 1995, visited SA.⁶⁶ SA sent a top-level delegation to Indonesia in the end of October 1995, organised by the Australia-Indonesia Business Council.⁶⁷ More than 30 companies and institutions joined the trade mission to build up and establish contacts. The delegate members met the Minister of Research and Technology of Indonesia, and visited the technology city of Bandung, in West Java to examine the potential for forming a special relationship between the Indonesian province and SA. In July 1997, the SA Government reached an agreement for a sister relationship with West Java, which is a major Indonesian province and SA expects benefits from economic ties with West Java in such fields as water management, health related services, and education.

The SA Government pays great attention to the overall South-East Asia as well, while Indonesia, Singapore, and Malaysia are in the centre of the government's strategies

⁶³Australian Bureau of Statistics, unpublished data.

⁶⁴Information provided to the author by the EDA's Jakarta office on 3 September 1997.

⁶⁵'Contracts flow from Indonesian promotion', *South Australian International Brief*, September 1994, p. 4.

⁶⁶Ibid.

⁶⁷D. Penberthy, 'SA trade push as Dame visits Indonesia', *The Advertiser*, 30 October 1995, p. 4.

to the region. For example, the government has been strengthening its cooperative relationship with NT, to facilitate commercial ties with South-East Asian nations, particularly Indonesia with which the NT Government has already established close business ties. The SA Government's enthusiasm in the construction of the Darwin to Alice Spring railway also shows the government's eagerness to build easier and closer access to South-East Asia.

- Other major nations in Asia

While the SA Government's activities in Asia have been expanding, the government aims to concentrate on the key markets identified above, in order to use its resources effectively. Accordingly, the government's involvement in encouraging ties with Asian economies other than the priority markets has been less active.

Although Korea is now the second largest market for Australia, the SA Government has mostly paid relatively little attention to the nation. In the late 1980s, the Bannon Government showed some interest in Korea because of the increase of its significance for Australia. Korea was recognised as a target market in *Securing the Future*.⁶⁸ In addition, the Premier led a trade mission to Korea in April 1988, which was the first formal contact between the nation and SA, and another mission led by the Minister of State Development and Technology visited Seoul in July 1988. However, the government has not made many positive efforts to develop commercial ties with Korea in the 1990s. An exception is that the EDA hosted more than 40 Korean business leaders based in NSW to a business seminar and meeting in SA to promote investment to the state in July 1995.⁶⁹ The Ambassador of Korea in Australia visited the state several times in the last decade. Nevertheless, the SA Government has not sent a major commercial delegation to Korea in the 1990s.

The annual report of the EDA in 1992-93 stated that potential for SA in Korea was limited only to technology-related investment on the MFP project. In fact, despite the

⁶⁸South Australia, p. 17.

⁶⁹Economic Development Authority, *Annual Report 1995-96*, p. 24.

trade ties between Korea and Australia, the significance of the Korean market has been relatively small for SA. The main reason is that gold and coal have been the most important export items from Australia to Korea and none of these is produced by SA.⁷⁰ Meat, wool, and non-ferrous metals, such as copper, are major export items from SA to Korea, but exports of these products to Korea have not shown a steady growth in the 1990s.⁷¹

There is potential for the SA Government to pay more attention to Korea. The government has sought its partner for a sister relationship in Korea for three years, and in November 1997, the Premier of SA and the Governor of Chungchong-nam Province in Korea, who visited SA, signed an agreement to investigate feasibility to promote ties between the SA and the province in such fields as trade, investment, tourism, education, and culture.⁷² This connection is expected to blossom into a sister relationship, and the SA Government may pay greater attention to the Korean market afterwards. Nevertheless, the SA Government, especially the EDA has not identified Korea as a key market to date in 1997.

While there is potential to increase its attention to the Korean market, the SA Government's interest in commercial ties with Thailand has certainly been declining. In fact, Thailand was a priority market in the government's strategy until the EDA's representative office in Bangkok was closed in 1995. The government had appointed a representative to Bangkok since the 1980s, and actively exchanged trade missions with Thailand under the Bannon Government. In July 1988, a trade mission led by the Minister of State Development and Technology met business leaders and government officials in Bangkok,⁷³ and in April 1989, the Minister led another large delegation with 27 companies to Thailand to facilitate trade with the nation in such areas as the software

⁷⁰Gold and coal occupied 35.1 and 13.5 per cent respectively of Australia's exports to Korea in 1996-97. Australian Bureau of Statistics, *International Merchandise Trade Australia June Quarter 1997*, Cat. no. 5422.0, ABS, Canberra, 1997, p. 38-39.

⁷¹Australian Bureau of Statistics, unpublished data.

⁷²Telephone interview with staff of the DPC on 13 November 1997.

⁷³'Asian firms seek SA business links', *South Australian International Brief*, August 1988, p. 1.

industry.⁷⁴ In July 1990, SA received two trade missions from Thailand, which met business and government leaders.⁷⁵ In addition, the government was interested in Thailand as a foothold to advance into countries in Indochina.

However, the Brown Government did not take positive actions towards Thailand, such as sending trade missions, and actually closed the Bangkok office in 1995 following an evaluation that the activity of the office was ineffective.⁷⁶ In fact, in spite of the government's attention, the penetration of SA into the Thai market was not successful through the late 1980s to the early 1990s, in comparison with the growth of the state's exports to overall Asia. One reason is that agricultural products are not major export items to Thailand while those goods have been significant in the state's exports to Asia.

Other ASEAN members such as the Philippines, Brunei, and Vietnam have not consistently attracted the SA Government's attention. While trade missions from the SA Government have visited those nations, those exchanges were mostly organised when there were specific objectives. For example, a delegation of SA's media industry to Vietnam was organised by the EDA in May 1993, to sign a Memorandum of Understanding with Vietnam on media-related development.⁷⁷ When Premier Olsen led a trade mission to the Philippines in April 1997, it was aimed at establishing a contract on a water management project in Manila.⁷⁸

Comparison of the SA Government's strategy towards Japan with the strategies towards other key Asian markets

It is clear from the discussion in the previous section that while the SA Government still focuses its attention on Japan, its attention to such nations as China and

⁷⁴Immediate results from Thai mission', *South Australian International Brief*, June 1989, pp. 1-2.

⁷⁵South-East Asian trade strengthened', *South Australian International Brief*, September 1990, p. 7.

⁷⁶Personal interview with staff of the EDA on 27 June 1997.

⁷⁷D. McNamara, 'State government activity in Asia', in *The Asia-Australia Survey 1994*, eds R. Trood and D. McNamara, MacMillan Education Australian PTY LTD, Melbourne, 1994, p. 48.

⁷⁸G. Kelton, 'Water deals likely with Philippines', *The Advertiser*, 15 April 1997, p. 7.

Indonesia has recently grown. According to the EDA, its current priority markets are where it holds commercial representatives, namely Japan, China, Hong Kong, Singapore, and Indonesia.⁷⁹ Other markets such as Taiwan and Malaysia are identified as markets with second priority. Although the SA Government includes Japan in its key markets, the government's recent approaches to Japan have shown different features from its activities regarding other target nations in Asia. This section compares the strategy of the government (especially of the EDA due to its pivotal role in the government's international activity), to Japan with the strategies towards other key Asian markets, especially over the last few years.

One of the most noticeable differences in the government's activities regarding Japan and other key markets is that the government has not sent a major trade mission to Japan for three years. As described in this chapter, the Bannon Government actively sent trade missions, including those led by the Premier, to Japan. Although Premier Brown visited Japan twice in 1994, a mission aimed at enhancing trade and investment ties with Japan or a delegation at the state level organised by the government to attend an exhibition in Japan has not been organised since then. Premier Olsen's visit to Japan in May 1997, was mainly aimed at talking with leaders of the Japanese automobile industry on the tariff issue. Although the EDA is now planning to send a trade mission to Japan in June 1998,⁸⁰ the government is certainly not making enough efforts to encourage exports to Japan as reflected with trade mission approach. In contrast, during the last three years, the government has sent important trade missions including delegations for trade fairs to China, Hong Kong, Indonesia, and Singapore more than once. In addition, in the fiscal year for 1997-98, more trade missions are planned to send to these nations.

The SA Government, namely the EDA, actually seems to put more emphasis on the activity through the Tokyo office than other methods such as sending trade missions to or attending trade fairs in Japan. The Tokyo office has different features from other offices of the EDA in Asia, especially since its reopening in April 1997. While the EDA

⁷⁹Personal interview with staff of the EDA on 27 June 1997.

⁸⁰Ibid.

appoints local agencies as its representatives in other offices in Asia, only the Tokyo office has a Chief Representative who is Australian, and staff directly employed by the SA Government. The Chief Representative and one Australian staff in charge of trade and investment issues, had long experiences on the Japanese economy respectively in the Tokyo office of Austrade and the Australian Embassy in Japan, before moving to the SA Government's new Tokyo office in 1997. It appears that the SA Government expects the Tokyo office to understand the situation on both the Japanese and the SA sides, and to supplement the lack of staff familiar with Japan within the government.

Another different feature of the Tokyo office is that the office is in charge of tourism marketing and promotion in Japan as well as the facilitation of trade and investment. As a result of a restructure in 1997, the office of the EDA was merged with the Tokyo office of the SATC, as shown in Figure 3.1. This movement indicates that the SA Government expects the activity of the Tokyo office to raise the profile of the state in Japan and contribute to both business and tourism.

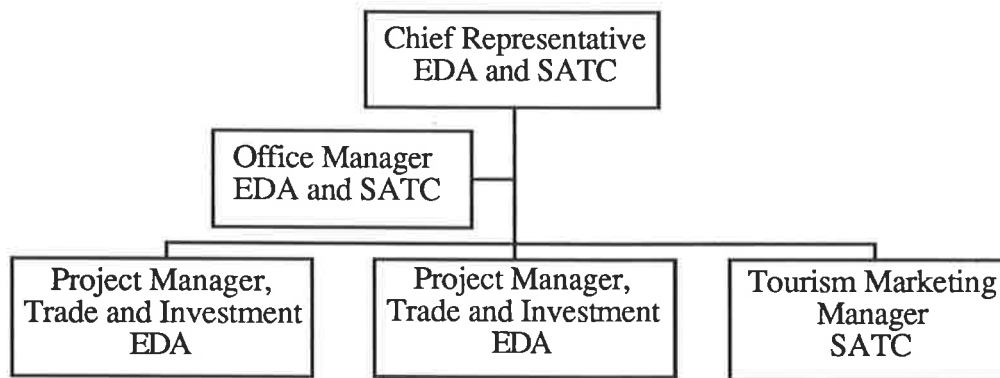


Figure 3.1: The structure of South Australian office in Tokyo

This does not, however, mean that the SA Government has allocated more resources to the Tokyo office. Although the Tokyo office was expanded to five staff from three during the restructure in 1997, the increase of staff number was a result of a merger of the office of the EDA with the Tokyo office of SATC. In fact, the number of staff in charge of issues

of trade and investment are now two and the Chief Representative and the Chief Manager are in charge of promoting both trade and tourism.

In addition, the Tokyo offices of other Australian states still have more staff than that of the SA Government. As indicated in Chapter One, most of the other Australian state governments adopt positive approaches to Japan. Accordingly, the SA Government's approach still seems less positive towards Japan, in comparison with other state governments. In contrast, while other state governments have increased their attention to other Asian nations, the SA Government has also been positive towards other key markets such as China and South-East Asia. To illustrate, SA is the only state, other than NT, which holds more than one representative office in China apart from Hong Kong. In South-East Asia, SA maintains two offices - in Singapore and Indonesia - while all other Australian states except WA and Queensland have only one or no office in the region.

In comparison with other offices of the EDA in Asia, the Tokyo office appears to be more dependent on Austrade. In fact, overseas offices of the EDA have cooperative relationships with the offices of Austrade in the same nation, through regular meetings, for example. In particular, the Tokyo office of the EDA seems to be close to the Austrade office in Tokyo. The SA Government's Tokyo office is located in the Australian Business Centre, with other Federal and Australian state government offices. According to staff of the Tokyo office of the EDA, half of the office's activities are joint projects with Austrade.⁸¹ In addition, the Tokyo office of the EDA maintains close contacts with other Japanese offices of Austrade. The Federal Government encourages Australian industries to attempt to penetrate regional markets in Japan outside Tokyo because even regional economies are gigantic markets in Japan. In order to work in other major cities in Japan, it will be indispensable for SA to make use of the Austrade network.

To conclude, the main findings of this chapter are the following. First, the SA Government identifies Japan as a key economic target, however, the government has been increasing its interest in other Asian nations, especially Chinese economies and South-East

⁸¹Telephone interview with staff of the Tokyo office of the EDA on 15 August 1997.

Asian nations such as Singapore, Malaysia, and Indonesia. Second, while the government positively promotes commercial ties with Asian target nations other than Japan by means of trade missions and attendance to trade fairs, the SA Government mainly focuses on the management of the Tokyo office in its strategy towards Japan. Third, the government has made efforts to more effectively develop economic ties with Japan with the same or even less resources and effort, such as the merger of Tokyo offices of the EDA and SATC and a close relationship with Austrade. The next chapter applies these analyses to the activities of the SA Government in the promotion of merchandise exports.

Chapter Four

Merchandise Trade

This chapter analyses the role and policy of the SA Government in the promotion of exports to Asian countries, most particularly to Japan. The first section surveys the motives for the involvement of the government specifically in the promotion of the state's exports. The second section identifies how the government, especially the EDA, encourages the state's manufacturers to export their products. The third section analyses the efforts of the EDA and its overseas offices to promote exports to the target nations in Asia. It further explores the government's export strategies towards Japan and compares them with other key markets in Asia.

The fourth section of the chapter examines the role of the EDA and its overseas offices in promoting exports of food items, including beverages, to the state's key markets in Asia. The food and beverage industry is chosen as a case study because it is a key area in the strategies of the EDA, whose offices in Asia have been involved in facilitating such exports. The case study first investigates the methods adopted by the EDA and its offices in Asia to promote food exports to the key markets. Then it examines the involvement of the EDA and its overseas offices, particularly that in Tokyo, in the promotion of a specific product, namely wine. By focusing on wine exports, the strategies of the EDA towards Japan can be clarified. The last section presents the main findings of this chapter.

Motives of the SA Government in the promotion of exports

As already indicated in Chapter Two, global interdependence, a degree of mistrust in the Federal Government, and competition with other Australian states have been the main motivations for the SA Government's involvement in international economic fields. These factors are the major imperatives which have also driven the government into trade promotion.

In SA's case, the internationalisation of the Australian economy has produced negative impacts to the state economy. As markets in Australia have become open, SA industries have faced fierce competition from foreign nations. A direct result of this competition is that SA's export activity has generally remained weak. As described in Chapter Two, the ADL report emphasised the low export-to-GDP ratio of SA as showing the state's economic weakness. The SA Government recognised that it was crucial to create an export culture in the state and to encourage industries to focus on export activities especially since the local market of SA was very small.¹

To improve the export activities of SA, diversification of export items has been important. The state has largely depended on exporting agricultural products - this dependency mainly due to a lack of rich mineral resources. In 1995-96, farming, forestry, and fishery commodities accounted for 22.5 per cent of the state's total exports. Main groups of commodities exported from the state in 1995-96 included cereal and cereal preparation (15.9 per cent), and meat and meat preparation (5.5 per cent).² While agriculture can be expected to remain a main source of the state's export income, they are faced with constant uncertainties which may affect their contribution. These factors encompass the decline of the share of primary products in the world trade, the possibility of a poor harvest, and fluctuation of prices in the global market. As a result, the SA Government has worked on encouraging other sectors, especially manufacturing industries, to place a greater focus on exports.

While the SA has depended heavily on manufactured products in terms of employment, their role in the state's exports was insignificant. The ADL report highlighted that manufactured exports from SA represented only 32 per cent of Manufacturing Gross Products in SA in 1989-90, and that this figure was much lower than the national average of 42 per cent and even lower than some of the developing

¹Department of Manufacturing Industry, Small Business and Regional Development, *Corporate Plan 1996-97*, SA Government, Adelaide, 1996, p. 12.

²Australian Bureau of Statistics, *South Australian Yearbook 1997*, Cat. no. 1307.4, ABS SA Office, Adelaide, 1997, p. 287.

countries such as Malaysia and India.³ Therefore, in response to this, the SA Government has been especially involved in encouraging manufacturing sectors to export their products.

To improve SA industries' export performance, it has been necessary to involve more small enterprises in exports. According to a speech of the Premier in March 1997, 96.7 per cent of SA companies are small firms.⁴ Small companies are generally more reluctant than larger enterprises to engage in exports, because of the expense of overseas marketing and the risk of failure can be highly damaging. While the Federal Government also supports Australian small exporters, the SA Government regards that the Federal Government can not sufficiently assist small firms in the state. For example, as already mentioned in Chapter Two, the SA Government financially assists small exporters with the NECS. While Austrade has a similar program, the EMDG scheme, the NECS aims to complement the EMDG by the lowering qualifications necessary for application. Moreover, one aim of sending overseas trade missions by the SA Government is to provide state's small enterprises with opportunities of international marketing.

Competition with other Australian states has also encouraged the SA Government to promote exports. There are many common industries to which SA and other state governments attach importance through their trade promotion activities. As indicated in Chapter Two, many state governments focus on processed food items and the SA Government similarly regards the sector as a key export area. An illustrative example being the Victorian Government, which includes defence and automotive products as well as food as key industries for trade promotion,⁵ and the NSW Government attaches importance to various sectors including defence, electronics, water management, and

³A. D. Little, *New Directions for South Australia's Economy: Final Report of the Economic Development Strategy Study*, Arthur D Little International Inc., Adelaide, 1992, p. 4.

⁴J. Olsen, 'Small business is critical to SA's growth', a speech in Business Economists Forum in Adelaide on 11 March 1997.

⁵Department of State Development, *Annual Report 1995-96*, Victorian Government, Melbourne, 1997.

information technology, in addition to processed food.⁶ These areas are in the priority industries of the EDA as well, and will be discussed later in this chapter.

The strategies of the SA Government in the encouragement of the state's exports

As previously identified in Chapter Two, the EDA has been the main agency responsible for the overall promotion of SA exports, although there are other departments that promote specific sectors. For example, Primary Industry South Australia is involved in enhancing the export of agricultural, fishery, and forestry products, and Mines and Energy South Australia promotes the state's mining industries internationally. In the EDA, the Trade and Investment section in the IBD (International Business Division) is most active in organising overseas trade missions, hosting commercial delegations, and dealing with trade inquiries. It supplies trade and export services by utilising overseas offices of the EDA. Other divisions also play some role in export promotion, although their activities are limited. The Business Centre supports export activities of small businesses by providing local industries with information about access to international markets. The SACFM (South Australian Centre for Manufacturing) is in charge of supporting the establishment of clusters in SA industries. This activity has encouraged state enterprises to cooperate in marketing and distribution through networking in order to improve their international competitiveness and enhance their export performances.

In its strategy, the EDA identifies priority industries. In 1997, the EDA recognises the following six areas as key industries.⁷ The first area is the food industry, which includes not only unprocessed items but also value-added products. For example, wine is a major export item in SA, and the state is responsible for exporting around two-thirds of Australian wine. The second industry is the automotive industry. SA accounts for 30 per cent of all cars and 40 per cent of all auto components produced in Australia.

⁶Department of State and Regional Development, *Annual Report 1996*, NSW Government, Sydney, 1997.

⁷Personal interview with staff of EDA on 27 June 1997. The following six areas have been outlined numerically at random, not as a reflection of a hierarchical order.

Information technology is the third priority area. In relation to exports of products and services dealing with information technology, the government is generally interested in attracting branch offices from Europe, the US, and Japan to the state. The fourth key area is the defence industry. SA manufactures 40 per cent of Australian defence products. In the context of information technology and defence, the government recognises electronics as a key industry which makes use of the high level of technology skills in the state. Water management is the fifth industry. Big demands for this industry are expected from the Asia-Pacific region. While until 1997 the health-related industry used to be the sixth area of focus, the EDA now identifies foundry and tooling in its place - a sector closely connected to the automotive industry.

To promote the state's exports in these priority sectors, the SA Government, particularly the EDA, makes use of exchanges of trade mission with foreign nations. It also encourages participation in international trade fairs and campaigns to promote the state's products in overseas markets. Programs to increase the involvement of small firms in export activities are implemented by the EDA through reducing costs for the firms and giving them advice.

The overseas offices of the EDA play an important role in promoting SA's exports to key markets. Their activities include: supporting trade missions from SA, coordinating the participation of SA industries in international trade fairs, organising commercial delegations from overseas to SA, and introducing business opportunities for trade between SA and foreign businesses. These offices also work towards providing information on international markets to SA companies, and assisting the development of marketing strategies of new SA exporters.

For efficiency purposes, the EDA predominantly focuses its trade promotion activities on the priority markets where its overseas offices are located. However, the London office is an exception as it is not actively involved in the promotion of exports as mentioned in Chapter Three. Instead, the London office focuses its attention on specific items such as wine. This indicates the strategy of the EDA to spend more resources on trade promotion in Asia, by relying more on the network of Austrade in Europe, similar to

its strategy in North America. Therefore, the efforts of the EDA to encourage the state's exports have been most active in the target nations in Asia.

The SA Government's approaches to Asian markets

As discussed in Chapter Three, the share of exports to Asian countries in SA's total exports has increased most remarkably in the 1990s. In 1988-89, 35.5 per cent of SA's exports went to North-East and South-East Asia and only 5 Asian nations were included in the state's top 15 foreign markets. The share of exports to these areas grew to 45.7 per cent in 1995-96 and the number of Asian nations in the top 15 increased to 9. Table 4.1 shows the top 15 overseas markets of SA in 1988-89 and 1995-96, and their shares of the total SA exports.

Table 4.1: SA's top 15 merchandise export markets in 1988-89 and 1995-96

1988-89				1995-96			
	Country	A\$'000	%		Country	A\$'000	%
1	Japan	390,207	15.9	1	Japan	672,885	15.0
2	NZ	230,263	9.4	2	NZ	376,628	8.4
3	US	184,903	7.5	3	China	293,322	6.5
4	USSR	140,858	5.7	4	UK	283,322	6.4
5	UK	108,635	4.4	5	US	279,555	6.2
6	Iran	101,471	4.1	6	HK	202,016	4.5
7	Singapore	99,385	4.1	7	Taiwan	199,329	4.4
8	Saudi Arabia	94,169	3.8	8	Indonesia	149,556	3.3
9	UAE	89,287	3.6	9	Germany	132,350	2.9
10	Taiwan	74,314	3.0	10	Iran	129,579	2.9
11	Germany	59,660	2.4	11	Singapore	116,067	2.6
12	Korea	55,489	2.3	12	Korea	114,067	2.5
13	HK	55,474	2.3	13	Thailand	112,273	2.5
14	France	53,117	2.2	14	UAE	104,999	2.3
15	India	53,117	2.2	15	Malaysia	102,015	2.3
	Others	656,483	27.1		Others	1,228,946	27.3

Source: ABS unpublished data.

Of the nine major Asian markets, the SA Government specifically focuses on Japan, China, Hong Kong, Taiwan, Malaysia, Singapore, and Indonesia in trade promotion. The main motivation for choosing these markets is the potential for expansion of the state's exports to these markets.

Among the six priority industries identified by the EDA, the Tokyo office targets processed food (especially wine), information technology, and automotive sectors.⁸ In addition, furniture is another key export item in the current strategy of the office, mainly because the Tokyo office has identified opportunities of furniture exports to Japan.⁹ A major ongoing project of the office, which was reopened in April 1997, has been the establishment of a network database which provides information on trade opportunities to businesses both in Japan and SA. The office has mounted a campaign to encourage Japanese companies to visit SA and in doing so to ascertain trade opportunities. For example, chefs of major Japanese hotel chains visited SA in September 1997 to explore opportunities for importing SA food products.

The Jinan office, responsible for promoting exports to North China, focuses on wine, dairy, beef, flowers, and aquaculture due to large demands for these products in the market.¹⁰ Particularly in terms of wine, dairy items, and beef, the office pays much attention to opportunities for exporting the state's technology, equipment, and expertise to China. The office organised a delegation of SA companies to attend the second largest trade exhibition in China, 'Qingdao Trade Fair 97' held in July 1997.

The Shanghai office recognises water management, automotive products, building materials, and food as priority items in its trade promotion activities.¹¹ The office actively supports SA companies through market research and advice on trade opportunities. Since its opening in 1995, the office has assisted SA industries to secure export orders worth at least A\$11.2 million.

⁸Telephone interview with staff of the Tokyo office on 15 August 1997.

⁹Ibid.

¹⁰Information provided to the author by the EDA on 5 June 1996.

¹¹Information provided to the author by the EDA's Shanghai office on 25 August 1997.

In the strategy of the Hong Kong office, which is also responsible for the Taiwanese market, food and beverages, water management equipment, and medical and information technology industries are key sectors. The office has actively been involved in the exchange of trade missions between Hong Kong and SA. For example, during 1995-96, the office supported visits of over 100 SA companies and arranged 10 official delegations to Hong Kong and China.¹²

The Singapore office is responsible for facilitating SA's exports to Singapore as well as to Malaysia. With regard to merchandise exports to Singapore, the office's focus is on food and beverages.¹³ The office encourages SA companies to establish strategic alliances with Singaporean industries, especially in the areas of water and health care, to develop trade as well as investment ties. In Malaysia, the office identifies opportunities for SA exporters in building, processed food, information technology, defence, and medical equipment.

In Indonesia, the Jakarta office regards mineral products, processed food, automotive components, and defence products as items with large potential.¹⁴ The office has been working as a mediator between SA businesses with the Indonesian economy significantly including industries in West Java, the sister province of SA.

While the EDA and all of its offices in Asia are involved in trade promotion, the strategies of the EDA towards Japan seem less positive than those towards other key markets. As described in Chapter Three, over the last three years the EDA has sent many trade missions to China, Hong Kong, Singapore, Malaysia, and Indonesia, but not to Japan since 1994. This means that SA industries were provided with many opportunities to market their products through joining trade missions and attending international trade fairs in the key Asian markets, but significantly, not in Japan.

While the EDA has not specifically explained its reluctance to send trade missions to Japan, the main reason seems to be its perception that the Japanese market is too

¹²Economic Development Authority, *Annual Report 1995-96*, SA Government, Adelaide, 1997, p. 26.

¹³Information provided to the author by the EDA on 5 June 1996.

¹⁴*Ibid.*

difficult to penetrate, especially for small enterprises. The EDA recognises that Japanese markets require high competitiveness in price and quality and have far too many regulations compounded by a difficult distribution system.¹⁵ Although SA has already established trade ties with Japan, the Japanese market is still difficult to penetrate, especially for small companies which generally have limited resources for marketing and promotion.

Apparently, small exporters in Australia regard penetration into Japanese markets as being difficult in comparison with other markets in Asia, which are relatively less demanding in price and quality and often easier to access. Those enterprises have been exporting their products more actively to South-East Asia than to Japan. According to one survey in 1994, only 21 per cent of Australian small and medium-sized enterprises involved in global markets have targeted Japan while nearly 50 per cent of them have been active in South-East Asia.¹⁶

Another factor which makes small exporters in SA less inclined towards Japan is that the quantity of goods required by Japanese distributors is often too great for them to supply.¹⁷ While this problem can arise in most Asian markets, it will be most serious in the large Japanese economy. Even regional markets in Japan are very large, most of which are even greater than individual markets of most other Asian nations. To address the problem of demands which are too great, the EDA has been involved in establishing an alliance of enterprises in some industries to export their products to Japan. Integrating exporters enables them not only to provide an adequate amount of products but also to cooperate in marketing and promotion. While the EDA has been encouraging SA companies to form alliances targeting not only Japan, this strategy will be especially effective to facilitate access to markets in Japan. The EDA has already had substantial outcome of enhanced exports to Japan by means of supporting an alliance in the furniture

¹⁵Personal interview with staff of the EDA on 27 June 1997.

¹⁶N. Clark and Associates, *Australian SMEs in the Global Market Place: The Finding of a Survey of the Extent and Pattern of International Activity of Australian SMEs*, prepared for the National Trade and Investment Outlook Conference in Melbourne, 1994, p. 9.

¹⁷Telephone interview with staff of the EDA's Tokyo office on 15 August 1997.

industry. A consortium of three local furniture manufacturers exhibited its products in a trade fair in Tokyo in December 1994 with financial support from the EDA.¹⁸ As a result, the state's furniture exports to Japan jumped to more than \$1 million in 1995-96, compared to only \$239,000 in 1994-95.¹⁹

SA exporters, particularly small enterprises, are cautious about trying to penetrate into the Japanese market and the EDA is hesitant to promote exports to Japan considering the potential problems on the supply side. Therefore, the Tokyo office's activities to identify opportunities in markets in Japan for SA exporters have a large emphasis on the efforts of the EDA in the development of trade ties with Japan. As the Japanese economy is vast and mature, the Tokyo office has paid attention to niche markets. Since niche markets in Japan are difficult to identify from SA, the role of the Tokyo office in providing information on sectors for potential export of SA products is significant. For example, recent annual reports of the EDA show that the Tokyo office has facilitated the state's exports of various items including sporting equipment, textile products, hay products, and commercial film making, which are areas the EDA has not specifically been interested in.²⁰

There seems to be a disparity in the level of interest in the Japanese market between the EDA and the Tokyo office which emphasises that the market is hard but profitable. The Tokyo office asserts that the Japanese market contains lucrative potential, even bigger than other Asian markets, and that SA firms should more actively explore the Japanese market.²¹ Although the Tokyo office also recognises difficulty for newcomers in penetrating the Japanese market, it identifies great opportunities especially in niche markets. However, while the Tokyo office makes efforts to promote trade ties between SA and Japan, for the reasons discussed earlier the EDA does not actively encourage SA firms to export to Japan. This directly contrasts with the EDA's positive approaches to other key Asian markets.

¹⁸'Furniture firms build on Japanese success', *South Australian International Brief*, June 1995, p. 4.

¹⁹ABS unpublished data.

²⁰Economic Development Authority, *Annual Report 1994-95*, p. 21; and *Annual Report 1995-96*, p. 27.

²¹Telephone interview with staff of the EDA's Tokyo office on 15 August 1997.

The disparity between the EDA and the Tokyo office as such is particularly apparent in the trade promotion activity of food and beverage items, especially wine. Although the Tokyo office mentions that it pays great attention to wine in its trade promotion activity, in reality its actual involvement in promoting wine has not been great. In contrast, the EDA and its other offices in Asia positively facilitate the state's processed food exports to their priority markets. To explore this contrast, the next section examines the activities of the EDA and its offices' encouragement of the state to export processed food to Asian markets as a case study. In particular, the following section examines why the EDA has not actively promoted wine to Japan although its Tokyo office regards wine as an important export commodity.

Case study: food and beverages

As indicated earlier in this chapter, food and beverages are one priority industry in the current strategy of the SA Government, namely the EDA. The EDA clearly focuses on Asian countries as the main targets for encouraging the state's food exports. For example, a trade mission to be led by the Premier to Hong Kong in November 1997 was planned to attach importance to food sectors with representatives from the state's 40 food companies accompanying the mission.²²

- Activities of the EDA and its overseas offices to promote food exports to Asia

The EDA has been very active in promoting the export of processed food from SA. In September 1996, the EDA, then MISBARD, produced a register of around 400 firms in the state's food and beverage sectors, for example: wine, other beverages, dairy, confectionery, as well as raw food, fruit and vegetables, meat, and seafood.²³ This register has been designed to provide detailed information on food and beverage companies in the state including their brands and production abilities, and aims at raising the state's profile as a food producer. It is intended that this in turn will introduce trade

²²P. Coorey, 'Premier in Hong Kong trade push', *The Advertiser*, 25 October 1997, p. 14.

²³*South Australian Food and Beverage Company Register*, SA Government, Adelaide, 1996.

and investment opportunities. The government uses this register to develop trade and investment ties between the state's food industry and overseas partners.

The EDA has pursued the establishment of networks especially in food and beverage sectors. Since according to data in 1996 more than 75 per cent of companies in this industry in SA are very small with less than 20 employees,²⁴ networking is an effective way to provide food companies in the state with access to overseas markets through joint marketing and distribution. While existing networks are mostly horizontal among one food sector, the EDA encourages vertical networking, such as linkages between primary and processing industries.

The export promotion of the EDA and its London office in Europe is limited to presenting wine. Except this, activities of the EDA have been focused on Asian markets because of SA's geographical proximity to Asia and great potential of growth in food demands within those markets. Therefore, the EDA and its offices in Asia have been very active in promoting food exports from SA to Asian markets. Table 4.2 below shows value of SA's exports of major food items to Asian nations in 1995-96.

Table 4.2: SA exports of major commodities to Asian nations in 1995-96 (\$'000)

Country	Meat	Fish	Vegetables & fruit	Beverages	Other food products	Share of food in the total exports(%)
Japan	53,404	106,270	16,173	9,618	53,792	35.6
China	3,900	3,878	12,994	153	163	7.2
Taiwan	7,554	11,711	1,941	464	814	11.3
HK	1,636	52,863	6,305	3,351	1,945	32.7
Malaysia	4,781	1,211	18,164	1,126	4,570	29.3
Singapore	6,970	6,407	10,910	6,428	4,014	29.2
Indonesia	7,951	-	6,066	1,005	4,451	13.0

Source: ABS unpublished data.

²⁴Ibid., p. 6.

As Table 4.2 shows, SA exports a variety of food products to Asian markets, but it is noticeable that raw products such as meat, fish, and vegetables and fruit have been dominant items. However, these products have negative features as discussed earlier in this chapter. Primary Industry South Australia and the EDA are involved in promoting exports of those unprocessed food. However, the SA Government is more interested in processed food products such as wine, dairy food, and confectionery because such value-added products bring greater profits. The government identifies food processing as a major manufacturing sector.

Accordingly, the EDA and its offices in Asia have promoted processed food exports to all key markets. For example, the trade mission led by Minister for MISBARD to Taiwan and Hong Kong in September 1996 included representatives from nine food and beverage companies. The EDA has been actively involved in sending delegations from SA to international exhibitions on food and beverages such as Food and Hotel Asia in Singapore, and Hofex in Hong Kong. The representative of the EDA in Jinan introduced SA industries in a food and wine festival as part of the Qingdao Trade Fair in July 1997. Thus, the EDA has been directly involved in promoting processed food exports to its key markets in Asia except Japan.

Again, in food export promotion, the question arises as to whether the strategy of the EDA towards Japan puts a major emphasis on responding to demands in terms of quality and quantity in the market. Certainly, the EDA and its Tokyo office have been active in enhancing exports of food items to Japan through finding Japanese buyers and match-making them with exporters in SA. For example, the EDA and its Tokyo office have assisted the establishment of an alliance of SA jam producers to form a contract for exporting an adequate amount of jam to Japan. However, the EDA has not been positive in promoting the state's major export items, such as wine, to Japan. Consequently, SA wine exports have not performed as well in Japan as in other overseas markets. The following section examines this hypothesis in detail mainly by means of discussing the results of a questionnaire which the author undertook.

- The involvement of the SA Government in promoting wine exports to the Japanese market

Wine is a major industry in SA. While most of the state's manufacturing sectors depend on protection from fierce competition from overseas counterparts, the wine industry is more outward-looking and has a larger capacity to join the global market.²⁵ In 1995-96, SA exported wine worth nearly \$320 million, representing 7 per cent of the total state exports²⁶ and 67 per cent of Australia's total wine exports.²⁷

The EDA's Tokyo office identifies great opportunities for SA in the wine market in Japan. The office has been engaged in providing catalogues and information on SA wine for Japanese distributors.²⁸ In addition, the office promotes wine tourism to Japanese tourists, and considers the image of SA as a wine state to be useful in raising SA's profile in Japan. Although most major wine markets for Australia are in Europe or North America, Japan is also an important market. Table 4.3 outlines Australia's top eight overseas wine markets in 1995-96. While Australia's exports to Japan accounted for only 2.3 per cent of the total wine exports, Japan was the seventh largest destination for exports and the most important Asian market for Australian wine. Japan is one of the major wine importers also in the world. Japan was the eighth largest wine importer in 1994, and its wine imports accounted for four per cent of total wine imports in the world.²⁹ Moreover, the popularity of wine among Japanese consumers has been increasing recently, and it has been estimated that Japan's wine imports in 1997 would grow by 20 per cent over the previous year.³⁰

²⁵Little, p. 35.

²⁶Australian Bureau of Statistics, *South Australian Yearbook 1997*, p. 287.

²⁷Australian Wine and Brandy Corporation, *Annual Report 1995-96*, AGPS, Canberra, 1997, p. 84.

²⁸Telephone interview with staff of the EDA's Tokyo office on 15 August 1997.

²⁹Food and Agricultural Organisation, *Yearbook Trade 1994*, FAO, Rome, 1995, pp. 208-9.

³⁰Wain gyokai oishi aki' (Wine industry, lucrative autumn), *Asahi Shinbun*, 5 October 1997, p. 5.

Table 4.3: Australia's top eight wine export market in 1995-96

	Country	Value (\$'000)	Share in total (%)
1	UK	211,421	44.6
2	USA	77,021	16.3
3	NZ	34,812	7.4
4	Canada	25,399	5.4
5	Sweden	17,385	3.7
6	Ireland	16,157	3.4
7	Japan	10,847	2.3
8	Germany	10,086	2.1
	Others	68,176	14.8

Source: Australian Wine and Brandy Corporation, 1997, p. 84.

However, SA wine has not penetrated the Japanese market as well as it has in other markets such as UK and US. Table 4.4 below illustrates SA's share of Australia's wine exports to Japan and the world. As seen in the figures, SA wine has represented two-thirds of Australia's wine exports. However, in Australia's wine exports to Japan, the share of SA wine has been lower than two-thirds in the 1990s, and the SA's share in 1995-96 was only 50 per cent.

Table 4.4: Wine exports from Australia and SA to the world and to Japan (\$'000)

	Wine exports to the world			Wine exports to Japan		
	Australia	SA	SA's share (%)	Australia	SA	SA's share (%)
1992-93	289,165	192,255	66.5	6,337	3,844	60.7
1993-94	358,636	238,366	66.5	8,193	4,315	52.7
1994-95	380,647	250,527	65.8	7,959	4,168	52.4
1995-96	471,304	318,127	67.5	10,848	5,452	50.3

Source: ABS unpublished data; and Australian Wine and Brandy Corporation, 1997.

Despite this decrease in SA's share of wine exports, large wine exporters in SA have paid great attention to Japan. For example, Orlando Wyndham, one of the major

Australian wine makers, has succeeded in boosting its exports of a major brand, Jacob's Creek, to Japan. Orlando Wyndham's efforts have met with success as there was a growth of 135 per cent in 1996 over the previous year,³¹ and the company's products now account for more than a quarter of total Australian wine exports to Japan.³²

It can be contended that small wine exporters in SA have not actively exported their products to Japan and that the support of the SA Government to encourage them to target Japan has been insufficient. To examine this hypothesis, the author made inquiries about the export activities of SA wine makers in August and September 1997. A questionnaire was sent to 127 SA wine exporters selected from the list of registered wine exporters compiled by the Australian Wine Export Council (AWEC),³³ and 64 answers were returned to the author. The first finding from the investigation was that most of the wine exporters in SA are small enterprises (as shown in Table 4.5). Consequently, it is important to support those small firms, in order to improve the exporting performance of the SA wine industry.

Table 4.5: SA wine exporters by size

No. of employees	less than 20	20-50	51-100	101-200	201-500	more than 500	Total
No. of companies	48	9	2	2	0	3	64
Share (%)	75.0	14.1	3.1	3.1	0.0	4.7	100

Source: The survey devised by the author in August and September 1997.

The second finding from the survey revealed that, while most of the larger wine exporters in SA have exported their products to Japan, small enterprises have been a little reluctant to explore the Japanese market. As set out in Table 4.6, only 13 wine exporters, out of 48 respondents, which employ less than 20 staff, have chosen to export their wine

³¹'Orlando's top drop goes down well', *International Business Asia*, 25 August 1997, p. 15.

³²S. Hawcroft, 'Wine exports to Asia drink the rest under the table', *Asian Business Review*, December 1996, p. 92.

³³Australian Wine and Brandy Corporation, pp. 97-99.

to Japan, while 9 out of 16 companies with 20 or more employees answered that they exported their wine to Japan. UK and New Zealand were the most favoured markets for small wine exporters, with 33 and 27 respondents (with less than 20 staff) targeting the UK and NZ respectively. Although Japan is the largest market in Asia, more of the small exporters in SA sell their wine to other Asian nations such as, Singapore (19 companies), Thailand (17), and Hong Kong (16) rather than Japan.

Table 4.6: Number of SA wine firms exporting to major overseas markets by size

No. of employee	less than 20 (48 responses)	20-50 (9 responses)	more than 50 (7 responses)	total (64 responses)
Japan	13	4	5	22
China	4	2	6	12
Taiwan	11	4	6	21
Hong Kong	16	4	7	27
Thailand	17	2	6	25
Malaysia	8	4	6	18
Singapore	19	4	6	29
Indonesia	6	3	3	12
UK	33	6	7	46
Germany	16	3	6	25
Sweden	8	5	5	18
US	20	5	6	31
Canada	12	6	5	23
NZ	27	7	7	41

Source: The survey by the author.

In a conclusion from this data, it is certain that the main reason for the relatively poor performance of SA wine exports to Japan is the negative approach of small wine firms to the Japanese market. As to the reasons for those small companies who do not export wine to Japan, the most common response was that they did not have enough wine stock to export their products to such a large market. In the author's survey, 19 out of 35 small wine exporters answered that the Japanese market is too large, or that their operation or production is too small to handle adequate amount of wine to provide for Japan.

While some consortiums of wine exporters have already been formed in the state and are involved in marketing activities in overseas markets, they have directed their interests elsewhere than Japan. For example, McLaren Vale Winemakers Incorporated, consisting of more than 30 wineries in SA, sent its representatives to a delegation

organised by the EDA to prepare exhibitions on their wines for international trade fairs in Singapore in 1996 and Hong Kong in 1997. This consortium now distributes wine in these two markets.³⁴

Wineries in WA have succeeded in penetrating Japan's market by forming such a consortium. The Wine Japan Export Group, a part of Wine Industry Association of WA Inc, has actively been involved in marketing WA wine to the Japanese market. The Group, established in December 1993 and consisting of 21 wine exporters in WA, has received support from the Australian Wine and Brandy Corporation, Austrade, and the WA Government.³⁵ Although the wine industry in WA is much smaller than that in SA, the Group's success pushed WA's wine exports to Japan. According to a journal article in October 1996, WA's wine exports to Japan recorded a growth of 35 per cent while the national average was only 9 per cent.³⁶

No such SA networks of wine makers have been involved in the Japanese market. Although the EDA and the Tokyo office have been involved in forming a consortium of jam exporters as mentioned earlier in this chapter, they have not made similar efforts in wine exports. The reason for EDA's reluctant attitude is that the EDA has not paid great attention to wine in its actual strategy to promote exports. This is despite the fact that the SA Government recognises wine as an item which represents the state's image, and expects wine tourism to attract international tourists. However, the EDA has not allocated extra resources specifically to wine export promotion. This is because the EDA regards wine as just one item among the food and beverage sector, and does not have resources to focus only on wine.³⁷ The EDA's efforts to promote wine exports have mostly been limited to including wine exporters as one food sector in overseas trade missions and trade promotion through overseas offices. In fact, according to the author's

³⁴Information provided to the author by McLaren Vale Winemakers Incorporated on 7 November 1997.

³⁵Information provided to the author from the Wine Industry Association of Western Australia Inc. on 19 September 1997.

³⁶'WA leads wine push into Japan', *Overseas Trading*, October 1996, p. 12.

³⁷Personal interview with staff of the EDA on 27 June 1997.

survey, only 9 out of 64 respondents said that they received assistance from the SA Government.

In contrast, the survey found that 43 and 41 companies have made use of services provided by the AWEC and Austrade respectively. In Australia, the AWEC is particularly engaged in wine marketing and promotion activities. Established in 1992, AWEC is the export administration and promotion board of the Australian Wine and Brandy Corporation, a national organisation of the wine industry funded by the Federal Government. The AWEC maintains representatives in London, Frankfurt, and New York and operates offices in cooperation with Austrade in Vancouver, Toronto, and Stockholm.³⁸ Its office in Tokyo is supposed to begin its operation in early 1998, again with support from Austrade. Austrade is also involved in Australian wine promotion. With its wide network of overseas offices, Austrade actively supports Australian wine's penetration into overseas markets. For example, its Toronto and Vancouver offices have organised participation of Australian wine exporters in Canadian trade fairs and hold events for promoting Australian wine in the market.³⁹ The SA Government has financially supported the AWEC and granted \$1.5 million for its establishment in 1992.⁴⁰ Thus, the SA Government is mostly dependent on the AWEC, and to lesser extent Austrade, in wine export promotion. The EDA's London office has also promoted wine, primarily in cooperation with the London office of the AWEC.⁴¹

Although the EDA's Tokyo office focuses mainly on wine in food items in its strategy unlike the EDA, a staff member of the office commented in August 1997 that the office's activity to promote wine has been mostly passive to date. They commented that no specific event or campaign to introduce SA wine to Japan has been carried out or planned. One main reason for this approach is that the office has recently been revamped

³⁸Information provided by the AWEC on 18 June 1997.

³⁹O. Colaco and K. Lamb, 'The Canadian market for Australian wine continues to show strong, steady growth', *The Australian Grapegrower & Winemaker*, April 1997, p. 40.

⁴⁰*Winegrape and Wine Industry in Australia: A Report by the Committee of Inquiry into the Winegrape and Wine Industry*, AGPS, Canberra, 1995, p. 135.

⁴¹Information provided to the author by the EDA on 5 June 1997.

with new staff in April 1997 and the strategy of the office has not been firmly established. Another reason is that the office has been considering cooperative activities with the Tokyo office of the AWEC which is expected to begin its operation in early 1998. In fact, the SA Government carried out a wine promotion campaign in Japan a few years ago, but the campaign was not successful. According to a representative of the Tokyo office at that time, the campaign of the SA Government was not big enough for the state to compete with other countries.⁴²

It is plausible that the EDA has recognised that it is not effective to focus on wine export promotion while there are also many other processed food items, and that the AWEC is actively involved in promoting wine exports. The EDA's Tokyo office also realises that the office does not have enough resources to focus on wine promotion.⁴³ The EDA seems to assume that, since SA supplies two-thirds of wine exported from Australia, there is no strong motive to be directly involved in wine export promotion in Japan. However, as discussed above, wine exports from SA to Japan have been unreasonably small in comparison with exports to other markets. Therefore, it is necessary to encourage small wine makers to export their products to Japan in order to improve the state's performance in the Japanese wine market, which has great potential to further grow. In fact, to expand wine production in the state, the SA Government identifies wineries as a target in its activities to attract inward investment. Still, as happened in WA, it will be beneficial to encourage the state's wine exporters to pay more attention to Japan by such means as support to establish consortiums of small wine enterprises. This will be helpful to attract Japanese investment to wineries in SA and to promote the state as a destination in wine tourism.

Conclusion

The SA Government, especially the EDA, has actively been involved in promoting merchandise exports from SA to foreign nations. This has been mainly because

⁴²Personal interview with the Commissioner of the Tokyo office on 29 January 1997.

⁴³Ibid.

of the necessity to improve the state's economy. It has particularly encouraged small enterprises in the state to be engaged in export activities. Some of the methods employed by the EDA have included, organising overseas trade missions, sending state delegations to international trade fairs, and hosting trade missions from overseas. Its overseas offices have played major roles in enhancing SA's trade ties with target markets in Asia.

While the EDA and its offices in Asia have actively been involved in promoting the state's exports, the EDA's approach to the Japanese market seems a little passive in comparison. The EDA has actively promoted the state's products through trade missions and exhibitions at trade fairs in other Asian markets such as Hong Kong and Singapore, but not in Japan over the last three years. The main activity of the EDA's trade promotion to Japan has been seeking Japanese importers of SA products through the Tokyo office. The EDA and its Tokyo office seem to regard it as more efficient to make use of the activities of Austrade, although the level of dependence in Japan is lower than that in the US and Europe. The EDA and its Tokyo offices have made concerted efforts in trade promotion to Japan to provide export opportunities for SA exporters rather than to push SA's key export items, such as wine.

The EDA's passive approach towards Japan has several reasons which will be briefly outlined. First, despite the SA's trade ties with Japan, the Japanese market is difficult for small enterprises to penetrate and these small scale operations represent most of the state's businesses. Second, demands in terms of quantity from Japanese distributors are often too great for many of small firms in SA. Third, national organisations such as Austrade and the AWEC are actively involved in trade promotion to Japan. However, Japan is too important for SA to neglect, and the EDA's Tokyo office regards that Japan's niche markets can offer great export opportunities to SA industries. Consequently, the EDA has not actively been involved directly in trade promotion to Japan, but has adopted more effective approaches, such as greater focus on the operating of its Tokyo office and the encouragement of state exporters to establish consortiums targeting Japan.

Chapter Five

Service Trade

The previous chapter analysed the activity of the SA Government in promoting the state's exports of manufactured goods. As markets for service trade are liberalised and the advance of technology makes international movement and communications less costly, service trade has been expanding more rapidly in the recent international economy than merchandise trade. In Australia, the percentage of service exports in the total exports of goods and services grew from 17.4 per cent in 1985-86 to 23 per cent in 1995-96.¹ The share of services in 1995-96 was larger than that of rural products (21.8 per cent) or mineral and fuel (21.6 per cent).

The significance of exporting services has been recognised in SA as well. The ADL report recommended that SA should enhance its exports of services such as tourism, education, and health care, because of the significant contribution of those sectors to the maintenance and creation of employment.² The report suggested that the state should focus on Asian nations because of many opportunities in the economically growing region, and the State Government should support exports by service industries through such activities as providing information on and contacts to overseas markets.

In the SA Government, the EDA has intensively dealt with the issues of merchandise exports in overall industries, however, players mainly involved in the state's service trade are different from sector to sector. This chapter carries out an investigation on the SA Government's role in promoting exports of services through case studies.

¹Department of Foreign Affairs and Trade, *Trade in Services Australia 1995-96*, AGPS, Canberra, 1996, p. 14.

²A. D. Little, *New Directions for South Australia's Economy: Final Report of the Economic Development Strategy Study*, Arthur D Little International Inc., Adelaide, 1992, p. 51-64.

Tourism and education are selected as the two case studies because of their rapid growth in terms of exports and their significance for the SA economy.

The first case study is an investigation of the SA Government's role in international tourism. The first and second sections review motives and methods respectively, including players of the government involved in attracting overseas tourists to SA, namely the South Australian Tourism Commission (SATC). The third section analyses the strategies of the SATC regarding its target nations, referring to the state's performance in international tourism. The fourth section compares the SATC's approaches towards Japan and those towards other Asian markets.

The second case study examines the role of the SA Government in the recruitment of international students in educational institutes in SA. The first section reviews the education industry in Australia and SA, and the SA Government's involvement. The second, third, and fourth sections, investigate the government's motives, methods, and target nations in respectively its activity to recruit overseas students to the state. The concluding section of the case study explores the potential of expanding the role of the State Government in attracting international students. Then, through a conclusion, this chapter summarises the examination of the SA Government's involvement in promoting exports of services.

Case study: tourism

- The motives of the SA Government for involvement in international tourism

One main incentive for the SA Government's involvement in tourism is the increasing significance of the sector in the world. Tourism is one of the fastest growing sectors in the global economy. The World Travel and Tourism Council forecast that more than 10 per cent of both Gross National Products and employment in the world in 1995 would originate in the tourism industry.³ This is especially true of the tourist arrivals in the Asia-Pacific region, which took 14 per cent of all world arrivals, and has been growing

³Department of Tourism, *Annual Report 1994-95*, AGPS, Canberra, 1995, p. 5.

most dramatically by 10 per cent annually in comparison with the world average growth of 3 per cent.

Tourism is a major industry in Australia. In 1993-94, 6.6 per cent of the labour force in Australia was directly employed in the tourism sector, and indirect employment from tourism was also estimated to be large.⁴ International tourism is a fastest growing sector. Australia's export earnings from tourism in 1993-94 grew by 17 per cent from the previous financial year, and accounted for 13 per cent of total exports, which was higher than the value of such major exports as coal, wool, metal, and wheat.⁵ It is estimated that tourism will create nearly 270,000 jobs in Australia during the 1990s and around 200,000 of these jobs will be from growth in international tourism.⁶ This means that the expansion of the tourism industry will increase jobs in Australia by around three per cent.⁷

A 1994 SATC publication mentioned that: 'Locally, the tourism industry is worth \$1.8 billion, providing an estimated 34,000 jobs for South Australians.'⁸ These figures mean that the tourism industry accounted for five per cent in General State Products and five per cent in employment of SA in 1994. The SA Government regards tourism as a generator of the state economy in terms of exports and job creation.⁹ Thus, the growth of international tourism in addition to the significance of the tourism industry in the state are factors which have encouraged the SA Government to be involved in overseas tourism promotion.

Another motive is related to the nature of the tourism industry. Since tourism generally involves a wide range of businesses, from international carriers to souvenir

⁴Ibid., p. 7.

⁵Ibid., pp. 5-7.

⁶South Australian Tourism Commission, *Taking Tourism to 2000: A Guide to the South Australian Tourism Commission Marketing Plan*, The Commission, Adelaide, 1994, p. 3.

⁷Base on the average number of labour force in Australia in 1995-96. *Year Book Australia 1997*, Cat. no. 1301.0, ABS, Canberra, 1997, p. 109.

⁸South Australian Tourism Commission, p. 3. The year of the estimation was not mentioned in the material.

⁹Ibid.

shops in the industry, government agencies have a significant role in representing the industry. Governments in Australia, including state governments, have played a major role in the promotion of tourism.¹⁰ In addition, because most players engaged with tourism, with some exceptions such as airline companies and hotel chains, are small businesses who can hardly afford the expensive marketing and promotion, governments are responsible for taking an initiative in such activity.¹¹ The ADL report has encouraged that the SA Government should play a pivotal role in the marketing and promotion of the overall state in tourism. This is not only because of a dominant proportion of small businesses in the state's tourism industry, but also the absence of other players suitable for the task. In fact, staff of the SATC comment that the tourism industry in SA to a large extent depends on the SATC in international marketing.¹²

Competitions with other states are another incentive for the SA Government's direct involvement in promoting the state to overseas tourists. There are certainly cooperative activities between the Federal Government and state governments as well as between state governments in the marketing and promotion of international tourism. Nevertheless, state governments are actually rivals as each would like to attract more international tourists to their constituency, as one Premier of Queensland stated during his visit to Japan: 'Come to Queensland, not to Australia.'¹³

Moreover, while international tourists in Australia have dramatically increased since the 1980s, the growth in SA has not been as strong as in most of other Australian states. Although 11.5 per cent of overseas tourists visiting Australia came to SA in

¹⁰C. M. Hall, *Introduction to Tourism in Australia: Impacts, Planning and Development*, second edition, Longman Australia Pty Ltd, Melbourne, 1995, p.88.

¹¹Ibid., p. 87.

¹²Personal interview with staff of the SATC on 23 July 1997.

¹³J. Ravenhill, 'Australia', in *Federalism and International Relations: The Role of Subnational Units*, eds H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, p. 98.

1986,¹⁴ the figure had dropped to 7.4 per cent in 1995.¹⁵ In short, an increase of international tourists in Australia does not always mean that SA can also receive more visitors from overseas. Therefore, the SA Government recognises the necessity of its direct involvement in the promotion of the state tourism to overseas.

Thus, the global expansion of tourism, responsibility for the state's tourism industry, and competition with other states, have stimulated the SA Government to be involved in the promotion of the state in international tourism. The next section explores how the government makes efforts to attract overseas tourists to the state.

- Players and methods in the SA Government's activities to attract international tourists

The SATC is the main agency in charge of the tourism industry in the state and is under the direction of the Minister for Tourism. In 1993, the SATC was established and took over the marketing and promotion function of the dissolved Tourism South Australia.¹⁶ The involvement of other departments is limited, but the EDA coordinates its activities with the SATC in trade missions, including promotion of the state as a tourism destination. The SATC will be absorbed into the new Department of Industry and Trade, to be established in late November 1997. However, this thesis examines the role of the SATC based on information before its merger since the detailed structure of the new department has not been uncovered yet.

Within the SATC, the International Marketing Group is responsible for overseas promotion and marketing. As shown in Figure 5.1 below, the Group consists of the General Manager, a Marketing Assistant, an Industry Marketing Manager, and four Market Coordinators. The Industry Marketing Manager is responsible for the SATC's cooperative works for international marketing with wholesalers and travel agents. Each of the four

¹⁴Planning and Development Division, Tourism South Australia, *South Australian Tourism Statistics 1986*, The Division, Adelaide, 1987, p. 8.

¹⁵Bureau of Tourism Research, *International Visitor Survey 1995*, The Bureau, Canberra, 1996, p. 54.

¹⁶Hall, p. 129.

coordinators is in charge of specific regions identified as a priority market, these being, New Zealand and North America, Asia, Japan, and Europe.

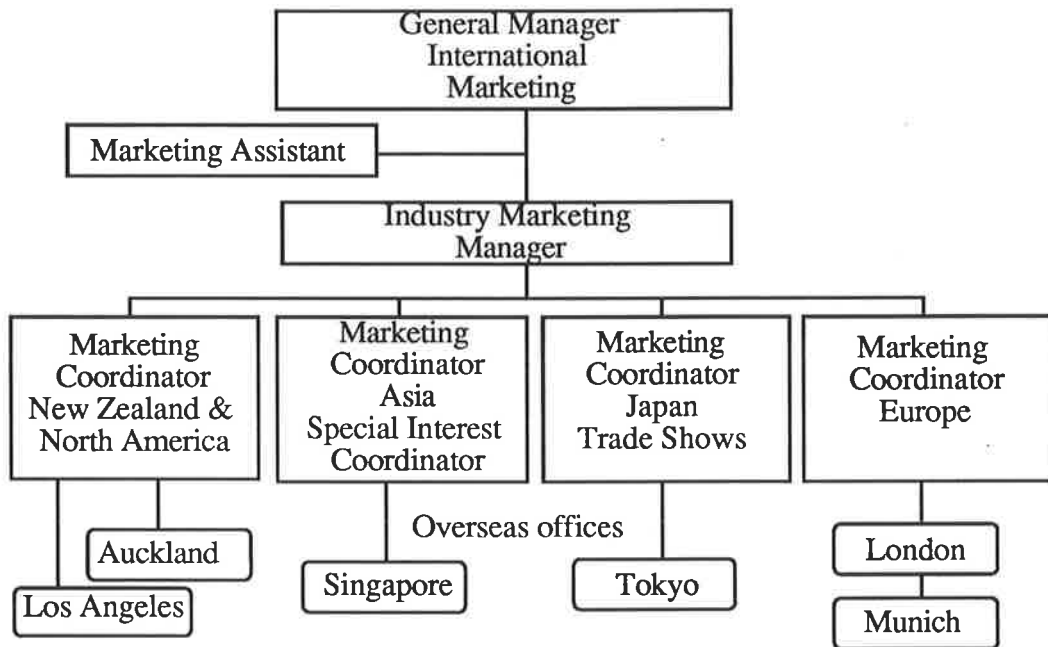


Figure 5.1: The structure of International Marketing Group

Source: Information provided to the author by the SATC on 23 July 1997.

The Group tries to make use of special interests such as Aboriginal culture to increase SA's appeal to international tourists. The Market Coordinator for Asia is concurrently in charge of promoting such attractions of the state. Meanwhile, the Coordinator for Japan simultaneously works as the Coordinator for trade shows.

The SATC maintains several offices overseas under the management of the International Marketing General Manager, and the Marketing Coordinators work with the offices. International offices have been established in each target market, Tokyo, Singapore, London, Munich, Los Angeles and Auckland. The representative in London is responsible for UK, Ireland, Scandinavia, and Benelux. The Munich office is in charge of the Central Europe, and reports to the London office. The Singapore office is responsible for attracting tourists from Asia excluding Japan.. The offices in Auckland and Los Angeles cover New Zealand and North America respectively.

In Auckland, London, Munich, Singapore, and Los Angeles, all representatives are contracted companies who work for SA with such tourism activities as advertising and public relations. The SATC provides them with funding including representative fee, marketing fund, and trade development. The contracts are usually for two to three years and the SATC evaluates the activities of the contracted agencies and decides whether it will extend the contracts or not.

The representative office in Tokyo contains staff employed by the SA Government. Three full-time staff work in the tourism office: Chief Representative, Office Manager, and Tourism Marketing Manager. Since its reopening in April 1997, the Tokyo office also represents the EDA in Japan, and the office is maintained with half of the funding from the EDA and the other half coming from the SATC. The Chief Executive and the Office Manager work for both EDA and SATC, and the Marketing Manager in the office concentrates exclusively on tourism.

The SATC's promotion activities involve many segments. It identifies several attractions of SA to promote the state as a tourism destination overseas. For example, it tries to feature wine and wine growing regions for giving international tourists an impressive image of the state. Other attractions identified to appeal SA to international tourists include, festivals and events, Kangaroo Island, and the natural environment. The SATC tries not to duplicate the images associated with other parts of Australia. While emphasising the natural environment as an enchanting feature in SA, for example, the SATC recognises the attraction to be different from the wilderness Tasmania promotes as its strength.

Working with traders and the media is an important aspect of the SATC's promotional activity because direct advertising is very costly. A less expensive method is providing wholesalers and travel agents with special offers and travel incentives for package tours to SA. One practice the SATC attaches great importance to is sponsoring foreign journalists and TV crews for reporting SA as a travel destination. According to the SATC, this way is much more cost-effective and credible than advertising in the media such as TV and newspapers.

The SATC keeps cooperative ties with the Australian Tourist Commission (ATC, an organisation in the Federal Government) through a 'Partnership Australia' program. For attending international tourism trade shows, SA participants usually join delegations coordinated by the ATC. In the 'Partnership Australia', the ATC supports the international marketing by state tourism commissions financially. In that case, at least two Australian states work together, and SA normally has partnership with Victoria, NSW, or NT.

- The strategies of the SATC regarding its target nations

As indicated in the previous section, the key foreign markets in the strategy of the SATC are currently New Zealand, North America, Europe, Japan, and other parts of Asia, and the SATC has recently shifted its main focus to Asia including Japan rather than other priority markets.¹⁷

However, such nations as New Zealand, US, UK, and Germany are still major sources for international tourists in SA. Of the total international tourists in SA in 1995, New Zealanders represented 8.4 per cent, Americans 12.6 per cent, British 18.4 per cent, and German 11.6 per cent.¹⁸ The proportion of Americans and Europeans among overseas tourists in SA has been especially large in comparison with that in Australia as a whole. In international tourists in Australia, those from US, UK, and Germany accounted for 8.2, 9.3, and 3.3 per cent respectively in 1995. Scandinavian nations have also been an important source of tourists for SA, which provided 5.1 per cent of international visitors in the state in 1995 and only 1.4 per cent in Australia as a whole. There are some factors which seem to explain the large share of those Western tourists in the state, such as the state's strong historic ties with Europe and the tendency for experienced Western travellers to visit more varied destinations. Accordingly, the SA Government attached

¹⁷Personal interview with staff of the SATC on 23 July 1997.

¹⁸Bureau of Tourism Research. All figures concerning the number of international visitors in 1995 indicated in this chapter are cited from this resource, with exception of the figures with a note.

great importance to those markets in its activity to promote international tourism, and did not pay much attention to Asia in the past¹⁹

In contrast, the SATC is now interested more in attracting Asian visitors than in those from Western nations. One reason is that the significance of Western visitors for the SA tourism sectors has been decreasing. For example, between 1986 and 1995, the share of US tourists in the total international tourists in SA dropped from 23.5 to 12.6 per cent and so did that of UK tourists from 21.5 to 18.6 per cent. More important factors which urge the SA Government, especially the SATC, to focus more on Asia than on the US and Europe are the considerable growth of Asian markets for the tourism industry in Australia and weak penetration of SA into those markets. The government recognises that these are the main reason for the state's poor performance in international tourism. In 1995, SA accounted for only four per cent in all nights spent by international tourists in Australia, which was quite small in comparison with the state's economic scale such as seven per cent of the state's share in Australia's GDP. As the number of Asian tourists in Australia grew rapidly, the percentage of overseas tourists who visited SA among the total overseas tourists in Australia dropped from 11.5 per cent in 1986 to 7.4 in 1995.

In other parts of Australia, the share of Asian tourists has dramatically grown in the last decade. While Japanese and other Asian tourists represented 10.7 and 13.9 per cent respectively of the foreigners who visited Australia in 1986, the percentage had grown to 21.0 and 29.2 per cent in 1995. Japan has been the largest source for Australia's tourism industry since 1990, overtaking New Zealand. Tourists from Japan and other Asian nations have been the main generator of the dramatic increase of the number of international tourists in Australia since the 1980s.

However, SA has not experienced equivalent growth of Asian tourists. In 1995, only 1.9 per cent of Japanese who visited Australia stayed in SA, and the share of Japanese in the total international tourists in the state was 5.7 per cent. Among Japanese tourists in Australia, the percentage who visited SA has consistently been low, less than five per cent, for at least the last decade. As a result of a promotional campaign, the

¹⁹South Australian Tourism Commission, p. 22.

number of Japanese tourists in the state showed large increases in 1995 and 1996.²⁰ The increase of Japanese tourists in SA over the previous year was 107.2 per cent in 1996 and 83.2 per cent in 1997.²¹

The performance of the State's tourism in other Asian markets has similarly been weak. Tourists from Asia, other than Japanese, accounted for only 12 per cent of inbound visitors in SA in 1995. Meanwhile, in the whole of Australia, the number of tourists from such Asian nations as Korea, Hong Kong, Taiwan, Malaysia, Singapore, and Indonesia, has been on the rise most dramatically in the 1990s. Tourists from those nations grew 612, 110, 338, 125, 131, and 265 per cent respectively over four years to 1995, while the growth of Japanese tourists was 48 per cent and the total increase of international tourists in Australia was 57 per cent. Despite this increase, in 1995, only 2.6 per cent of tourists from the above nations visiting Australia in 1995 came to SA, and the number of tourists in SA did not record consecutive growth in any of those Asian markets between 1994 and 1996.²²

Meanwhile, a strong Asian focus of the SA Government, especially of the EDA and the DPC, has influenced the strategy of the SATC to pay more attention to Asian markets than to the US and Europe.²³ Consequently, the SATC has focused on Asian tourists to vitalise the state's tourism industry. Apparently, Japan is an important target for the SATC, and it has begun a more vigorous campaign in Japan in any other target in Asia. The SATC recognises that the dramatic growth of Japanese tourists in SA in the last few years was a result of aggressive promotion of the SATC, particularly from its Tokyo office.²⁴ Each year, the SATC sends one university graduate as a trainee to the Tokyo office. The purpose is to make the trainee support the Tourism Marketing Manager in the

²⁰Personal interview with staff of the SATC on 23 July 1997.

²¹Information provided to the author by the SATC on 30 October 1997.

²²Data in 1996 is based on information provided to the author by the SATC on 30 October 1997.

²³Personal interview with staff of the SATC.

²⁴Ibid. All information about the activity of the SATC in this section is based on the interview except those indicated with another source.



Tokyo office and to be able to use the experiences obtained in Japan after they return to the SATC in SA.²⁵

The SATC focuses on some specific demographic groups in attracting Japanese travellers to SA. A major focus is on the so-called silver market, and the SATC pays great attention to Japanese tourists over 45 years old. This is a strategy to target a niche market in Japan since eastern Australian states such as Queensland and NSW are popular among younger Japanese tourists. This strategy has gained some increase of aged Japanese tourists in SA, mainly with the growth of those people visiting from Okayama, the sister prefecture of SA in Japan.²⁶ The SATC currently promotes a 'Romantic Adelaide' campaign for Japanese joining a package tour to Adelaide with incentives such as free wine and a tram ticket. In this campaign, culture, lifestyle, and atmosphere, are emphasised as the charms of Adelaide which they present as being free from icons or man-made attractions.

The Tokyo office makes two major methods to promote SA to Japanese tourists. One is the development of campaigns in cooperation with travel agencies in Japan. The other is familiarisation of SA in Japan by supporting the travel of key Japanese visitors to the state. For example, the office assisted a trip and stay of Japanese media reporting on education in SA in a bid to promote the state as a destination for school excursions from Japan. The office has a plan to send wine experts and journalists to SA to appeal the image of SA as a wine state.²⁷

Other top priority markets in Asia (which mean the same level as Japan), are Malaysia, Singapore, and Hong Kong. Countries with a second priority are Indonesia, Thailand, Taiwan, Korea, and India. These ranks are reviewed each year and can be altered depending on such factors as the growth in the markets. Although China has the potential to provide a large number of tourists, it depends on agreement between the Federal Government and the Chinese Government. In the current condition, the Chinese

²⁵Telephone interview with staff of the EDA's Tokyo office on 15 August 1997.

²⁶Personal interview with staff of the DPC on 30 June 1997.

²⁷Telephone interview with staff of the EDA's Tokyo office on 15 August 1997.

Government does not allow people to travel to some countries, including Australia, freely without invitation from the destination.²⁸

In each of the target markets, the SATC identifies demographic focus groups. The segments in the strategies include age, economic class, and attraction to offer. For example, in the case of the Singaporean market, the SATC pays great attention to families with middle or upper income in the age ranges of 18 to 44, and recognises shopping, food, and tourist places, such as Kangaroo Island and Barossa Valley to be major attractions for them.

The SATC held its first tourism trade show exclusive for SA in Adelaide in 1996. The exhibition gathered 60 tourism agents from the Asian region, including Korea, Taiwan, Hong Kong, Brunei, Indonesia, Malaysia, and Singapore. According to the SATC, the fair was successful and cost-effective, so it will hold another in 1998, and then probably hold one annually. The show focused only on Asian markets because it is not cost-effective to invite European operators.

While the SATC is certainly involved in appealing SA to Asian tourists, its approaches towards Japan and other key markets in Asia show some differences. The next section analyses the differences in strategies of the SA Government between Japan and other Asian nations.

- Differences in the strategies of the SA Government towards Japan and other Asian nations

A close examination of the activities of the SATC to attract tourists from Japan and other major markets in Asia leads to the emergence of some differences in the SA Government's approaches towards those two groups.

While the SATC places high priority on Singapore, Malaysia, and Hong Kong similar to that on Japan, it faces difficulties in developing effective promotional campaigns in those markets. The Marketing Coordinator for Asia is responsible for the three markets as well as other major nations in Asia, while the Marketing Coordinator for Japan can

²⁸Personal interview with staff of the DPC on 30 June 1997.

concentrate on the Japanese market in terms of target nations. In addition, the representative of the SATC in Singapore has to pay attention to a vast area from Korea to India. Other Australian state tourism commissions hold more representative offices in the region. For example, the Queensland Tourist and Travel Corporation manages offices in Singapore, Taipei, Seoul, and Hong Kong, as well as in Tokyo,²⁹ and the Tourism Victoria also maintains offices in Singapore, Taipei, Seoul, and Hong Kong, along with Tokyo and Osaka.³⁰ The Western Australian Tourism Commission operates offices in Kuala Lumpur, Jakarta, Bangkok, Singapore, Taipei, and Tokyo.³¹ The SA Government's other Asian offices, such as the EDA's Hong Kong office, have not supported the activity of the SATC.³² Thus, the SA Government has not allocated sufficient resources to attract tourists from other Asian key markets than Japan.

While there has been little cooperation between the SATC and the EDA in other part of Asia, the SATC and its Tokyo office can more easily connect the promotion of SA to Japanese tourists with the development of the state's economic ties with Japan. This is because the Tokyo office of the SATC has been merged with that of the EDA. This movement shows the SA Government's intention to combine trade and tourism promotion. For example, the office's plan to promote an image of SA as a wine state can be beneficial both for attraction of tourists and encouragement of wine exports.

While the activity of the SATC in promoting international tourism through its overseas offices seems more positive in Japan than in other Asian nations, the involvement of the SATC in sending overseas trade missions is not active in either target. In contrast, other state governments more actively send overseas trade missions on tourism. For example, the Tourism Victoria sent eight overseas delegations and held nine trade shows in

²⁹G. Chaikin and D. McNamara, 'State government activity in Asia', in *The Asia-Australia Survey 1997*, eds R. Trood and D. McNamara, MacMillan Education Australia PTY LTD, Melbourne, 1997, p. 47.

³⁰Tourism Victoria, *Annual Report 1994-95*, Victorian Government, Melbourne, 1996.

³¹D. McNamara, 'State government activity in Asia', in *The Asia-Australia Survey 1994*, eds R. Trood and D. McNamara, MacMillan Education Australia PTY LTD, Melbourne, 1995, p. 53.

³²Information provided to the author by the EDA's Hong Kong office on 2 September 1997.

foreign nations, such as Japan, Korea, Thailand, South Africa, and UK, in 1994-95.³³ The SATC recognises that sending companies abroad is too expensive considering its financial ability. Therefore, the SATC appreciates the efficiency of holding trade shows in Adelaide.

However, Japan was not involved in the last trade show held by the SATC in Adelaide. Although the SATC had expected Japan to attend its trade show, the Tokyo office advised that it was very difficult for Japanese travel agents to come to a trade show outside Japan. According to the SATC, Japanese tourism traders are reluctant to leave Japan. However, an annual Australian Tourism Exchange in Melbourne in June 1997 received 50 Japanese companies.³⁴ This will mean that Japanese tourism agencies are interested in Australia, but not specifically in SA as a tour destination.

Another difference in the SA Government's approaches to Japan and other Asian markets in tourism may come from the strategy of the ATC. The ATC now pays great attention to Japan to reverse the recent decrease of Japanese tourists in Australia.³⁵ The number of Japanese tourists in Australia dropped by one per cent in 1996 compared with the number in 1995, although more and more Japanese now travel overseas. This movement may make the SATC more reliant on the ATC in the activity on the Japanese market in comparison with other markets. In fact, the Tokyo office of the SATC has a close relationship with the Tokyo office of the ATC, residing in the same building. Effective usages of the activity of the ATC seem to be a key issue for the SA Government and the SATC to penetrate the Japanese market in tourism.

However, it seems insufficient for the SATC to promote the state in Japan only through the activities of the ATC. A staff member of the Tokyo office of the SA Government points out that the Federal Government focuses only on young Japanese,

³³Tourism Victoria.

³⁴R. Adachi, 'Kaigai urikomi ni yakki no Osutoraria kankogyo (The Australian tourism industry eager for overseas sales)', *Nichigo Press*, July 1997, p. 22.

³⁵'Tourism gloom despite record 4.2m visitors', *The Advertiser*, 22 July 1997, p. 7.

who tend to prefer eastern states, in promoting Australia to Japanese tourists.³⁶ However, the Tokyo office pays attention to senior tourists because SA may be more attractive for them. Accordingly, it will still be necessary for the SA Government to be directly involved in promoting the state as a tour destination in Japan.

In conclusion, while the SATC pays greatest attention to Japan and some other Asian nations, there are differences in the strategies of the SA Government and the SATC towards Japan and other key Asian markets. Those differences mostly indicate the more active involvement of the SATC in Japan and difficulties in sufficiently promoting the state in other Asian key markets. The SATC adopts some cost effective methods for attracting Japanese tourists to the state. One way is to effectively use the resources of the Federal Government, namely the ATC, although it is unrealistic to expect the ATC to pay more attention to SA than other Australian states, and the direct commitment of the SA Government in promoting the state to Japan is essential. Another strategy is to link its activities on tourism with the issues of business, such as the promotion of exports and the attraction of investment by the EDA. In terms of raising the state's profile, education sectors can also be an important factor for SA. The next case study analyses the SA Government's involvement in the export of education.

Case study: education

- International students in Australia and the involvement of the SA Government

In Australia, the education sector consists mainly of the following types of institutions: university, TAFE (Technical and Further Education), vocational school, ELICOS (English Language Intensive Course for Overseas Students), secondary school, and primary school. All universities in Australia are nationally funded except one private university, Bond University in Queensland, and all have autonomy in their management. TAFE is under the charge of state governments, and more oriented to vocational studies at

³⁶Personal interview with the Commissioner of the EDA's Tokyo office on 29 January 1997.

the pre-tertiary and tertiary levels. Other types of schools are mixture of public and private institutes.

In 1996, approximately 143,000 overseas students were enrolled in Australian education institutes.³⁷ Among them, about 54,000 students were at universities. Other major types of education institutes which received international students were vocational education institutes including TAFE with 38,000, secondary and primary schools with 15,000 and ELICOS with 36,000 students.

In SA, there were 6,420 overseas students in 1996. The three universities in the state, the University of Adelaide, the University of South Australia, and Flinders University, received almost 2,900 international students amongst the approximately 46,000 students who were enrolled in the three universities in 1996.

In SA, there are 10 TAFEs, comprising of 57 campuses. In 1996, 90,000 students were enrolled over more than 300 courses,³⁸ and about 500 students were overseas students.³⁹ The state has three private vocational colleges providing courses for overseas students, offering services to 200 international students in 1996.⁴⁰ Seven institutes, including four private schools, offer ELICOS to international students in SA, and the number of overseas students enrolled in 1996 was over 1,300. The estimated overseas enrolments in pre-tertiary schools, including primary and secondary schools, both public and private, amounted to 944 in 1996.

The SA Government operates all TAFEs and public primary and secondary schools. In the government, The Department for Employment, Training and Further Education (DETAFE) is in charge of the management of TAFE, and the Department for

³⁷International Division, Department of Employment, Education and Training, *Overseas Student Statistics 1996*, The Department, Canberra, 1997. All figures concerning the number of international students in 1996 indicated in this chapter are cited from the resource above with the exception of the figures with a note.

³⁸Department for Employment, Training and Further Education, *Annual Report 1996*, SA Government, Adelaide, 1997, p. 27.

³⁹E. M. Miller, *Education Adelaide: A Strategy to Increase the Number of Fee Paying Overseas Students and Expand the Education Industry as an Economic Generator for South Australia*, September 1996, unpublished paper, p. 17.

⁴⁰*Ibid.*, p. 25.

Education and Children's Services (DECS) is responsible for primary and secondary schools. The SA Government established the new Education Industry Development Office in conjunction with the Adelaide City Council to internationally promote Adelaide as a place for education in November 1997. However, the role of the Office is not considered in this thesis because the detailed structure of the Office has not yet been revealed and activity has not begun. The following is an examination of the activities of the DETAFE and the DECS in recruiting international students.

- Motives for the involvement of the SA Government in the promotion of exporting education services

The SA Government is responsible for state-owned educational institutions, namely public schools and institutes of TAFE, and the two departments for education have been directly involved in recruiting international students. This involvement can be observed since the mid-1980s, when Australia began to receive full fee paying overseas students in Australian education sectors. Until then, all overseas students in the public education sector were subsidised by the Federal Government. In 1986, public education institutes in Australia, including universities, began to be engaged in recruiting overseas students, and the government started to encourage the marketing activity of Australian education institutes.⁴¹ Currently, as a result of another drastic change of regulations in 1990, all international students are required to pay full tuition fees. Therefore, the SA Government, namely the DETAFE and the DECS, is automatically involved in recruiting overseas students.

One incentive for the DETAFE and the DECS to positively promote exports of education services is the economic benefits from those exports. The Federal Government estimates export earnings in education sectors in 1995 to be \$1.7 billion,⁴² while the total

⁴¹Personal interview with the Director of the International Program Office, the University of Adelaide on 30 July 1997.

⁴²Miller, p. 8.

service exports of Australia in 1994-95 were worth around \$20 billion.⁴³ The education industry has been increasing its exports more rapidly than any other major sector in Australia. The number of international students in Australia has dramatically increased since the late 1980s. While around 21,000 overseas students were studying in Australia in early 1988, the figure rose to more than 140,000 in 1996. Export earnings from the education sector are not only profitable for the institutes through the payment of fees by students, but also beneficial for the regional economy through consumption by overseas students on such facilities as accommodation.

Rivalry relationships between the states are also a motive driving the SA Government into presenting the state in an appealing manner to prospective overseas students. This is especially significant as each state government has to be responsible for the promotion of exports of education services by state institutions.⁴⁴ After examination, SA's performance in attracting international students has again been found meagre in comparison with other states. For example, vocational education institutes and ELICOS courses in SA received only 3.2 and 3.8 per cent respectively of international students in Australia in 1996. Accordingly, the DETAFE and the DECS have made efforts to attract more international students to the state.

- The activities of the SA Government to promote exports of education

The DETAFE manages education at TAFE in SA, and one of its missions is to encourage the competitiveness of the SA education industry in the international market.⁴⁵ The division of International Business Services (IBS) is in charge of the matter of recruiting international students to SA TAFEs.

The methods adopted by the IBS to attract overseas students are as follows. The IBS appoints commercial agencies in foreign countries such as Japan, Korea, China, Thailand, Malaysia, India, Pakistan, Indonesia, and Hong Kong, as well as nations in the

⁴³Department of Foreign Affairs and Trade, p. 25.

⁴⁴Personal interview with staff of the DETAFE on 7 August 1997.

⁴⁵Department of Employment, Training and Further Education, *Annual Report 1995, 1996*, p. 6.

Middle East and the Pacific Ocean.⁴⁶ Those agents work towards promoting SA TAFEs and provide information on them to foreign students. Other main activities of the IBS include the attendance of overseas trade fairs and participating trade mission organised by the EDA. To promote SA and Adelaide more generally, the IBS works in cooperation with the SATC.

In the DECS, the International Student Program (ISP) is responsible for recruiting overseas students to public schools in SA. While schools on the Commonwealth list of institutes can accept international students and are able to offer services to overseas students in SA, the ISP focuses on attracting international students to the seven secondary schools which have international student programs.⁴⁷ The ISP, unlike the rest of the DECS, is operated on a cost recovery basis, which means that all budget for the activity of the ISP comes from the payment of tuition fees by international students to the public school under the DECS, and not from the government.⁴⁸

The activities of the DECS are similar to those of the DETAFE in recruiting overseas students. The ISP also hires well-recognised agents, often recommended by the Australian Embassy, in the key markets such as Japan, Korea, Hong Kong, Thailand, Malaysia, and Indonesia. The ISP arranges inspection trips of those agencies to SA to introduce educational institutes in the state to them. Producing promotion materials translated into the relevant language in the key markets is another tool of the ISP, also, to introduce the seven focused secondary schools and specific courses such as an intensive secondary English course and special interest music courses. Taking part in international exhibitions and joining trade missions are also main methods employed by the ISP. Usually the principal of one of the focused schools accompanies the missions and represents all public schools in SA. In addition, the ISP organises seminars on a small scale, without the involvement of other institutes, as a substitute for exhibitions.

⁴⁶Personal interview with staff of the DETAFE on 7 August 1997.

⁴⁷Personal interview with staff of the DECS on 8 October 1997.

⁴⁸Ibid.

When the DETAFE and the DECS attend international exhibitions, they often cooperate to promote SA education services. Their participation is usually arranged by the Australian International Education Foundation (AIEF) or the IDP Australia.⁴⁹ The AIEF and the IDP are major vehicles to promote the Australian education industry in foreign markets. The AIEF is a cooperative program of the Federal Government and Australian education institutes. The AIEF has appointed Australia's education centres in Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Seoul, Singapore, Taipei, and Tokyo.⁵⁰ While the IDP Australia is owned by Australian universities,⁵¹ its promotional activities cover other institutes, such as TAFE and private schools.⁵² At the end of 1995, it maintained 36 representative offices in 19 countries.

Meanwhile, both DETAFE and DECS have been involved in the SAGRIC Education Consortium along with the SAGRIC International and the University of South Australia. This joint venture provides education and training services for students in foreign nations and international students in Australia.⁵³ In addition, the IBS of the DETAFE is involved in international projects on vocational education with partnerships with the SAGRIC International and TAFE NSW.⁵⁴

While there are cooperative activities within SA and support from organisations at the national level, the DETAFE and the DECS have the responsibility for developing their own strategies and for recruiting international students. Next, the strategies of the DETAFE and DECS are explored with focus on their priority markets.

⁴⁹Personal interview with staff of the DETAFE on 7 August 1997.

⁵⁰Department of Employment, Training and Further Education, *Annual Report 1995*, p. 43.

⁵¹Miller, p. 21.

⁵²Education Australia, *Annual Report for the Year Ending 31 December 1995*, IDP Education Australia Limited, Canberra, 1996.

⁵³Information provided to the author by the SAGRIC International on 23 October.

⁵⁴Department for Employment, Training and Further Education, *Annual Report 1996*, p. 40.

- The target nations in the SA Government's recruiting of international students

While the target nations in recruiting international students vary from sector to sector, the strategies at all levels identify Asian nations as the key markets. In 1996, 76.6 per cent of international students in SA were from Asian nations. Hence, both of the DETAFE and the DECS mostly focus on the Asian region in their activities to recruit international students.

The accurate number of students at TAFE by country of origin is not available since TAFEs are included in vocational education along with private vocational schools in the official statistics of the Federal Government. According to another source, Hong Kong is the largest source of international students at TAFE in SA, and the Indonesian market has grown to the second position followed by Japan, Korea, Malaysia, and Taiwan.⁵⁵ The strategy of the IBS in the DETAFE reflects these figures, and Hong Kong, Japan, and Indonesia, are the most important markets in the activity.⁵⁶ It focuses on North-East Asia, South-East Asia, and South Asia, as the department maintains agencies in those key regions. In encouraging students from Japan and Korea, English language courses are specifically focused on. In fact, 43.0 per cent of Japanese students and 61.6 per cent of Korean students (who represented 17.8 and 33.5 per cent respectively of the total SA ELICOS students), in the state were enrolled at ELICOS colleges in 1996. Meanwhile, such areas as management, computing, and information technology, are recognised as major courses for students from Hong Kong and Malaysia. For example, in 1996, IBS began to provide two courses of SA TAFE on engineering to full fee paying students at the Sepang Institute of Technology in Hong Kong.⁵⁷

According to the ISP of the DECS, the largest markets for SA state schools (in order) are Hong Kong, Japan, Thailand, Malaysia, Korea, and Indonesia.⁵⁸ Therefore,

⁵⁵Miller, p. 17.

⁵⁶Personal interview with staff of the DETAFE on 7 August 1997.

⁵⁷Department for Employment, Training and Further Education, *Annual Report 1996*, p. 40.

⁵⁸Personal interview with staff of the DECS on 8 October 1997.

the ISP recognises these nations as key markets and places its agents in all of them. Hong Kong and Malaysia have been the main markets since the opening of Australian education institutes to full fee paying overseas students in the late 1980s. Meanwhile, the number of students from Japan, Thailand, and Indonesia, has grown dramatically since the DECS introduced intensive secondary English courses in the mid-1990s.

As indicated above, both DETAFE and DECS choose nations with great potential to provide students as their target markets. In fact, there is an influence of the overall policy of the SA Government. For example, the ISP pays a great deal of attention to Indonesia partly because of Memoranda of Understanding between SA and Indonesia. However, the key markets of DETAFE and DECS also include the regions which the SA Government as a whole does not pay attention to. For instance, the DETAFE identifies business opportunities in South Asian nations such as India and Pakistan. The ISP in the DECS includes Thailand in its priority markets although the EDA has evaluated that there is insufficient benefits from focusing on Thailand.

Both DETAFE and DECS identify great potential in the Japanese market and regard it as a priority market. As indicated, the IBS recognises large potential to provide English language courses for Japanese students. The ISP began to market in Japan in 1995 with an emphasis on English language education, which was accompanied by the increase of Japanese students to the similar number to students from the largest market for the state's public schools, Hong Kong. Moreover, the ISP promotes short term visits of Japanese students to SA on a commercial basis while it is planning this activity for other Asian nations as well.

In the activities of the DETAFE or the DECS, there are few significant differences between their approaches to Japanese and other Asian markets. One difference is that the AIEF or the IDP does not organise delegations to attend exhibitions in Japan.⁵⁹ The IDP does not focus on Japan or have an office in Japan. While AIEF has an office in Tokyo, the office is not involved in organising an attendance to exhibitions in Japan. Consequently, both DECS and DETAFE usually arrange participation in exhibitions on

⁵⁹Ibid.

education through their own activities. Nevertheless, unlike the merchandise trade and tourism sectors, the SA Government's strategies of enhancing the exports of education to Japanese and other Asian key markets are relatively similar.

As above, the DETAFE and the DECS focus on Asian markets such as Japan, Korea, Hong Kong, Malaysia, and Indonesia, mainly because of the large potential. However, SA has not been very successful in attracting overseas students, particularly Asian students. In 1996, international students in SA represented only 4.5 per cent of the total number of international students in Australia. The state's share of recruiting Asian students was even smaller, four per cent. SA's intake of students from such priority markets as Japan, Korea, Hong Kong, and Indonesia, has also been low, and the percentage of students studying in SA from these nations among those in Australia in 1996 was 4.1, 3.6, 5.3 and 3.5 per cent respectively. Only the state's share in the Malaysian market has been relatively high, 8 per cent in 1996, because of the success of SA universities, which received 82.9 per cent of Malaysian students in SA, in the market.

The main reason of this poor performance of SA in exports of education seems to be the modest involvement of the SA Government as a whole in international activities of the education industry.

- Potential for the deeper involvement of the SA Government in the export of education services

While the DETAFE and the DECS have actively been involved in attracting international students, the SA Government as a whole, especially the EDA which has been the main agency responsible for international economic issues in the government, has not identified education as a key export industry.⁶⁰ Although overseas trade missions organised by the EDA have sometimes included the education sector, the EDA has focused less on service industries such as the education sector. The EDA's overseas offices have not had partnerships with the DETAFE or the DECS. There is a view that the EDA has not

⁶⁰Personal interview with staff of the EDA on 27 June 1997.

recognised education as an industry.⁶¹ Accordingly, the commitment of the government as a whole in activities of the state's education sectors in international marketing has been small. However, there have been claims that the SA Government should be more closely involved in the exporting activities of the state's education industry. Education sectors in SA, especially the universities, have sought substantial support from the government to more effectively explore overseas markets.

Since Australian education institutions began to recruit full fee paying overseas students in the 1980s, the three SA universities have worked on international marketing in cooperation. They have made efforts to establish an organisation promoting the whole state education industry to overseas students, particularly in Asia, with the engagement of the State Government.⁶² Although a group consisting of SA education institutes and government officials was formed in the late 1980s, the government did not give any support except coordination and the group was dissolved with the complete retreat of the government in 1991. After 1991, the three universities have continued a consortium for cooperative marketing activity, particularly in Malaysia but also in other Asian nations and, to a lesser extent, in Europe. In 1994, the consortium was expanded to an Education SA consortium including TAFE, public secondary schools, private schools, private business colleges, and language centres. The SA Government's involvement beyond the activities of the DETAFE and the DECS has recently been little. Although Education SA has appealed to the government, particularly the EDA, since 1994, a small amount of financial support for planning strategy is the only response from the EDA to date in 1997. With no official endorsement, the consortium has functioned on an informal basis.

Education SA, especially universities, considers the commitment of the government to be essential to raise the profile of the education industry of SA which receives a relatively small number of international students. A report prepared as a strategy of the consortium, attributes some of the major reasons for the poor performance of the

⁶¹Personal interview with staff of the DETAFE on 7 August 1997.

⁶²Personal interview with staff of International Program Office at the University of Adelaide on 30 July 1997.

education industry in attracting overseas students in SA (where the international students per capita have been lowest among all Australian states),⁶³ to weak involvement of the State Government and the absence of effective cooperation among institutions or the industry and the government.⁶⁴ In contrast, the education industry in WA has carried out successful campaigns to promote Perth as a place for education to overseas students for many years with the support of the WA Government.⁶⁵ As a result, WA attracted 13.4 per cent of international students with a similar state population and number of domestic students in higher education as SA in 1995.

Moreover, a report prepared for Adelaide 21 Education Industry Development Group, a joint organisation of the SA Government and the Adelaide City Council, cites that the state has not had an efficient focus on developing the education industry. It observes that there has been no sufficient organisation in the State Government linked with the industry, and warns that SA will miss benefits from expanding education exports with the current situation.⁶⁶ In essence, this report has encouraged the SA Government to be involved in international marketing for education sectors.

In actuality, the intake of more overseas students can bring large indirect economic benefits to SA. Firstly, expenditure of those students is significantly profitable in the regional economy. Secondly, visits by their family, relatives, and friends can contribute to the tourism industry. Thirdly, providing education for overseas students in the state can result in future business ties between SA and foreign nations. Fourthly, SA can make the state more well-known and popular in foreign countries through receiving more international students. This can be beneficial for other business sectors, especially tourism.

In conclusion, while the DETAFE and the DECS have been active in promoting SA education institutes, respectively TAFE and public schools, to foreign markets, there is

⁶³Miller, p. 9.

⁶⁴Ibid.

⁶⁵Ibid, p. 11.

⁶⁶K. Michelmore and N. Lloyd, 'Education exports "lack direction"', *The Advertiser*, 8 October 1997, p. 7.

a greater role for the State Government to play in delivering economic benefits to the state through supporting the international representation of the education industry in SA.

Conclusion

The two case studies of tourism and education have identified some of the motivations for the SA Government to encourage the export of services. They are the rapid growth of exports in service sectors in Australia, the responsibility to promote service industries at the state level, rivalry relationships between states, and the state's poor international performance in those sectors when compared with other states. The latter two factors make it necessary for the SA Government to be engaged in its own strategies, although there are cooperative activities between it and the Federal Government. Secondly, the SA Government clearly pays greatest attention to the Asian region in enhancing exports of services, and identifies Japan as a top priority market along with some other Asian nations such as Hong Kong and Malaysia. Thirdly, despite its focus on Asia, SA has not been successful in penetrating key Asian markets, resulting in the poor performance of the state's service sectors in international fields. In fact, the SATC has recently succeeded in increasing the number of Japanese tourists in SA. However, its efforts have not been sufficient to improve the state's performance in other key Asian markets. In terms of exports of education, the low level of the SA Government's involvement in promoting education services to overseas markets has appeared to be the main reason for the state's small share in the intake of overseas students in Australia.

There have not been many cooperative activities between agencies in charge of service sectors in the SA Government, except for the promotional activities of the DETAFE and the DECS. For example, although the ISP of the DECS is marketing short trips for Japanese students to the state and the Tokyo office of the SATC has been involved in similar activities, there has been no cooperation between them. The overseas representatives of the SATC, the DETAFE, or the DECS do not cooperate with each other or with those of the EDA, except the case of the Tokyo office of the SATC and the EDA in Tokyo. It seems more effective for agencies responsible for service sectors to cooperate

with each other more, especially between the SATC and the two departments for education, since the exports of tourism and education have a close relationship. The following chapter examines the role of the government in attracting inward investment.

Chapter Six

Investment

Along with foreign trade, foreign investment is another major component which links subnational units with overseas economies. As reviewed in Chapter One, many subnational governments around the world have worked enthusiastically to attract inward investment to their constituency. As will be discussed in this chapter, the SA Government is also involved in seeking overseas investment to the state.

First is an outline of the reasons for the government's involvement in promoting the state as a destination for investment. The next section investigates the various means the government adopts to attract foreign investment. The third part then examines the government's interest in Asian nations as a source of investment and its activities to attract capital from them. In the fourth section, I take up a case study on the government's efforts to bring investment in a particular area, namely the information technology industry. The case study briefly reviews the history of the development of the government's policy towards the industry. This will be followed by an examination of the government's various plans to lure foreign capital to the industry, including the Multifunction Polis (MFP). The final section of this chapter outlines the main findings concerning the SA Government's activities in relation to foreign investment.

The motives of the SA Government's involvement in attracting foreign investment

The SA Government has been active in seeking investment for the state. The increasing liberalisation of global financial markets has enabled capital to be more internationally mobile. Therefore, the SA Government pays great attention to investment from foreign nations. Another strong reason for the government to attach importance to investment, is that it creates additional employment opportunities. Since SA does not have

adequate local capital to keep the economy vibrant, inflow of investment is indispensable for the development of industries in SA. For example, the automobile industry has remained a major source of employment in SA, which in 1995 provided 16 per cent of the total jobs in the state's manufacturing sector.¹ Multinational car makers such as General Motors, and Mitsubishi play the core role in the industry. Their contribution is not only limited to the direct employment they provide but their presence also leads to the creation of jobs in the motor part industry. In addition, they have also increased the state's overall exports. In 1996-97, motor vehicles and components represented 13.1 per cent of the state's total exports.²

Although the Federal Government works to seek inward investment to Australia, the SA Government regards the Federal Government's efforts as being insufficient because SA has to compete against other Australian states to attract foreign investment. The industries which many Australian state governments target in attracting overseas investment include information technology, biotechnology, aerospace, food processing, and water management. For instance, while the SA Government has made efforts to make the state an information technology core in Australia, as this chapter examines its details later, other states such as NSW, Victoria, and WA also promote themselves as the most advantageous location for information technology businesses in Australia. Many state governments have been successful in pursuing foreign enterprises in these industries to locate their Asia-Pacific regional headquarters in their constituency.³ Since there is clear and vigorous rivalry between the states, no state government would just depend on the support of the Federal Government to encourage foreign investment to Australia. In fact, many state governments manage programs to provide enterprises with various financial

¹Australian Bureau of Statistics, *Manufacturing Industry South Australia 1994-95*, Cat. no. 8221.4, ABS, Canberra, 1995, pp. 22-23.

²Australian Bureau of Statistics, *Economic Indicator South Australia September 1997*, Cat. no. 1307.4, ABS SA Office, Adelaide, 1997, p. 24.

³For example, Industry Commission, *State, Territory and Local Government Assistance to Industry*, The Commission, Melbourne, 1996.

advantages for operations in their states.⁴ The presence of competition between states appears clearer in the attracting of foreign investment, than in other areas, such as promoting exports.

Economically large states such as NSW and Victoria, usually feature more prominently when the advantages of Australia as an investment destination are mentioned by the media. For example, some business magazines highlight the cost-effectiveness to do business in Sydney, Melbourne, and Brisbane in comparison with other Asian cities but no mention of Adelaide is made.⁵ Therefore, it is necessary for the SA Government to be directly involved in promoting the state as a location with many advantageous conditions for running businesses.

Thus, the rise of capital's global mobility, the role of foreign investment in increasing and maintaining employment, and fierce competition with other states are clearly the main motives of the SA Government's involvement in the case of seeking inward investment.

Means of attracting foreign investment

The EDA is the main organisation in the SA Government responsible for the encouragement of business investment. The BID (Business Investment Division) of the EDA plays a major role in establishing the strategy of the government to raise the level of investment in the state. The Trade and Investment section in the IBD (International Business Division) is also involved in specifically attracting foreign investment through the operating of overseas offices to encourage foreign investment to the state. The Migration section of the IBD is also involved in introducing foreign capital through managing a business migration program. debatable

To attract investment, the SA Government offers various incentives to foreign enterprises which establish operations in the state. These incentives encompass such

⁴Ibid.

⁵'Australia offers solid safe returns', *Asian Business Review*, June 1997, pp. 37-40; and 'The low cost of doing business in Australia', *Asian Business Review*, August 1997, p. 55.

things as tax concessions, tax rebates, subsidies for training, subsidised sites, and government purchasing contracts.⁶ To attract foreign investment, in particular, the primary methods for the SA Government include the following activities. During their visits to foreign countries, the premier and ministers of the state often hold talks and discussions with local businesses leaders and encourage them to invest in SA. The EDA organises state delegations to overseas countries in order to promote SA as an attractive destination for investment. Overseas offices of the EDA also arrange foreign delegations to visit the state which gives them opportunities to identify investment potential. Moreover, overseas offices play an important role in providing information on investment opportunities in SA for potential investors - seminars to introduce SA industries as targets of investment being one example of the strategies they employ.

Encouraging business migration is another method the SA Government has employed for obtaining foreign investment as business migrants to Australia are required to invest in the nation. A campaign with a budget of \$1.6 million for three years was launched in 1997 to attract skilled and business migrants to the state with a focus on UK, India, Hong Kong, and Eastern Europe.⁷

One major campaign in the government's recent activity to attract foreign investment was 'The Case for South Australia', launched in 1996. The EDA, then MISBARD, was mainly responsible for this promotion campaign in cooperation with the Department of Foreign Affairs and Trade.⁸ One aspect of the strategy was to make use of the local business community to advertise the state when business people from SA travel overseas and interstate. To support the program, MISBARD prepared an information kit, consisting of CD ROM and three booklets which introduce SA industries and the commercial advantages of the state.⁹ While it is common for subnational governments to advertise their areas as attractive investment destinations through the media in material such

⁶Industry Commission, *State, Territory and Local Government Assistance to Industry*, pp. A1E.4-A1E.7.

⁷G. Kelton, 'SA starts to woo more migrants', *The Advertiser*, 3 July 1997, p. 10.

⁸'A strong case for investment', *South Australian International Brief*, September 1996, p. 1.

⁹'Multi-media boost to marketing drive', *South Australian International Brief*, September 1996, pp. 1-2.

as magazines and newspapers, the SA Government's campaign was unique in terms of using a multi-media approach.¹⁰

The other aspect of the campaign was a promotion called 'Inventive Australia-Creative Adelaide', which was the first joint promotion of its kind between Commonwealth and a state. The purpose of the campaign was to exhibit the business advantages of SA through a series of TV commercials and advertisements on major media releases, and the scheme offered support to Asian businesses to make missions to the state. In the campaign, a number of industries were featured, including: aquaculture, arts and cultural industries, automotive manufacturing and components, defence and electronics, business services, education and health services, engineering support, food processing, information technology and telecommunications, mineral and energy resources, space technology, tourism, water management, and wine production.¹¹ These areas cover the current priority industries in the strategy of the EDA to attract foreign investment.

However, it is unrealistic to focus on such a wide range of sectors in its general investment promotion. In particular, the EDA pays greatest attention to food, electronics, automotive, foundry and tooling, water management, and information technology, which are also key areas in its trade promotion.¹² While the main objective for the government in seeking investment is job creation in the state, it also aims at expanding the state's exports. For example, the government encourages investment in wineries to increase the level of wine exports.

One main strategy in the SA Government's inward investment campaign is to promote SA as the most advantageous location to establish headquarters for doing business in the Asia-Pacific region. The government pays particular attention to developed countries such as the US and European nations as sources of capital mainly because of

¹⁰'Cutting edge technology used to promote business in the business state', *Asian Business Review*, September 1996, p. 37.

¹¹Department of Manufacturing Industry, Small Business and Regional Development, *South Australia's Productive Profile*, SA Government, Adelaide, 1996.

¹²Personal interview with staff of the EDA on 27 June 1997.

their continuous significance as investors in Australia and their desire to expand their business activities in the Asian region. In particular, the government is interested in investment in the field of information technology and telecommunications from those nations.

While the SA Government still attaches importance to traditional investors such as the US and European nations, the government has expanded its attention to many Asian nations. The next section investigates the government's attitude and strategies towards Asian nations.

Strategies of the SA Government to attract investment from Asian nations

The 1996 'Inventive Australia-Creative Adelaide' campaign focused on Asian nations where Adelaide had not been perceived as a major manufacturing base, and carried out promotional activities in Hong Kong, Singapore, Jakarta, Shanghai, Bangkok, Seoul, and Tokyo.¹³ In the scheme, such industries as water management and information technology were highlighted. The government has been interested in seeking investment from Asia since the 1980s, especially from Japan, Hong Kong, Thailand, and Singapore although there was no doubt its main focus remained on Europe. Its interest in Asia increased in the 1990s and also expanded to include Taiwan, Malaysia, and China.¹⁴

Investment from Japan has been salient in the state's manufacturing sector with production bases of Mitsubishi and Bridgestone, and the government has made efforts to maintain and expand their operations in the state. In addition, the government supported the expansion of a Japanese manufacturer of balances and weighing equipment, A&D Mercury, in 1994.¹⁵ In recent years, investment from South-East Asian nations such as Singapore and Malaysia has been growing, especially in real estate. For example, the government facilitated investment of a Malaysian firm, 'MBf Group of Companies' for the

¹³'Partnership aims to change perceptions', *South Australian International Brief*, September 1996, p. 2.

¹⁴Thailand has been dropped from its target nations because the EDA now regards that Thailand's capacity to invest overseas is limited.

¹⁵'Technology transfer drives South Australian success', *The Australian Business Asia*, 6-9 July 1994, p. 18.

development of the Wirrina Cove Paradise Resort in the state's Fleurieu Peninsula.¹⁶ The government now regards China as a potential investor to the state, and has worked on attracting projects of a large Chinese padlock manufacturer, Wah Yuet, worth more than \$500 million.¹⁷

The SA Government actively utilises the representative offices of the EDA in Asia to attract foreign capital to the state. For example, the Singapore office coordinated a trade mission to the state in 1996, which aimed at attracting investment in the state's aquaculture industry. In addition, the representative of this office led two investment missions from Singapore to SA during 1995-96. The Shanghai office arranged a seminar in Shanghai in April 1996 to highlight investment opportunities to Chinese business and government representatives, and also took part in an investment seminar held in Beijing and Nanjing in May 1996, hosted by Austrade.¹⁸ Further, the Jinan office held a seminar in Qingdao in 1997, entitled 'Business Opportunities in SA', to provide Chinese businesses with information on investment opportunities in SA.¹⁹ Similarly, the Hong Kong office organised a seminar to promote business opportunities in SA in July 1995, aimed at facilitating investment and business migration from Hong Kong to the state. The office also held a series of seminars in Taiwan in September 1995.

The SA Government has also made efforts to attract new investment from Japan. In doing so, the Tokyo office of the EDA facilitated investment from Japan in tuna farming in SA in the mid-1990s.²⁰ There is an apparent difference in the government's approaches to Japan and other key Asian markets. The government has made efforts to encourage Japanese companies to establish their regional headquarters in SA, in a similar manner for seeking investment from the US and Europe. In contrast, the government's interest in attracting branches of other Asian nations' enterprises has been relatively limited. This is

¹⁶S. O'Flahertie, 'The revival of the rustbelt', *Asian Business Review*, March 1995, p. 67.

¹⁷Ibid.

¹⁸Economic Development Authority, *Annual Report 1995-96*, SA Government, Adelaide, 1997, p. 26.

¹⁹Information provided to the author by the EDA on 5 June 1997.

²⁰Economic Development Authority, *Annual Report 1994-95*, p. 21.

partly because there are not many multinational companies in those Asian nations, especially in manufacturing sectors, and also because this strategy aims to offer an operation base to enterprises from outside the economically vibrant Asian nations which plan to target those Asian markets. In this sense, the strategy of the government towards Japan is similar to the strategies towards the US and Europe, rather than those towards other Asian nations. Moreover, investment in the information technology industry is the main focus in the government's approach to Japan as well as to the US and Europe.

However, the government's efforts to encourage Japanese companies to SA have so far been unsuccessful and no new Japanese enterprise has moved to the state in the 1990s. Meanwhile, some states have been successful in attracting Japanese companies. Several Japanese food companies such as Snow Brand, Ito-en, and Yakult have operated their regional bases in Victoria since the 1990s.²¹ These companies identified advantages of Melbourne as their business sites to include things such as, well-developed infrastructure, sound policy environment, and affluent human resources. The strong commitment of the Victorian Government to state industries played an important role in influencing the decision of Yakult.²² While the SA Government is interested in Japanese information technology firms, the state has received no significant investment from Japan in this sector. The following section focuses on the information technology industry as a case study in a bid to understand the government's strategies, especially those towards Japan and other Asian nations, in attracting foreign capital to the state.

Case study: information technology industry

The main reasons for the SA Government's focus on the information technology (IT) industry as a key area for inward investment included the recognition that the state has long been involved in the high technology sector, such as defence electronics, and the necessity to diversify the state economy which has been heavily dependent on only a few

²¹Department of State Development, *Annual Report 1995-96*, Victorian Government, Melbourne, 1997.

²²A. Shand, 'Battle to attract RHQs', *The Australian Business Asia*, 14-27 September 1994, p. 16.

manufacturing sectors such as the automobile industry.²³ While making efforts to maintain employment in existing manufacturing sectors including the automobile industry, the government has tried to promote a few new industries where foreign investment was likely. Since the 1980s, the government has been interested in the IT industry as an avenue to widen the industrial structure of the state and interest grew for the government's ambition to make SA an IT hub in the Asia-Pacific region.

- The development of the SA Government's interest in the IT industry

The Bannon Government (1982-1992) attached great importance to establishing high technology industries in the state. The government expanded the operation of Technology Park in Adelaide (created by the Tonkin Government in 1982), with focus on the defence and microelectronics industry in 1984,²⁴ and in 1991 opened a medical and bio-technology-based Science Park.²⁵ The government particularly paid great attention to the software industry. In 1987, it established Australia's first Software Centre to facilitate cooperation between software companies in the state and also to boost exports.²⁶

To lift the state's profile in the national and international arena, the SA Government hosted the MFP project to develop the state's IT sectors. The MFP was originally envisaged to allow the establishment of a future-oriented city, containing both high technology industries and resort facilities, proposed by the Japanese Government to the Australian Government in January 1987. In 1990, Adelaide became the site for the project after the Queensland Government refused to house the project in Brisbane (the site which was originally proposed by the Federal Government and Queensland Government and accepted by the Japanese side). The Bannon Government had anticipated that the MFP project would establish SA as a technology hub and reduce its reliance on the

²³For example, A. D Little, *New Directions for the South Australia's Economy: Final Report of the Economic Development Strategy Study*, Arthur D Little International, Inc., Adelaide, 1992, pp. 4-6.

²⁴South Australia, *Securing the Future: South Australia's Economic Development*, SA Department of the Premier and Cabinet, Adelaide, 1989, p. 22.

²⁵'Biotechnology thrust for science park', *South Australian International Brief*, June 1991, p. 3.

²⁶'Unique Adelaide centre for software exports', *South Australian International Brief*, October 1987, p. 4.

manufacturing sector in the state economy.²⁷ The scheme, MFP Australia was launched as a joint project of the Commonwealth and SA Governments.²⁸ In 1992, the MFP Development Corporation (MFPDC), responsible for implementing the project, was established under SA legislation.

The development of the information technology and telecommunications industry, titled the Smart City project, was a key objective in MFP Australia. In July 1993, the MFPDC obtained Technology Park, particularly to attract investment from Australian and foreign enterprises in the industry.²⁹ In February 1994, the MFPDC decided to shift the MFP from Gillman, the site originally selected for the project in Adelaide, to the Levels adjacent to the Technology Park, and acquired the Levels site in July same year. The MFPDC forged a strategic alliance with Silicon Valley in the US. In doing so, the MFPDC signed a Memorandum of Understanding with Silicon Valley for collaboration and joint ventures in August 1995.³⁰

However, the MFP project did not bring a substantial outcome despite the time and enormous amount of money spent on the plan. In June 1996, the Federal Government withdrew its financial support. This was prompted because the Federal Government considered that the MFP focused on developing SA industries, but did not appear to provide benefits for Australia as a whole. Indeed, the MFPDC had been engaged with the SA Government's project on the development of the IT industry.³¹ The SA Government modified the content of the MFP scheme in May 1997 and included various projects for the development of Adelaide, ranging from the establishment of a national wine centre to the re-development of state library and museum. Consequently, focus on the IT industry in

²⁷R. Genoff and J. Spehr, 'A union view', in *Making the Future Work: Crisis and Change in the South Australian Economy*, eds R. Green and R. Genoff, Allen & Unwin, St Leonard, NSW, 1993, p. 139.

²⁸Bureau of Industry Economics, *Evaluation of Commonwealth Support for MFP Australia*, AGPS, Canberra, 1996, p. 1.

²⁹*Ibid.*, p. 17.

³⁰*Ibid.*, p. 13.

³¹*Ibid.*, p. 54.

the MFP scheme became much smaller, and the State Government shifted the main project to raise the state's IT industry to its own scheme, IT2000 strategy.

The Brown Government in 1994 released the IT2000 plan, which consisted of a number of programs aiming at establishing SA as a hub of the IT industry in the Asia-Pacific region. The goals of the strategy include making the state a main centre to provide software and professional services, to the Asia-Pacific region, a model of the 'whole-of-Government' approach to contracting out information services and a globally acknowledged hub of niche sectors of IT.³² The niche areas identified were software, electronics services, multi-media, and IT education. The government expected 40 per cent of the sales of the state's IT-related industries to come from exports.

The next section outlines the government's efforts in attracting investment, especially from foreign nations, to the IT industry under its IT2000 strategy and, more specifically, to the MFP project.

- Activities of the SA Government to attract investment to the state's IT industry

To strengthen the IT industry in SA, the State Government has actively been seeking overseas investment. One task of the government has been to raise the profile of SA as a core of the IT industry. In 1994 and 1996, Adelaide hosted LETA (Learning Environment Technology Australia). The showcase, linked with the MFP project, was an international education and technology event which focused on such fields as multimedia and technology in health education. The exhibition received hundreds of delegates from Australia, New Zealand, and from many other countries in the Asia-Pacific region. This exhibition is scheduled to be held biannually. In 1997, another international event relating to IT, 'Revolution '97' was held in Adelaide. The conference attracted delegations from both Australia and overseas and discussed issues concerning IT in such industries as medicine, education, and on-line commerce.³³ Sending delegations from the state to IT-

³²Economic Development Authority, *Adelaide-South Australia: The Logical Choice for your Telecommunications-based Operations*, SA Government, Adelaide, 1997.

³³'Asia: moving towards a smart community', *Asian Business Review*, June 1997, p. 43.

related exhibitions in foreign nations is also an important method employed by the SA Government. For example, the EDA coordinated a delegation of 10 state enterprises to participate in 'CeBIT '95', an exhibition for the information technology and telecommunications industry held in Hanover, Germany, in March 1995.³⁴

Since the launch of the IT2000 scheme, the SA Government has been successful in attracting several world-class IT-related enterprises, such as American IT enterprises, EDS and Motorola, as well as Australian enterprises such as Telestra and Australis Media, to the state. The government expects these American giant companies to provide the state's small IT firms with opportunities to access their international network, as well as to create employment and increase exports of IT-related products and services from SA. Although the MFP project has been largely unsuccessful, the SA Government has succeeded in establishing the IT industry in the state through these activities. While the IT-related sectors in SA were underdeveloped in the 1980s, they now employ more than 10,000 staff, which represents around 1.5 per cent of all jobs in the state.³⁵

The EDA is the central body in the state responsible for inward investment in IT industry. Even in relation to the MFP project, the EDA, not the MFPDC, has been in charge of foreign investment. The EDA focuses on three areas as far as foreign investment is concerned: telecommunication research and development, software development, and establishment of back-offices. To promote SA to foreign IT companies, the EDA designs marketing tools and supplies them to overseas representatives who then supply information to potential overseas investors.

- The SA Government's approaches to Japan and other Asian nations in the IT industry

While the SA Government has paid great attention to the US and Europe as sources of investment to the state's IT industry, the government has also made efforts in Asia, especially Japan. No doubt, the information technology and telecommunications industry is globally dominated by the US companies, but Japanese enterprises are also

³⁴Economic Development Authority, *Annual Report 1994-95*, 1996, p. 19.

³⁵P. Lloyd, 'Superhighway revs up', *The Advertiser*, 7 June 1997, p. 31.

active globally in this sector. According to a 1993 report, the top 10 IT companies in the global market in terms of revenue were occupied by six American and four Japanese firms.³⁶ The potential for the establishment of Japanese IT firms in Australia has been shown with the success of the Victorian Government in attracting headquarters of a Japanese IT company, Fujitsu, to the state. Although not many IT companies from Asia have been globally active, some Asian nations have made efforts to develop IT sectors in their countries. A Taiwanese computer maker, Acer, for example, has been successful in the global market.

The SA Government attempted to attract IT Japanese enterprises to the state through the MFP project. After Adelaide became the site for MFP, the MFP Australia Cooperation Association of Japan (MACAJ) was established in 1991 to encourage investment from Japan to the project. In December 1991, a group of senior executives from approximately 50 Japanese companies visited Adelaide to assess the potential of investment in the MFP.³⁷ But the mission did not result in any significant investment in the project from Japan.

The MFP project has tried to lure investment not only from Japan but also from other Asian nations. In March 1991, the first meeting of the International Advisory Board for the MFP plan was held in Adelaide, which included senior business leaders, scholars, and bankers from foreign nations such as Japan, Korea, Taiwan, and Thailand as well as the US, Europe, and Australia, and one role of the board was to support the establishment of overseas investment links.³⁸ However, these efforts failed miserably in their missions. The International Advisory Board was dissolved without tangible outcome after the retreat of the Federal Government from the project in 1996. Although, at the time of writing in late 1997, the MACAJ still exists with 65 companies and support from the Japanese

³⁶Industry Commission, *Computer Hardware, Software and Related Service Industries*, AGPS, Canberra, 1995, p. 43.

³⁷'Japanese study MFP investment', *South Australian International Brief*, December 1991, p. 3.

³⁸'International MFP board meets', *South Australian International Brief*, March 1991, p. 3.

Ministry of International Trade and Industry,³⁹ the association currently does not work as an investment channel but only supplies information about the MFP project to Japanese companies.

IT-related companies in Asian nations have paid little attention to the MFP project. The Australian Embassy in Japan commented that the interest of Japanese industries in the MFP has been passive and they would not show strong interest until the emergence of clear business opportunities in the project.⁴⁰ When the site for the project moved to Adelaide from Brisbane, it was widely regarded that Japanese businesses would lose interest in it. Japanese companies originally expected the project to create business opportunities in Queensland which was already a popular investment destination for Japanese firms, particularly in real estate. In addition, since they considered Adelaide to be unattractive as the location for the project due to its small scale of economic base and growth, it was obvious that Japanese enterprises became much less positive towards the MFP project in Adelaide.⁴¹ The Australian embassies in Thailand, Malaysia, and South Korea also reported negative evaluations of the MFP project.⁴² For example, the Australian Embassy in Seoul mentioned that Korean companies were more interested in investing in a similar project in Korea than the MFP.

Despite slow and not particularly enthusiastic support from any Asian country, the SA Government has not abandoned its efforts to attract investment from Asia to the state's IT industry. For example, the Hong Kong office has been working to organise IT-related missions to the state.⁴³ The 'Inventive Australia-Creative Adelaide' campaign in Asia in 1996 featured the IT industry. The EDA continues to focus on Japan as a potential source of investment in the state's IT industry, and it treats Japan with the same level of

³⁹Personal interview with staff of the MFPDC on 21 August 1997.

⁴⁰Bureau of Industry Economics, p. 40.

⁴¹M. Sasaki, 'Japan, Australia and the Multifunctionpolis', in *Bonsai Australia Banzai: Multifunctionpolis and the Making of a Special Relationship with Japan*, ed. Gavan McCormack, Pluto Press Australia, NSW, 1991, p. 141.

⁴²Bureau of Industry Economics, pp. 41-42.

⁴³Information provided to the author by the EDA's Hong Kong office on 3 September 1997.

interest as the US and Europe.⁴⁴ However, so far, there has been no substantial interest shown either by Japanese or by any other Asian companies in the state's IT industry. Showing marginal interest, a Japanese electronic company, NEC has joined a signal processing research unit in the Technology Park.⁴⁵

In conclusion, the SA Government has actively sought to attract foreign capital into the state's IT industry, and those efforts have succeeded in attracting several IT-related enterprises including two American major companies to SA. However, despite the government's attention to Asia, no strong investment ties have yet been developed with Asian nations. The government has so far failed in its mission to lure investment from Japan, to which the SA Government attaches as high a priority as the US and Europe. It is clear from examining the case of the MFP that SA's low profile within the Japanese business community has been the main reason for unsatisfactory results of the State Government's efforts in Japan. Therefore, if the government still anticipates Japanese IT enterprises will extend their businesses to the state, more strategic approaches to Japan, especially to raise the state's profile, will be essential.

Conclusion

Increasing inward investment is a major item on the SA Government's international economic agenda due to its significance in the state economy. Factors such as increasing availability of foreign capital, need to use inward investment to maintain and raise the level of employment, and competition with other states have motivated the SA Government to be involved in seeking foreign investment. Various methods are adopted by the government ranging from financial incentives to foreign companies, overseas missions, seminars, and campaigns to promote the state as a investment destination, to operating overseas offices. While the government is strongly oriented towards the US and Europe as sources of investment, especially in IT industries, it has also paid increasing attention to Asian nations.

⁴⁴Personal interview with staff of the EDA on 4 September 1997.

⁴⁵Ibid.

As has been discussed throughout this chapter, the government has different approaches to Asian and Western nations in its bid to attract investment. With regards the US and Europe, the government mainly encourages companies to establish their Asia-Pacific regional headquarters in the state, with a strong focus on IT-related sectors. In contrast, the government's interest in this type of investment from most of its target nations in Asia is limited. In Asian nations, the government has concentrated on raising the state's profile as an investment destination. This is because the state is generally not as well-known there as in some of the European nations which already maintain close commercial and ethnic linkages with SA. Therefore, the SA Government has promoted investment opportunities in the state to Asian nations by means of exchanging investment missions, holding investment seminars and launching large campaigns.

Unlike the government's approach towards other Asian countries, its strategy towards Japan seems similar to that towards the US and Europe. Namely, while the government has not made efforts to raise the state's profile by way of sending investment missions to or holding seminars in Japan as actively as in other target nations in Asia, it expects Japanese enterprises to establish their operation in the state, especially in the field of IT. However, in comparison with the US and Europe, Japanese businesses are unfamiliar with the SA economy, and therefore, more reluctant to establish their operation bases in SA. Accordingly, the SA Government's attempts to attract investment from Japan have hitherto not met with success. The following chapter analyses SA's sister state relationships as a method employed by the SA Government for developing commercial ties with Asian nations.

Chapter Seven

Sister Relationships

The styles and methods of subnational governments' involvement in the international arena tend to be a replication (although on a smaller scale) of the activities of national governments. However, the system of sister relationships is peculiar to the subnational level and provides subnational units with important channels with foreign counterparts.

While sister relationships are primarily a vehicle for cultural exchanges, there is a growing trend to utilise those connections for economic purposes such as the promotion of exports and attracting investment and tourists. For example, the sister relationship of Ontario Province in Canada with Jiangsu Province in China facilitated the Ontario Government to establish a trade and technology agreement with China in 1985.¹ The Torun City Council in Poland sent a delegation to its sister city in the US, Philadelphia, in 1994, and sought commercial opportunities between the two cities.² Although Japanese local governments generally focus on cultural aspects rather than the economic side in their sister relationships, the Japanese Prefecture, Gifu, has established a sister relationship with the Italian city, Florence, aiming to develop the textile industry in the prefecture with joint research and technological cooperation.³

¹G. MacLean and K. R. Nossal, 'Triangular dynamics: Australian states, Canadian provinces and relations with China', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, p. 178.

²J. M. Cline, 'State and local boundary-spanning strategies in the United States: political, economic, and cultural transgovernmental interactions', in *Globalization and Decentralization: Institutional Contexts, Policy Issues, and Intergovernmental Relations in Japan and the United States*, eds J. S. Jun and D. S. Wright, Georgetown University Press, Washington, D. C., 1996, p. 337.

³N. Sugai, 'Jichitai no kokusai katsudo' (International activities of local governments), in *Jichitai no Seisaku Keisei* (International Policies of Local Governments), ed. K. Matsushita, Gakuyo Shobo, Tokyo, 1988, p. 217.

This trend is noticeable also in the involvement of Australian state governments in sister relationships. However, opinions are divided as to whether sister relationships can be a carrier of commercial benefits. For example, Elliott introduces positive and negative factors to such possibilities in the case of relationships between Australian and Japanese subnational governments.⁴ Positive views include that sister relationships can supply opportunities for businesses in the future and that subnational governments in Japan can be influential on small and medium-sized enterprises. On the other hand, negative opinions are that Japanese firms are linked with the central government rather than subnational governments and that success in Japan depends on companies' own marketing and product quality. Goodman's study on sister relationships between Australian states and Chinese provinces has identified strong and weak points in their economic side.⁵ He recognises that strengths are that these relationships provide Australian state industries with accesses to Chinese business networks, and that connections at the subnational government level can facilitate companies in the Australian state to do business in the Chinese provinces. Weaknesses found in his study are that differences in terms of culture, expectation, and infrastructure between the two parties cause friction, and that visible commercial returns are difficult to produce.

Regardless of the dubious effectiveness of sister relationships as a provider of commercial ties, Australian state governments have been eager to pursue the development of economic linkages through sister state relationships especially since they started to seek sister states in East Asia in the 1970s.⁶ As Table 7.1 shows, local units in Japan, China, and Indonesia are popular as counterparts. Most of the sister relationships between Australian and Japanese subnational governments were signed in the 1980s and 1990s,

⁴K. Elliott, 'Subnational activism in Australia: the NSW-Japan experience', MA Thesis, University of Sydney, 1995, p. 76.

⁵D. S. G. Goodman, 'China's provinces and Australia's states: sister states and international mates', in C. Mackerras (ed.), *Australian and China: Partners in Asia*, MacMillan Education Australia Pty Ltd, South Melbourne, 1996, pp. 179-180.

⁶*Ibid.*, p. 171.

and identified the encouragement of commercial ties as a goal.⁷ The Sydney-based technology enterprise, Memtec, has received support from officials of the Tokyo Metropolitan Government, the counterpart of the NSW Government in the state's sister relationship with Tokyo, in obtaining the approval of selling its products in Japan and in seeking Japanese distributors.⁸ The WA Government has established its commercial representative office in Kobe, the central city of its sister prefecture in Japan, Hyogo. In Australian states' sister relationships with Chinese provinces, economic aspects have also been a major focus since the mid-1980s.⁹ The Queensland Government, for instance, received five delegations from its partner in China, Shanghai, aimed at developing business ties between the two parties in the three years to 1994. The Victorian Government established the Victoria Jiangsu Joint Economic Committee with Jiangsu Province, Victoria's sister province in China, to maximise commercial benefits from the relationship in 1987¹⁰

Table 7.1: Sister state relationships of Australian states

	Japan	China	Indonesia	Korea	Vietnam
NSW	Tokyo (1984)	Guangdong (1978)	Jakarta (1994)	Seoul (1990)	Quang Nam Da Nang (1995)
VIC	Aichi (1980)	Jiangsu (1979)			
QLD	Saitama (1984) Osaka (1988)*	Shanghai (1989)	Central Java (1991)		
SA	Okayama (1993)	Shandong (1986)	West Java (1997)		
WA	Hyogo (1981)	Zhejiang (1987)	East Java (1990)		
TAS		Fujian (1981)			

Note: ()-the year the relationship was established.

*The relationship between Queensland and Osaka is based on a 'friendship agreement'.

⁷P. Jain, 'Chiho jichitai no kokusai katsudo to nichigo koryu' (The international activities of local governments and Japan-Australia exchanges), in P. Jain and T. Mizukami, *Gurasurutsu no Kokusai Koryu* (Japan's Internationalisation at the Grassroots Level), Harvest Sha, Tokyo, 1996, p. 173.

⁸Elliott, p. 75.

⁹Goodman, pp. 173-174.

¹⁰Department of Foreign Affairs and Trade, *Australian Trade and Investment Development*, The Department, Canberra, 1994, p. 438.

This chapter focuses on the SA's sister relationships with Okayama Prefecture in Japan and Shandong Province in China, and to a lesser extent, with West Java in Indonesia, as case studies of the involvement of subnational governments in international economic fields via sister relationships. The first section reviews the history of SA's sister relations in each of the three cases. The second section identifies the players in the SA Government involved in these sister relationships. The third section outlines the activities of the SA Government to use the relationships for developing commercial ties. The fourth section illustrates that, despite these activities, those sister relationships have created no substantial economic benefits. The investigation of the role of sister relationships in the state economy in the last section concludes that the relationships can be beneficial for SA, including the economy, in the long term.

The history of SA's sister relationships

- Okayama Prefecture

SA's sister state in Japan, Okayama Prefecture, is located in Honshu, the main island of Japan, west from Osaka and Kobe. It is a middle-power prefecture with the population of 1.96 million people which accounts for 1.6 per cent of the population in Japan. Okayama City is the largest and central city in the prefecture with the prefectural government office. In the year ended in March 1994, Okayama produced 2.2 per cent of Japan's industrial products and 1.7 per cent of the agricultural products, and its gross products represented 1.5 per cent of GNP in Japan.¹¹

SA's first contact with Okayama Prefecture occurred when in November 1984 Ports Corp South Australia chose the Port of Mizushima in the prefecture as a sister port for the Port of Adelaide. The reasons for the selection by the Ports Corp South Australia, who was seeking international trading partners, included that there were trade ties between the two ports and that other major ports in Japan had already established sister

¹¹*Asahi Nenkan 1996*, Asahi Shinbunsha, Tokyo, 1996.

relationships with other Australian ports.¹² While the two subnational governments developed their linkages only as friendly partners until 1993, they actively exchanged delegations. For example, Okayama sent a delegation of around 150 people, led by the Governor, to SA in November 1986 to join the celebration of the 150th anniversary of the state, and a group of approximately 200 people visited the state from Okayama in February 1992.¹³ Premier Bannon of SA led a 150-member delegation to Okayama to attend an Expo in April 1988,¹⁴ and he visited Okayama again in May 1990.¹⁵ In addition, the two parties began to send their citizens, such as high school students, government staff, and English teachers to visit their sister states.¹⁶ In March 1992, Premier Bannon proposed the official agreement of a sister relationship to Okayama, and the Okayama Government, who wanted a foreign partner, welcomed the proposal.¹⁷ Premier Arnold, who succeeded Bannon in late 1992, led a delegation of about 70 people to Okayama to sign the agreement in May 1993. In October of the same year, the Governor of Okayama led a delegation of 209 people including government officials, business leaders, and the media to SA.¹⁸ Premier Brown also visited Okayama in June 1994, and had talks with the Governor and business leaders on the economic aspects of the sister relationship.¹⁹ While SA has not sent a major delegation to Okayama since then, Okayama has sent a group of people

¹²Personal interview with staff of the DPC on 30 June 1997.

¹³Information provided to the author by Okayama Prefectural Government staff on 17 January 1997.

¹⁴Ibid.

¹⁵Department of the Premier and Cabinet, *Annual Report 1989-90*, SA Government, Adelaide, 1991, p. 21.

¹⁶Information provided to the author by Okayama Prefectural Government staff on 17 January 1997.

¹⁷Personal interview with staff of the Okayama Prefectural Government on 17 January 1997.

¹⁸'Okayama mission the biggest ever', *South Australian International Brief*, December 1993, p. 4.

¹⁹Economic Development Authority, *Annual Report 1993-94*, SA Government, Adelaide, 1995, p. 24.

almost annually to SA.²⁰ Several programs such as exchanges of bureaucrats, teachers, high school students and university students are maintained under the sister relationship.²¹

- Shandong Province

Shandong Province in the People's Republic of China was the first partner of SA in its sister state relationships. Shandong is the third largest province of China with a population of 86 million. The province is the second fastest growing region in China after Shanghai.²²

SA began to establish contact with Shandong Province with a visit of the Director of the DPC to the province in 1984.²³ The following year, the Minister of Agriculture in the SA Government visited Shandong and agreed to a joint farming project in the province between the two Departments of Agriculture. The Director of the DPC signed a Special Friendly Relationship Agreement with the Secretary-General of the Shandong Provincial People's Government during his visit to the province in September-October 1985. The Secretary-General then led a mission to SA to discuss cooperation in the relationship with the state's governmental officials, including those in departments of Fisheries, TAFE, and Agriculture in March 1986, and invited the Premier of SA to Shandong. In response, Premier Bannon visited Jinan, the capital of Shandong, in April and signed the Friendly Relationship Agreement. SA and Shandong have maintained a close relationship with the exchange of high-level delegations and commercial missions since then. For example, SA's Premier visited Shandong in 1993 and 1994.

²⁰Information provided to the author by Okayama Prefectural Government staff on 17 January 1997.

²¹Ibid.

²²Personal interview with staff of the DPC on 30 June 1997.

²³'Relationship between South Australia and Shandong Province', *Australian Foreign Affairs Records*, June 1988, p. 25.

- Province of West Java²⁴

West Java is located in Java, the island home to 60 per cent of Indonesia's population, adjacent to the Capital Province. West Java has the largest population among Indonesia's provinces with more than 40 million people which represents 20 per cent of Indonesia's population. According to the EDA's Jakarta office, West Java is the most rapidly growing province and 70 per cent of big projects in such industries as steel, cement, chemicals, and defence in Indonesia are located in the province.

The SA Government began to open discussion with West Java in April 1995. These negotiations saw important progress when a trade mission from SA to Indonesia met with the West Java Chamber of Commerce and Industry. This coincided with a visit by the Governor of SA invited by Minister of Research and Technology, in November 1995. Since then, many meetings were held between the two parties, particularly business leaders, as SA and West Java developed their relationship. The Jakarta office of the SA Government and the West Java Board of Promotion signed a Memorandum of Understanding in October 1996 as a first step of the establishment of a sister relationship. In April 1997, Premier Olsen visited Indonesia with a trade mission, and signed a 'Letter of Intent' for sister state relationship with the Governor of West Java. From West Java, the Vice Governor led both the Chairman of the parliament and business people to SA in June 1997. Then, the Governor of West Java visited SA in August, and signed the Memorandum of Understanding for a Sister Province State Cooperation with SA.

Players in the SA Government involved in sister relationship

In SA's sister state relationships, the DPC is the most essential agency. In the DPC, the Section of Executive Services and Program Coordination in the Protocol Unit is actively involved in the activity. The DPC is responsible for coordinating the involvement of other agencies including the EDA. The EDA is engaged with the economic aspects of

²⁴All data in this section is based on information provided to the author by the EDA's Jakarta office on 3 September 1997.

the relationships. The International Agreement section in the IBD is responsible for identifying economic benefits in the sister relationships.

Other active players differ from relationship to relationship. In the state's relationship with Okayama, major government organisations are the SATC, Ports Corp South Australia, DETAFE, and Arts South Australia. SATC attracts tourists from Okayama to SA through the relationship. The involvement of Ports Corp South Australia comes from the sister port relationship between Port of Adelaide and Port of Mizushima. The DETAFE works on the exchange of students between TAFE in the state and university in Okayama. The MFPDC is also involved in the relationship.

In SA's relationship with Shandong, Primary Industry South Australia, Mines and Energy South Australia, South Australian Research and Development Institute (SARDI), SAGRIC International, Arts South Australia, and the Department of Recreation and Sports are the main actors. The former two departments are involved in the area of primary industry joint projects. SARDI focuses on agriculture research. SAGRIC is responsible for offshore trading - exporting the government's services.

Active agencies in the sister relationship with West Java, include South Australian Water Corporation and Health Commission since the SA Government identifies commercial opportunities in water management and health-related industries in Indonesia. TAFE SA and SAGRIC International are involved in a joint venture on vocational and technical training.

While players in cultural fields such as Arts South Australian are engaged with the sister relationship, the presence of agencies in commercial areas is conspicuous. This seems to represent the expectation of the government for economic benefits from these relationships. The next section examines the economic aspects of the sister relationships and the government's strategy.

Economic activity in SA's sister relationships²⁵

It is apparent that the SA Government has sought economic benefits from ties with counterparts in its sister relationships. For example, after the state's political power was transferred from Labor to Liberals, in 1994, Premier Brown visited both Okayama and Shandong to give more emphasis on the development of commercial ties.²⁶ While some business-related projects in water management and education have already been initiated between the state and West Java, the SA Government identifies potential markets in West Java also for such industries as information technology, housing, and health-related fields.

- Economic aspects in the sister relationship with Okayama

As SA's first contact with Okayama was the establishment of the sister port relationship, the relationship between SA and Okayama was initiated with an economic focus. There were trade linkages between Port of Adelaide and Port of Mizushima, such as automobiles and motor parts. According to the DPC, shared interests, particularly in information technology and telecommunications, were a reason for the establishment of the sister relationship. SA and Okayama discussed cooperative activity in the field of information technology in 1992. When they established the sister relationship in May 1993, the state and prefecture agreed to the creation of a 'Study Group' to promote exchanges which would bring benefits to both in such fields as commerce, trade, tourism, and transportation.²⁷ In October 1995, the SA Government proposed a mid-term exchange plan to Okayama. The proposal mainly focused on economic partnership, and included: the encouragement of visits of retired people in Okayama to SA, the promotion of the state as a place for study, the utilisation of Okayama as export base for SA products

²⁵Information in this section is based on personal interviews with staff of the DPC on 30 June 1997, with the exception of information indicated with other sources.

²⁶Department of the Premier and Cabinet, *Annual Report 199-94*, 1995, p. 10; and N. Cater, 'Shandong's SA link to be revamped', *The Advertiser*, 15 June 1994, p. 13.

²⁷Information provided to the author by Okayama Prefectural Government staff on 17 January 1997.

such as wine and processed food, the training of SA personnel specialised in the economic condition and market of Okayama, and the enhancement of economic ties through the exchange of TAFE students.²⁸

The DPC claims that the sister relationship with Okayama has encouraged people in the prefecture to visit SA and contributed to the state's tourism industry. It has been particularly successful in attracting aged tourists. Moreover, training and development activity under the commercial relationship of TAFE has been successful. The DPC identifies other services such as health-related services including aged care as a potential field to bring business opportunities to SA in its relationship with Okayama.

- Economic aspects in the sister relationships with Shandong

In comparison with focuses on service sectors in commercial benefits from the relationship with Okayama, SA's linkages with Shandong are most active in the agricultural industries. Even before the establishment of the sister relationship, SA had trade ties with Shandong through exports of agricultural products. In 1985, the Minister of Agriculture in the SA Government visited Shandong to establish cooperative schemes for a farming project in Shandong.²⁹ Accordingly, SA and Shandong have a common interest in agricultural sectors in their sister relationship. For example, the feasibility of joint ventures on beef cattle breeding have been discussed between SA and Shandong. In addition, when a trade mission from SA visited Shandong in March to April 1995, the delegation sought opportunities for investment in SA's aquaculture industry and negotiated joint ventures to form an abalone farm in the state.³⁰

Water management is another area where supplies from SA and demands in Shandong have met. An SA company has been involved in a joint venture of water management with Shandong Water Resource Bureau.³¹ Other business-related events in

²⁸Ibid.

²⁹MacLean and Nossal, p. 174.

³⁰Economic Development Authority, *Annual Report 1994-95*, 1996, p. 20.

³¹Goodman, p. 187.

the sister relationship with Shandong include the establishment of an SA-Shandong Business Council (which has close linkages with the existing Shandong-Singapore Business Council), in 1994,³² and the opening of a representative office of the EDA in Jinan, the capital of Shandong Province in 1995.

Along with these activities, the contacts between SA and Shandong have still been active in the economic fields, while there have been few commercially aimed exchanges between SA and Okayama for the past three years. As well as the visit of an SA delegation to Shandong in 1995, Shandong sent a top level mission to SA in March 1996 with an objective of the enhancing commercial ties.³³ The SA Government appears to be more active in its relationships with Shandong and West Java, when compared with Okayama. Nevertheless, SA has not achieved significant commercial benefits from either sister relationship, as argued in the next section.

Results from the economic focus of sister relationships

Although the SA Government has made efforts to focus on economic ties in its sister relationships with Okayama and Shandong, SA has not achieved sufficient commercial profits from exchanges over the last decade.³⁴ In the relationship with Okayama, tangible economic benefits have been limited to the growth of tourists from Okayama to SA. The SA Government already tried to make use of the relationship to facilitate the state's exports to Japan through Okayama, with participation in trade fairs and promotion campaigns in Okayama during the 1980s, but failed because of the complicated and highly-regulated distribution system in Japan.³⁵ The DPC now identifies little potential in the promotion of the state's merchandise exports and investment to the state in the relationship with Okayama in comparison with service exports such as tourism and education. In addition, while it was expected that the relationship would facilitate

³²Department of the Premier and Cabinet, *Annual Report 1994-95*, 1996, p. 10.

³³'Chinese to renew links', *The Advertiser*, 30 March 1996, p. 10.

³⁴Personal interview with staff of the DPC on 30 June 1997.

³⁵*Ibid.*

commercial ties between SA and Japan in the areas of information technology and the MFP project, the government has not been successful in further establishing such links.

There appears to be a lack of common understanding between SA and Okayama with regards their recognition of the economic side of their sister relationship. The Okayama Prefectural Government has the impression that SA puts too much emphasis on the pursuit of economic benefits in the shorter term.³⁶ While Okayama also expects the sister relationship to develop business ties between the prefecture and SA in the long term, its preference in the relationship is mostly for cultural activities. For example, one major program of Okayama in its exchanges with SA is dispatches of young people aimed at cultivating their international sense and strengthening the friendship between the two parties (this has been organised six times). In contrast, the SA Government has seldom sent a delegation except those on commercial-oriented trade missions to Okayama. Another gap between SA and Okayama has been identified in their recognition of a tour of SA artists in Okayama. While Okayama regards it as one event of cultural exchanges, SA considers it to be an export item. A further difference is that it is not common for governments in Japan to lead private enterprises in a mission, which is usual in the activity of Australian state governments. These imbalances in priorities seem crucial, especially between the Okayama Government and the EDA of SA, who expects the Okayama side to take same actions as the EDA does.

Although the exchange of commercial delegations between SA and Shandong have been more active than those between SA and Okayama, the exchanges with Shandong have not yet produced major economic benefits to SA. In fact, the DPC realises that it is easier for SA to identify shared interest, such as agricultural sectors, with Shandong than with Okayama.³⁷ However, while some joint ventures between SA and Shandong are in progress, they have not produced significant results yet. According to the DPC, Jinan was chosen for the location of a representative office because there was a need to establish an office covering north China, rather than as a result of the sister

³⁶Personal interview with staff of the Okayama Prefectural Government on 17 January 1997.

³⁷Personal interview with staff of the DPC on 30 June 1997.

relationship. While the commercial representative in Jinan supports SA companies to find partners for joint ventures in China, the office is not involved in the sister relationship. The tripartite relationship of Business Councils between SA, Shandong, and Singapore is mainly for cooperation. The Shandong Government is seeking investment for the primary industry in the province, and Singapore plays a role in the tripartite economic agreement with its capital. While SA can not financially contribute, the state offers technology to the projects. For example, SA has technology necessary for agricultural programs which Singapore does not have, because SA and Shandong have similar climate. Although Singapore has invested in 19 projects in Shandong, there have been no commercial returns yet. Moreover, the connection is not aimed at introducing investment from Singapore to SA.

The encouragement of exports is not a goal in SA's relationship with Shandong, because SA already exports plenty of products, mostly agricultural goods, which Shandong needs. For example, SA does not produce enough wine to meet demands in China, where wine is rapidly achieving popularity. Instead, the SA Government recognises that it is better to focus on using the state's wine technology in joint venture with Shandong to improve the wine production in the province. There is less potential in the sister relationship with Shandong for SA's service industries such as tourism and education, while the relationship with Okayama has created benefits in these fields. Since a regulation in China currently demands official invitation for Chinese people to visit Australia, it is hard to attract Chinese tourists. Although the SA Government has already tried to attract students from Shandong, it is currently not pursued because the refusal of some Chinese students in SA to return to China angered the Chinese side.³⁸

Potential benefits of sister relationships for the SA economy

As outlined above, although the SA Government expects its sister relationships to facilitate the state's commercial ties with Asian nations, these relations have not yet brought satisfactory benefits to the state. As this chapter earlier cited from Goodman's

³⁸Ibid.

study, this problem is not unique to the SA case, but also happens in other Australian states' sister relationships. While the SA Government, particularly the EDA, seeks the development of trade and investment ties from sister relationships, the DPC seems more realistic. The DPC realises the difficulties to make visible commercial profits in the short term from sister relationships, and that the main role of the government in sister relationship is to create an umbrella for exchanges through the government-to-government ties rather than to pursue specific commercial returns.

The DPC claims that the SA Government has pursued the economic benefits to justify the activities in the sister relationship in the government's tight budget. For example, it has been difficult for SA to often send a delegation on the friendship basis to Okayama, especially while the Japanese currency has been strong. While admitting that the SA Government focuses less on cultural aspects of the sister relationship than the Okayama Government, the DPC also appreciates that SA and Okayama have successful exchanges in cultural fields.

Although the state's sister relationships have not created substantial profits to the state yet, there is still potential for these sister relationships to create profits for SA in the sense of business. For instance, the interest of the Shandong Provincial Government in economic profits in its sister relationship with SA is no less than that of the SA Government.³⁹ Shandong is economically growing and SA can supply what Shandong needs such as agricultural technology and water management services. Such complimentary economic ties can be developed between SA and West Java as well.

Although it is difficult to identify what SA can provide for Okayama, there are potential areas they can economically cooperate. The DPC considers the location outside the economic centre in the nation to be a common problem of both SA and Okayama, and that they can make efforts to solve it through coordination. For, example, there will be an opportunity for cooperation in coping with common problems in a society composed largely of elderly people.

³⁹Ibid.

There is the possibility for the Okayama Prefectural Government to focus more on economic aspects in the sister relationship. While Okayama has sent youth delegations to SA for cultural exchanges several times, the Okayama Government has recently told the SA Government that Okayama can not afford it because of its financial situation. In fact, the Okayama Government has been involved in developing international economic ties outside its sister relationships. Those activities include commercial delegations to China and South-East Asia, the management of the prefectural office in Hong Kong, and hosting international forum on the medical engineering industry, which the government aims at developing in the prefecture.⁴⁰ Consequently, the Okayama Government may become more positive towards using its sister relationships for bringing commercial benefits.

Even if the relationships do not bring economic benefits in the short term, the exchanges including in cultural fields will possibly contribute to the encouragement of business linkages between partners in the long term. Goodman points out that there are less desires for benefits in the short term in more well-developed sister state relationships between Australia and China.⁴¹ For example, SA's activities in sister relationships will be useful for the familiarisation of the state to the partners, and may result in business opportunities in the future. In addition, the exchanges in the sister relationships will be efficient for SA to learn about the culture of the partners in Japan, China, and Indonesia which have different cultures from Australia.

In conclusion, the sister relationship is an important method for the SA Government to be involved in the international scene despite difficulties in translating it into commercial partnerships. In terms of the relationship between Australia and Japan, for instance, exchanges between subnational governments in the two nations are important for developing linkages at the grass-roots level while the ties at the national level have already been firm.⁴² From broader point of view, the efforts of the SA Government in

⁴⁰Information provided to the author by Okayama Prefectural Government staff on 17 January 1997.

⁴¹Goodman, p. 180.

⁴²Jain, p. 182.

sister relationships will possibly be beneficial for the state, including its economy, if the partners within the relationships maintain their willingness.

Conclusion

This thesis set out to examine the role of a subnational government, namely the South Australian Government, in developing economic linkages with foreign nations. My introductory discussion in Chapter One raised several relevant questions. What were the motivations for subnational governments' involvement in foreign economic activities? How have those governments implemented their foreign economic policies, and what are the factors influencing the decisions to target particular nations? The chapter also outlined cases of subnational governments in the world through a literature survey. Chapters Two and Three examined the above questions in terms of the SA Government's activities on the whole. Chapters Four, Five, Six, and Seven explored specific fields: merchandise trade, service trade, investment, and sister relationships. In this Conclusion, I will compare the main findings of the survey in Chapter One with the case of SA examined in Chapters Two to Seven, and reveal the similarities of the SA Government's activities to other subnational governments' cases. The unique features of the SA approaches are also highlighted in this Conclusion.

Motives for the SA Government's involvement in the development of economic ties with foreign nations

Based on a comprehensive literature survey, Chapter One identified the factors which lead subnational governments to be involved in the international economic arena. These elements included: global interdependence, mistrust of central governments and their conduct in international economic activities, and rivalry between subnational economies within a nation. Increasing global economic interdependence has encouraged subnational governments to be involved in pursuing their interests such as trade and investment

promotion. The two multinational car makers, a core sector of the SA economy, are the state's most notable linkages with the global economy.

However, this thesis concludes that global interdependence has motivated the SA Government in a different way from other subnational governments. As forces of globalisation hit Australia, the SA economy, unlike other states, was unable to cope with those forces because of its underdeveloped foreign trade ties. Chapter Two identified that the SA Government recognised that the state's economy should be more internationalised and that it should promote companies, especially small firms, into foreign markets. This necessity to internationalise the local economies was not a significant motive for many of the subnational governments examined in Chapter One. Most of those governments, unlike SA, had already established close linkages with foreign economies.

Political leaders in subnational units, including the Australian states, do not believe that the national governments pursue the economic interests of those subnational units in the international arena. Such mistrust in the Federal Government is also a major factor driving the SA Government into direct involvement in foreign economic fields. Competition between subnational units in the same nations is another major impetus. As analysed throughout this thesis, this has also been a strong factor behind the SA Government's international activities. As evidenced in Chapter Six, such competition is most notable in relation to inward investment. The SA Government faces strong rivalry from other Australian state governments, which have adopted similar strategies to promote their states as desirable investment destinations.

Methods for the SA Government to develop economic ties with foreign nations

As outlined in Chapter One, the methods adopted by many subnational governments include: the establishment of overseas offices, exchanges of trade missions with foreign economies, participation in international trade fairs, financial support to small firm exports, attractive packages to encourage foreign investment, and the use of special relationships with foreign counterparts, such as sister relationships, to develop closer

economic ties. As shown throughout this thesis, the SA Government has employed all of these means, and there is no major discernible difference between the methods adopted by SA and other subnational governments.

This study examined the contributions of these methods to the SA Government's activities in detail, and found that the role of overseas offices has been especially important. The EDA established offices in its target nations, and these offices have worked to facilitate trade and investment by exchanging business information, supporting SA commercial delegations, coordinating the visits of trade missions to SA, and holding promotional seminars in key markets.

Many subnational governments established specific organisations to deal with international affairs. In SA, the EDA has taken initiatives to develop international economic ties on behalf of the government. Other departments responsible for service trade promotion, such as the SATC, DETAFE, and DECS, have also promoted the state in overseas markets, but on a smaller scale than the EDA. These departments have not actively been involved directly in sending trade missions or organising delegations to overseas trade fairs, and they have depended on the EDA or national organisations in relation to these activities. Chapter Five identified SA's poor performance in the two major service sectors, namely tourism and education. The state's low profile in Asian nations, which are main markets for Australia in these sectors, and the SA Government's insufficient efforts to improve the situation appear to be the main reasons for SA's weakness. In contrast, other Australian state governments, such as Victoria and WA, have been more active and successful in promoting these sectors.

Target nations in the international economic activities of the SA Government

This thesis has offered a detailed examination of the factors that have proven instrumental in the SA Government's selection of target nations, and its strategies towards them. Since subnational governments generally lack resources to focus on many countries in the international economic field, they need to concentrate on a limited number of

nations. This is an important factor in analysing the role of the SA Government in developing international economic ties, although few studies have explored subnational governments' economic strategies towards specific nations.

The SA Government has recognised Asian nations, especially, Japan, China, Hong Kong, Taiwan, Malaysia, Singapore, and Indonesia, as its target nations. As with many other subnational governments, economic significance has been the major factor behind the SA Government's Asian focus. In contrast, the government's interest in the US and Europe has been limited only to inward investment, especially in hi-tech industries. While Chapter One also identified geographical proximity and cultural linkages as major factors behind the decisions of other subnational governments, these elements have not been prominent in SA.

As to whether the SA Government pays attention to Japan, this study has found that the government recognises Japan as a priority market. Nevertheless, I have argued that the SA Government has employed different approaches towards Japan from those towards other key Asian markets. Since the Japanese market is gigantic and demands a high cost from new comers, the government, especially the EDA, has been reluctant to develop further economic ties with Japan through trade missions or promotion of the state's key export items, such as wine. In other key Asian markets, these activities have been more manageable. However, the Japanese market is too important for SA to ignore. Therefore, the government has sought more effective strategies towards Japan. First, it has focused on operating its Tokyo office with directly employed staff in developing economic ties with Japan. Second, the EDA has supported the establishment of alliances of SA firms, such as jam and furniture consortiums, to fulfil demands in their respective markets in Japan. Third, the EDA makes use of the resources of Austrade in its trade promotion in Japan, although its activities in Japan are still more independent than in the US and Europe. Fourth, EDA and SATC merged their Tokyo offices to utilise its resources more efficiently for both business and tourism promotion. Furthermore, due to Japan's developed economy, the EDA has sought investment for establishing regional headquarters of multinational enterprises from Japan, especially in information technology,

in the similar way to attract investment from the US and Europe. This strategy, however, has been unsuccessful as far as Japan is concerned, mainly due to the state's low profile in Japan. These findings are key points related to subnational governments' activities in the international economic field.

As this research was directed toward a Masters degree and it had the inevitable limitations of time, this study focused only on one subnational government. The three main questions examined in this thesis can be applied to a much broader scope - investigating various subnational governments and their development of economic ties with foreign nations. It may be concluded that, through reviewing one subnational government's interaction with foreign economies, moves can be made towards clarifying the generalities with which this world-wide phenomenon has previously been viewed. The SA case study is not only revealing in terms of Australian policies but also the strategies adopted by other subnational units intent on penetrating the potentially lucrative Asian markets.

Appendix 1: List of interviews

Personal interviews:

- Okayama Prefectural Government, Japan (17 January 1997)
 - Mr Osamu Sawasaka, Director, Youth Policy Section
 - Mr Kazuyoshi Yao, Assistant Director, Youth Policy Section
 - Mr Tomohiko Nakamura, Youth Policy Section
 - Mr Yumito Sanjo, Manager, International Exchange Division

- The Tokyo office of the Economic Development Authority of the SA Government (29 January 1997)
 - Mr Toyo Tanaka, Commissioner

- Economic Development Authority, International Business Division (27 June 1997)
 - Ms Penny Biddle, Manager, Northern Asia

- Department of the Premier and Cabinet, Protocol Unit (30 June 1997)
 - Mr Dean Dempsey, Senior Protocol Officer
 - Ms Susan MacIntosh, Director, Executive Services and Program Coordination

- South Australian Tourism Commission, International Marketing Group (23 July 1997)
 - Mr Wayne Emery, Market Coordinator, Asia
 - Ms Peta Cramey, Market Coordinator, Japan and Trade Shows

- University of Adelaide, International Programs Office (30 July 1997)
 - Mr Dennis Murray, Director

- Department of Employment, Training and Further Education, International Business Services (7 August 1997)
 - Mr Rodger Grissiths, Director

- MFP Development Corporation (21 August 1997)
 - Mr Eric Olsen, Senior Advisor International

- Economic Development Authority (4 September 1997)
 - Mr Rob Bridge, Investment Manager, Business Investment
 - Mr Simon Jongebloed, Manager, International Trade and Investments

- South Australian Employers' Chamber of Commerce and Industry, Trade Adviser (23 September)

Mr Michael Nugent, Trade Adviser

- Department of Education and Children's Services, International Student Program (4 October 1997)

Ms Jane West, Marketing Manager

- SAGRIC International Inc., Government Services Export Unit (23 October 1997)

Mr Ian D'Arcy Walsh, General Manager

Telephone interviews:

- The Tokyo office of the Economic Development Authority (15 August 1997)

Mr Andrew Lelievre, Project Manager

- Department of the Premier and Cabinet (13 November 1997)

Note: ()-the date of the interviews.

Appendix 2: List of organisations which provided information to the author*

Australian Wine and Brandy Corporation

Australian Wine Export Council

Department of Education and Children's Services, International Student Program

Economic Development Authority

Business Investment Division

Hong Kong office

International Business Division

Jakarta office

Shanghai office

Tokyo office

Fox Creek Wines

Japan Australia Business Council of South Australia Inc.

McLaren Vale Winemakers Inc.

MFP Development Corporation

New South Wales Government, Department of State and Regional Development

Northern Territory Government, Department of Asian Relations, Trade and Industry

Okayama Prefectural Government, Youth Policy Section

SAGRIC International

South Australian Employers' Chamber of Commerce and Industry

South Australian Tourism Commission, International Marketing Group

South Australian Wine and Brandy Industry Association Inc.

University of Adelaide, International Program Office

Wine Industry Association of Western Australia Inc.

*This list excludes the respondents in the author's survey on wine exports conducted in August and September 1997.

Appendix 3: The structure of the Department of Industry and Trade



Note: The divisions of the former EDA, the Office of Local Government, and the former Department of Recreation and Sport comprise the Department of Industry and Trade. The other organisations mentioned with a dash on them have been moved under the department without specific restructure.

Source: Information provided to the author by the EDA on 10 November 1997.

Appendix 4: SA's exports to Asian nations from 1989-90 to 1995-96

(\$'000)

Country	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Japan	359,643	438,970	647,674	649,684	625,481	682,937	672,885
China	86,303	146,434	148,308	208,135	220,211	177,875	293,322
HK	49,273	80,640	108,583	171,803	165,163	193,014	202,016
Taiwan	95,804	101,903	147,675	194,596	188,351	276,314	199,329
Indonesia	79,288	56,681	100,897	172,237	198,298	171,570	149,556
Singapore	79,156	208,010	140,337	116,347	119,205	108,274	116,098
Korea	60,426	112,440	133,131	96,743	163,594	117,301	114,067
Thailand	27,295	38,682	41,409	49,681	46,329	68,517	112,273
Malaysia	56,389	70,617	109,595	96,788	102,892	125,147	102,015

Source: ABS unpublished data.

Appendix 5: Wine exports from SA to Asian countries (1992/93 - 1996/97)

\$

Country	1992-93	1993-94	1994-95	1995-96	1996-97
Japan	3,844,461	4,314,561	4,167,578	5,451,978	5,927,948
Korea	188,234	373,147	1,133,193	945,013	1,219,800
China	127,149	137,569	104,625	189,824	2,795,609
Taiwan	51,109	147,732	229,483	387,935	830,343
HK	1,805,871	2,115,687	2,336,010	2,782,530	4,634,019
Thailand	787,065	959,543	1,174,650	3,038,899	3,242,455
Malaysia	480,381	432,629	404,571	1,012,512	1,818,198
Singapore	1,639,697	2,074,431	2,205,404	3,475,501	4,374,620
Indonesia	644,367	603,698	332,688	1,004,679	1,240,722

Source: ABS unpublished data.

Appendix 6: Questionnaire sent by the author to SA wine exporters in August 1997 and the results from responses

Q What is the number of employees in your company?

- a. less than 20 b. 20-50 c. 51-100
 d. 101-200 e. 201-500 f. more than 501

Result from responses

a	b	c	d	e	f	Total
48	9	2	2	0	3	64

Q. To which markets do you export your wine?

- a. Japan b. Korea c. China
 d. Taiwan e. Hong Kong f. The Philippines
 g. Thailand h. Malaysia i. Singapore
 j. Indonesia k. other Asian nations
 l. UK m. Germany n. Sweden
 o. other European nations
 p. US q. Canada r. NZ
 s. other nations t. None

Result

a	b	c	d	e	f	g	h	i	j
22	6	12	21	27	6	25	18	29	12
k	l	m	n	o	p	q	r	s	t
6	46	25	18	20	31	23	41	6	2

Q. (for those who export wine to Japan) Why did you choose Japan?

- a. Because we considered the market to be worth trying
 b. Because it was easy to enter the market
 c. Because of our background/connection with the market
 d. Because there was assistance to enter the market
 e. Other reasons

Result

a	b	c	d	e
9	0	5	4	6

Q. (for those who do not export wine to Japan) Why not?

- a. Because it is too difficult and expensive to enter the market
- b. Because of the lack of information about the market
- c. Because the market is too big
- d. Because it is profitable enough without exports to Japan
- e. Because we found the market not profitable although we tried it
- f. Because we do not have enough wine to export to Japan
- g. Other reasons

Result

a	b	c	d	e	f	g
6	5	4	9	1	16	6

Q. (for those who do not export wine to Japan) If you export wine to other Asian countries, why?

- a. Because we thought the markets were more profitable than Japan
- b. Because it was less expensive to enter them than Japan
- c. Because our wine is more competitive in them than in Japan
- d. Because more information is available on them than on Japan
- e. Because of our background/connection with those markets
- f. Other reasons

Result

a	b	c	d	e	f
1	5	2	3	20	7

Q. Have you received financial assistance regarding wine exports from any of the following public organisations?

- a. Austrade
- b. Australian Wine Export Council (or AWBC)
- c. Economic Development Authority (South Australia)
- d. Primary Industry South Australia
- e. Other

Result

a	b	c	d	e
14	4	3	6	0

Q. Have any of the following organisations provided information on exporting wine?

- a. Austrade
- b. Australian Wine Export Council
- c. Economic Development Authority
- d. Primary Industry South Australia
- e. Private expert
- f. Other

Result

a	b	c	d	e	f
41	43	7	1	10	5

Q. Have you joined any trade missions/trade fairs?

- a. Japan
- b. Korea
- c. China
- d. Taiwan
- e. Hong Kong
- f. Thailand
- g. Singapore
- h. Malaysia
- i. Indonesia
- j. other Asian nations (please specify)
- k. European nations (please specify)
- l. Other nations

Result

a	b	c	d	e	f	g	h	i	j	k	l
7	2	2	1	8	2	5	0	1	0	12	2

Q. Who organised the trade missions/delegations to the trade fairs you joined?

- a. Austrade
- b. Australian Wine Export Council
- c. Other national wine bodies (please specify)
- d. Economic Development Authority
- e. Primary Industry South Australia
- f. Ourselves
- g. Other

Result

a	b	c	d	e	f	g
3	5	0	3	0	12	4

Q. What is your evaluation on the activity of the South Australian Government to support exports of the wine industry in SA?

- a. The support is helpful for the industry
- b. The support is insufficient
- c. The industry does not need support from the state government
- d. We do not know the existence of such activity well
- e. Others

Result

a	b	c	d	e
27	19	2	13	2

Appendix 7: International tourists in Australia and SA by origin of country

Australia ('000)

Country	1986	1988	1989	1991	1992	1994	1995
NZ	304.4	486.0	407.9	439.5	408.0	480.4	538.4
Japan	141.1	338.9	332.7	510.7	604.9	721.1	782.7
Other Asia	182.7	275.7	299.4	350.3	434.6	902.7	1,475.7
US	233.8	307.7	249.1	258.1	249.2	289.7	304.9
UK	169.0	257.0	267.1	257.8	281.8	335.3	347.9
Other Europe	154.8	245.5	232.1	246.9	263.2	386.0	403.1

SA ('000)

Country	1986	1988	1989	1991	1992	1994	1995	1996
NZ	23.1	32.5	25.6	26.3	23.7	26.0	21.2	30.7
Japan	2.7	11.1	14.4	14.5	16.0	6.9	14.3	24.0
Other Asia	13.4	18.2	26.3	21.5	23.0	36.1	29.5	32.4
US	35.5	42.1	37.8	27.2	31.6	35.5	31.6	35.9
UK	32.4	47.2	57.8	57.9	53.8	52.6	46.2	47.2
Other Europe	34.0	66.2	60.3	56.1	64.4	92.7	87.9	98.3

Source: Bureau of Tourism Research, 1996; Planning and Development Division, Tourism South Australia, 1987, 1989, 1990, 1992, and 1993; and information provided to the author by the SATC.

Appendix 8: The top 10 countries of origin of overseas students in South Australia in 1996

Country of origin	Higher education	Vocational education	School education	ELICOS colleges	Total
Malaysia	913	74	95	19	1,101
Korea	48	131	104	454	737
Indonesia	225	158	78	134	595
Japan	69	123	127	241	560
HK	246	107	115	75	543
Taiwan	41	89	22	104	256
Singapore	202	20	13	2	237
Thailand	50	46	51	74	221
UK	46	66	43	5	160
China	75	18	11	9	113

Source: International Division, Department of Employment, Education and Training, 1997, p. 74.

Bibliography

- **Government documents, reports and publications**

Aislabic, C., Lee, J., Stanton, J. and Institute of Industrial Economics, University of Newcastle. *Australian Cultural Diversity and Export Growth*, AGPS, Canberra, 1994.

Australian Bureau of Statistics. *Manufacturing Industry South Australia 1994-95*, Cat. no. 8221.4, ABS SA Office, Adelaide, 1995.

_____. *Australian National Accounts: State Accounts 1995-96*, Cat. no. 5220.0, ABS, Canberra, 1997.

_____. *Australian Wine and Grape Industry 1995-96*, Cat. no. 1329.0, ABS, Canberra, 1997.

_____. *Economic Indicator South Australia September 1997*, Cat. no. 1307.4, ABS SA Office, Adelaide, 1997.

_____. *International Merchandise Trade Australia June Quarter 1997*, Cat. no. 5422.0, ABS, Canberra, 1997.

_____. *South Australian Year Book 1997*, Cat. no. 1301.4, ABS SA Office, Adelaide, 1997.

_____. *Western Australia Year Book 1997*, Cat. no. 1300.5, ABS WA Office, Perth, 1997.

_____. *Year Book Australia 1997*, Cat. no. 1301.0, ABS, Canberra, 1997.

Australian Trade Commission (Austrade). *Annual Report 1995-96*, AGPS, Canberra, 1997.

Australian Wine and Brandy Corporation. *Annual Report 1995-96*, AGPS, Canberra, 1997.

Bureau of Industry Economics. *State Economic Performance 1981-82 to 1991-92*. AGPS, Canberra, 1994.

- _____. *Potential Gains to Australia from APEC: Open Regionalism and the Bogor Declaration*, AGPS, Canberra, 1995.
- _____. *Evaluation of Commonwealth Support for MFP Australia*, AGPS, Canberra, 1996.
- _____. *Evaluation of the Investment Promotion and Facilitation Program*, AGPS, Canberra, 1996.
- Bureau of Tourism Research. *International Visitor Survey 1995*, The Bureau, Canberra, 1996.
- Community Relations Advisory Committee. *Community Relations: A Strategy for South Australia: The Report of the Community Relations Advisory Committee*, South Australian Multicultural and Ethnic Affairs Commission, Adelaide.
- Department of Employment, Education, Training and Youth Affairs. *Annual Report 1995-96*, AGPS, Canberra, 1997.
- Department for Employment, Training and Further Education. *Annual Report 1995*, SA Government, Adelaide, 1996.
- _____. *Annual Report 1996*, SA Government, Adelaide, 1997.
- Department of Foreign Affairs and Trade. *Australia Through the Eye Of Asia*, AGPS, Canberra, 1995.
- _____. *Winning Enterprises: How Australia's Small and Medium Enterprises Compete in Global Markets*, AGPS, Canberra, 1995.
- _____. *Australian Trade and Investment Development*, The Department, Canberra, 1994.
- _____. *Trade in Services Australia 1995-96*, The Department, Canberra, 1996.
- _____. *Composition of Trade - Australia 1996*, The Department, Canberra, 1997.
- Department of Immigration and Multicultural Affairs. *Population Flows: Immigration Aspects January 1997*, AGPS, Canberra, 1997.
- Department of Industry, Trade and Technology. *Annual Report 1990-91*, SA Government, Adelaide, 1992.
- _____. *Annual Report 1991-92*, SA Government, Adelaide, 1993.

Department of Manufacturing Industry, Small Business and Regional Development. *Corporate Plan 1996-97*, SA Government, Adelaide, 1996.

_____. *South Australia's Competitive Case*, SA Government, Adelaide, 1996.

_____. *South Australia's Productive Profile*, SA Government, Adelaide, 1996.

_____. *South Australia-We Mean Business: Trade and Investment Mission to Taiwan and Hong Kong, September 1996*, SA Government, Adelaide, 1996.

Department of State Development. *Annual Report 1995-96*, Victorian Government, Melbourne, 1997.

Department of State Development and Technology. *Annual Report 1987-88*, SA Government, Adelaide, 1989.

_____. *Annual Report 1988-89*, SA Government, Adelaide, 1990.

Department of the Premier and Cabinet. *Annual Report 1985-86*, SA Government, Adelaide, 1987.

_____. *Annual Report 1987-88*, SA Government, Adelaide, 1989.

_____. *Annual Report 1988-89*, SA Government, Adelaide, 1990.

_____. *Annual Report 1989-90*, SA Government, Adelaide, 1991.

_____. *Annual Report 1991-92*, SA Government, Adelaide, 1993.

_____. *Annual Report 1993-94*, SA Government, Adelaide, 1995.

_____. *Annual Report 1994-95*, SA Government, Adelaide, 1996.

_____. *Annual Report 1995-96*, SA Government, Adelaide, 1997.

Department of Tourism. *Annual Report 1994-95*, AGPS, Canberra, 1995.

East Asia Analytical Unit, Department of Foreign Affairs and Trade. *The Asia-Australia Nexus*, The Department., Canberra, 1995.

_____. *A New Japan?: Change in Asia's Megamarket*, The Department, Canberra, 1997.

Economic Development Authority. *Annual Report 1992-93*, SA Government, Adelaide, 1994.

_____. *Annual Report 1993-94*, SA Government, Adelaide, 1995.

_____. *Annual Report 1994-95*, SA Government, Adelaide, 1996.

_____. *Annual Report 1995-96*, SA Government, Adelaide, 1997.

_____. *Adelaide-South Australia: The Logical Choice for your Telecommunications-based Operations*, SA Government, Adelaide, 1997.

_____. *Corporate Plan 1997-98*, SA Government, Adelaide, 1997.

Education Australia. *Annual Report for the Year Ending 31 December 1995*, IDP Education Australia Limited, Canberra, 1996.

Garnaut, R. *Australia and Northeast Asian Ascendancy*, AGPS, Canberra, 1989.

Industry Commission. *Computer Hardware, Software and Related Service Industries*, AGPS, Canberra, 1995.

_____. *State, Territory and Local Government Assistance to Industry: Draft Report*, The Commission, ACT, 1996.

_____. *The Automotive Industry*, The Commission, Melbourne, 1997.

International Division, Department of Employment, Education and Training. *Overseas Student Statistics 1996*, The Department, Canberra, 1997.

Mines and Energy South Australia. *Annual Report 1995-96*, SA Government, Adelaide, 1997.

Planning and Development Division, Tourism South Australia. *South Australian Tourism Statistics 1986*, The Division, Adelaide, 1987.

_____. *South Australian Tourism Statistics 1988*, The Division, Adelaide, 1989.

_____. *South Australian Tourism Statistics 1989*, The Division, Adelaide, 1990.

_____. *South Australian Tourism Statistics 1991*, The Division, Adelaide, 1992.

_____. *South Australian Tourism Statistics 1992*, The Division, Adelaide, 1993.

Primary Industry South Australia. *Annual Report 1995-96*, SA Government, Adelaide, 1997.

Rod, T. and Webster, E. *Immigration and Trade with East Asia in the Food Industry: The Contribution of Immigrants*, Bureau of Immigration, Multicultural and Population Research, AGPS, Canberra, 1995.

South Australia. *Securing the Future: South Australia's Economic Development*, SA Department of the Premier and Cabinet, Adelaide, 1989.

South Australian Food and Beverage Company Register, SA Government, Adelaide, 1996.

South Australian Tourism Commission. *Taking Tourism to 2000: A Guide to the South Australian Tourism Commission Marketing Plan*, The Commission, Adelaide, 1994.

_____. *Annual Report 1993-94*, SA Government, Adelaide, 1995.

_____. *Adelaide Tourism Profile*, The Department, Adelaide, 1996.

_____. *Annual Report 1994-95*, SA Government, Adelaide, 1996.

_____. *Tourism Means Business: The South Australian Tourism Plan 1996-2001*, The Commission, Adelaide, 1996.

_____. *Annual Report 1995-96*, SA Government, Adelaide, 1997.

Therese, R. and Webster, E. *Immigration and Trade with East Asia in the Food Industry: The Contribution of Immigrants*, AGPS, Canberra, 1995.

Tourism Victoria. *Annual Report 1994-95*, Victorian Government, Melbourne, 1996.

• **Books**

Asahi Nenkan 1996, Asahi Shinbunsha, Tokyo, 1996.

Archer, K. and Morici, P. 'State export promotion policies', in *States and Provinces in the International Economy*, eds D. M. Brown and E. H. Fry, University of California, Berkeley, 1993, pp. 190-213.

Australia Committee of Inquiry into the Winegrape and Wine Industry. *Winegrape and Wine Industry: A Report by the Committee of Inquiry into the Winegrape and Wine Industry*, The Committee, Australia, 1995.

Balthazar, L. 'Quebec's international relations: a response to needs and necessities', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 140-151.

- Brown, D. M. and Fry, E. H. (eds). *States and Provinces in the International Economy*, University of California, Berkeley, 1993.
- Byrnes, M. *Australia and the Asian Game*. Allen & Unwin, St Leonard, NSW, 1994.
- Chaikin, G. and McNamara, D. 'State government activity in Asia', in *The Asia-Australia Survey 1997*, eds R. Trood and D. McNamara, MacMillan Education Australia PTY LTD, Melbourne, 1997.
- Chiho Jichi Seisaku Kenkyukai (ed.). *Kokusai Koryu Gaidobukku: Chiho no Kokusaika ni Mukete* (International Relations Guidebook: Towards the Internationalisation of Regions), Gyosei, Tokyo, 1988.
- Clark, N. and Associates. *Australian SMEs in the Global Market Place: The Findings of a Survey of the Extent and Pattern of International Activity of Australian SMEs*, prepared for the National Trade and Investment Outlook Conference, The Associates, Australia, 1994.
- Cline, J. M. 'State and local boundary-spanning strategies in the United States: political, economic, and cultural transgovernmental interactions', in *Globalization and Decentralization: Institutional Contexts, Policy Issues, and Intergovernmental Relations in Japan and the United States*, eds J. S. Jun and D. S. Wright, Georgetown University Press, Washington D. C., 1996, pp. 329-346.
- Collins, H. 'A political science perspective', in *Australian Federalism*, ed. B. Galligan, Longman Cheshire, Melbourne, 1989, pp. 184-191.
- A Commentary on South Australia: Prepared by Students in the Subject Government, Industry and Trade 1994*, International Graduate School of Management, University of South Australia, Adelaide, 1994.
- Corbett, D. 'Australia's states and Canada's provinces: the pace and pattern of administrative reform' in *Dynamics in Australian Public Management: Selected Essays*, eds A. Kouzmin and N. Scott, The MacMillan Company of Australia, South Melbourne, 1990, pp. 294-310.
- A Directory of Japanese Business Activity in Australia 1992*, Australian-Japan Economic Institute, Sydney, 1992.
- Drysdale, P. *Japanese Direct Foreign Investment in Australia in Comparative Perspective*, Australia-Japan Research Centre, Australian National University, Canberra, 1994.

- Duchacek, I. D. 'Perforated sovereignties: toward a typology of new actors in international relations', in *Federalism and International Relations: The Role of Subnational Units*, eds H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, pp. 1-21.
- Duchacek, I. D., Latouche, D. and Stevenson, G. (eds). *Perforated Sovereignties and International Relations: Trans-Sovereign Contracts of Subnational Government*, Greenwood Press, Connecticut, USA, 1988.
- Duchacek, I. D. 'Multicommunal and bicomunal polities and their international relations', in *Perforated Sovereignties and International Relations: Trans-Sovereign Contracts of Subnational Government*, eds I. D. Duchacek, D. Latouche and G. Stevenson, Greenwood Press, Connecticut, USA, 1988, pp. 3-28.
- Dunn, H. 'Queensland - Shanghai relations', in *Australia and China: Partners in Asia*, ed. C. Mackerras, MacMillan Education Australia Pty Ltd, Melbourne, 1996, pp. 162-170.
- Dyment, D. K. M. 'Substate paradiplomacy: the case of the Ontario Government', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 152-169.
- Fagan, R. H. and Webber, M. *Global Restructuring: The Australian Experience*. Oxford University Press, Melbourne, 1994.
- Feldman, E. J. and Feldman, L. G. 'Canada', in *Federalism and International Relations: The Role of Subnational Units*, eds H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, pp. 176-189.
- _____. 'Quebec's internationalization of North American federalism', in *Perforated Sovereignties and International Relations: Trans-Sovereign Contracts of Subnational Government*, eds. I. D. Duchacek, D. Latouche and G. Stevenson, Greenwood Press, Connecticut, USA, 1988, pp. 69-80.
- Food and Agriculture Organisation. *FAO Yearbook Trade 1995*, FAO, Rome, 1995.
- Fry, E. H. 'The US states and foreign economic policy: federalism in the "new world order"', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 122-139.
- _____. 'The United States of America', in *Federalism and International Relations: The Role of Subnational Units*, eds. H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, pp. 278-291.

- _____. 'Trans-sovereign relations of the American states', in *Perforated Sovereignties and International Relations: Trans-Sovereign Contracts of Subnational Government*, eds I. D. Duchacek, D. Latouche and G. Stevenson, Greenwood Press, Connecticut, USA, 1988, pp. 53-68.
- Galligan, B. (ed.). *Australian Federalism*, Longman Cheshire, Melbourne, 1989.
- Genoff, R. and Spehr, J. 'A union view', in *Making the Future Work: Crisis and Change in the South Australian Economy*, eds R. Green and R. Genoff, Allen & Unwin, St Leonard, NSW, 1993, pp. 135-157.
- Goodman, D. S. G. 'China's provinces and Australia's states: sister states and international mates', in *Australia and China: Partners in Asia*, ed. C. Mackerras, MacMillan Education Australia Pty Ltd, Melbourne, 1996, pp. 171-189.
- Green, R. and Genoff, R. (eds). *Making the Future Work*, Allen & Unwin, St Leonards, NSW, 1993.
- Hartcher, P. 'Japan: Asia's revolutionary society', in *Asian Business Insight*, ed. S. Mills, Financial Review Library, Sydney, 1994, pp. 10-38.
- Hall, C. M. *Introduction to Tourism in Australia: Impacts, Planning and Development*, second edition, Longman Australia Pty Ltd, Melbourne, 1995.
- Harman, D. and Ford, J. *Asia Initiative Directory: A Comprehensive Guide to Australian Government, University & Private Sector Asia Programs and Initiatives, 1997 Edition*, Scitech Publication, Canberra, 1997.
- Harris, S. *Federalism and Australian Foreign Policy*, Department of International Relations Working Papers, Australian National University, Canberra, 1992.
- Head, B. 'A political science perspective', in *Australian Federalism*, ed. B. Galligan, Longman Cheshire, Melbourne, 1989, pp. 239-259.
- _____. (ed.). *The Politics of Development in Australia*, Allen & Unwin, Sydney, 1986.
- Head, B. 'Economic development in state and federal politics', in *The Politics of Development in Australia*, ed. B. Head, Allen & Unwin, Sydney, 1986, pp. 3-55.
- Higgins, B. and Zagorski, K. (eds). *Australian Regional Development: Regional Experiences, Policies and Prospects*, AGPS, Canberra, 1989.

- Hobo, T. 'Naihatuteki hattenron' (The theory of self-managed development), in *Chiiki Keizaigaku* (Regional Economics), eds K. Miyamoto, S. Yokota and K. Nakamura, Yuhikaku Books, Tokyo, 1990, pp. 327-349.
- Hocking, B. (ed.). *Foreign Relations and Federal States*, Leicester University Press, London, 1993.
- Ichioka, M. 'Nihonkai engan koryu no kadai' (The problems in exchanges along the Sea of Japan), in *Jichitai no Kokusai Seisaku* (The International Policy of Local Governments), ed. K. Matsushita,, Gakuyo Shobo, Tokyo, 1988, pp. 47-66.
- Ito, Z., Mizutani, M. and Watado, I. (eds). *Jichitai no Kokusaika Seisaku to Chiiki Kasseika* (The Internationalisation Policy and Regional Development of Local Governments), Gakuyo Shobo, Tokyo, 1988.
- Jain, P. 'Chiho jichitai no kokusai katsudo to nichigo koryu' (The international activities of local governments and Japan-Australia exchanges), in *Gurasurutsu no Kokusai Koryu* (Japan's Internationalisation at the Grassroots Level), P. Jain and T. Mizukami, Harvest Sha, Tokyo, 1996, pp. 161-189.
- _____. 'Chiho jichitai no kokusaiteki yakuwari' (The international role of local governments), in *Gurasurutsu no Kokusai Koryu* (Japan's Internationalisation at the Grassroots Level), P. Jain and T. Mizukami, Harvest Sha, Tokyo, pp. 61-96.
- Jain, P. and Mizukami, T. *Gurasurutsu no Kokusai Koryu* (Japan's Internationalisation at the Grassroots Level), Harvest Sha, Tokyo, 1996.
- Jun, J. S. and Wright, D. S. (eds). *Globalization and Decentralization: Institutional Contexts, Policy Issues, and Intergovernmental Relations in Japan and the United States*, Georgetown University Press, Washington D. C., 1996.
- Kincaid, J. 'Consumership versus citizenship: is there wiggle room for local regulation in the global economy?' in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 27-38.
- Kiyonari, T. 'Seisaku keisei to kigyoka katsudo' (The creation of policies and the enterpriser activities), in *Jichitai no Seisaku Keisei* (International Policies of Local Governments), ed. K. Matsushita, Gakuyo Shobo, Tokyo, 1988.
- Kline, J. 'Managing intergovernmental tension: shaping a state and local role in US foreign relations', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 104-121.

- Kouzmin, A. and Scott, N. (eds). *Dynamics in Australian Public Management: Selected Essays*, The MacMillan Company of Australia, South Melbourne, 1990.
- Latouche, D. 'State building and foreign policy at the subnational level', in *Perforated Sovereignities and International Relations: Trans-Sovereign Contracts of Subnational Government*, eds I. D. Duchacek, D. Latouche and G. Stevenson, Greenwood Press, Connecticut, USA, 1988, pp. 29-42.
- Leonardy, U. 'Federation and Lander in German foreign relations: power-sharing in treaty-making and European affairs', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 236-251.
- Little, A. D. *New Directions for South Australia's Economy: Final Report of the Economic Development Strategy Study*, Arthur D. Little International Inc., Adelaide, 1992.
- McCormack, G. (ed.). *Bonsai Australia Banzai: Multifunctionpolis and the Making of a Special Relationship with Japan*, Pluto Press Australia, Leichhardt, NSW, 1991.
- _____. 'Coping with Japan: the MFP proposal and the Australian response', in *Bonsai Australia Banzai: Multifunctionpolis and the Making of a Special Relationship with Japan*, ed. G. McCormack, Pluto Press Australia, Leichhardt, NSW, 1991, pp. 34-67.
- Mackerras, C. (ed.). *Australia and China: Partners in Asia*, MacMillan Education Australia Pty Ltd, South Melbourne, 1996.
- MacLean, G. and Nossal, K. R. 'Triangular dynamics: Australian states, Canadian provinces and relations with China', in *Foreign Relations and Federal States*, ed. B. Hocking, Leicester University Press, London, 1993, pp. 170-189.
- McNamara, D. 'State government activity in Asia', in *The Asia-Australia Survey 1994*, eds R. Trood and D. McNamara, MacMillan Education Australia PTY LTD, Melbourne, 1994, pp. 38-54.
- Marsh, I. (ed.). *Australian Business in the Asia Pacific Region*, Longman Cheshire, South Melbourne, 1994.
- Matsushita, K. *Jichitai no Kokusai Seisaku* (The International Policy of Local Governments), Gakuyo Shobo, Tokyo, 1988.

- Michelmann, H. J. and Soldatos, P. (eds). *Federalism and International Relations: The Role of Subnational Units*, Clarendon Press, Oxford, 1990.
- Michelmann, H. J. 'Conclusion', in *Federalism and International Relations: The Role of Subnational Units*, eds H. J. Michelmann and P. Soldatos, Clarendon Press, Oxford, 1990, pp. 299-315.
- Mizutani, M. et al. 'Kokusaika heno tayona torikumi (Various programs towards internationalisation)', in *Jichitai no Kokusaika Seisaku to Chiiki Kasseika*, eds Z. Ito, M. Mizutani and I. Watado, Gakuyo Shobo, Tokyo, 1988, pp. 11-75.
- Nicholas, S., Merrett, D., Whitwell, G. and Purcell, W. with Kimberley, S. *Japanese Foreign Direct Investment in Australia in the 1990s: Manufacturing, Financial Services and Tourism*, Faculty of Economics and Commerce, The University of Melbourne, Melbourne, 1995.
- Ohmae, K. *The End of the Nation State*, Harper Collins, London, 1995.
- Pomfret, R. *Australia's Experience with Exporting to Asia*, Centre for International Economics, University of Adelaide, Adelaide, 1996.
- _____ (ed.). *Australia's Trade Policy*, Oxford University Press, Melbourne, 1995.
- Robins, F. D. *An Economic Growth Strategy for South Australia: A Window to the 21st Century*, Committee for Economic Development of Australia, Melbourne, 1990.
- Sasaki, M. 'Japan, Australia and the Multifunctionpolis', in *Bonsai Australia Banzai: Multifunctionpolis and the Making of a Special Relationship with Japan*, ed. G. McCormack, Pluto Press Australia, NSW, 1991, pp. 138-151.
- Seringhaus, F. H. R. and Rosson, P. J. (eds). *Export Development and Promotion: The Role of Public Organizations*, Kluwer Academic Publishers, Massachusetts, 1991.
- Sheridan, G. (ed.). *Living with Dragons: Australia Confronts its Asian Destiny*, Allen & Unwin, St Leonards, NSW, in assoc. with Mobil Oil Australia, 1995.
- Sheridan, K. (ed.). *The State as Developer: Public Enterprise in South Australia*, Royal Australian Institute of Public Administration, Adelaide, 1986.
- Spahni, P. *The International Wine Trade*, Woodhead Publishing Limited, Cambridge, England, 1995.

- Spoehr, J. and Broomhill, R. (eds). *Altered States: The Regional Impact of Free Market Policies on the Australian States*, Centre of Labour Studies, The University of Adelaide, Adelaide, 1995.
- Stewart, J. *The Lie of the Level Playing Field: Industry Policy and Australia's Future*, The Text Publishing Company, Melbourne, 1994.
- Stewart, R. G. (ed.). *Government and Business Relations in Australia*, Allen & Unwin, St Leonard, NSW, 1994.
- Stokes, G. and Sharp, R. 'South Australia: governments and economic development', in *The Politics of Development in Australia*, ed. B. Head, Allen & Unwin, Sydney, 1986, pp. 182-208.
- Sugimoto, Y. *Osutoraria 6000 Nichi* (Australia 6000 Days), Iwanami Shoten, Tokyo, 1991.
- Ravenhill, J. 'Australia', in *Federalism and International Relations: The Role of Subnational Units*, eds. H. J. Michelmann. and P. Soldatos, Clarendon Press, Oxford, 1990, pp. 76-123.
- Trood, R. (ed.). *The Future Pacific Economic Order, Australia's Role*, Centre for the Study of Australia-Asia Relations, Faculty of Asian and International Studies, Griffith University, Brisbane, 1993.
- Trood, R and McNamara, D. (eds). *The Asia-Australia Survey 1994*, MacMillan Education Australia PTY LTD, Melbourne, 1994.
- _____ (eds). *The Asia-Australia Survey 1995-96*, MacMillan Education Australia PTY LTD, Melbourne, 1995.
- _____ (eds). *The Asia-Australia Survey 1997*, MacMillan Education Australia PTY LTD, Melbourne, 1997.
- Thant, M., Tang, M. and Kakazu, H. (eds). *Growth Triangles in Asia: A New Approach to Regional Economic Cooperation*, Oxford University Press (China), Hong Kong, 1994.
- Universities and the Economy: The Contribution of South Australia's Universities to the South Australian Economy*, An Occasional Paper of the South Australian Vice-Chancellors, Adelaide, 1996.

Walsh, C. 'An economic perspective', in *Australian Federalism*, ed. B. Galligan, Longman Cheshire, Melbourne, 1989, pp. 218-238.

Warhurst, J. 'Industry assistance issues: state and federal governments', in *The Politics of Development in Australia*, ed. B. Head, Allen & Unwin, Sydney, 1986, pp. 56-71.

Winegrape and Wine Industry in Australia: A Report by the Committee of Inquiry into the Winegrape and Wine Industry, AGPS, Canberra, 1995.

Yabuno, Y. *Local Initiative: Kokkyo wo Koeru Kokoromi* (Local Initiative: Challenges to Cross over National Boundaries), Chuo Koron Sha, Tokyo, 1995.

Yellow Pages Australia. *Small Business Index: A Special Report on Small Business Attitudes to Government October 1994*, Pacific Access Pty Ltd, Victoria, 1994.

- **Journal and newspaper articles**

'Adelaide commercial property luring Asian buyers', *The Advertiser*, 22 March 1997, p. 17.

Altmann, C. 'Olsen works to sell education, water and defence to Manila', *The Advertiser*, 14 April 1997, p. 5.

Adachi, R. 'Kaigai urikomi ni yakki no Osutoraria kankogyo' (The Australian tourism industry eager for overseas sales), *Nichigo Press*, July 1997, p. 22.

'Asian aid sought for NT rail link', *The Advertiser*, 6 May 1997, p. 7.

'Asia conference results in big business', *South Australian International Brief*, June 1995, p. 1.

'Asia: moving towards a smart community', *Asian Business Review*, June 1997, p. 43.

'Asian firms seek SA business links', *South Australian International Brief*, August 1988, p. 1.

'Asian spotlight on SA during the Grand Prix', *The Advertiser*, 1 November 1994, p. 9.

'Australia offers solid safe returns', *Asian Business Review*, June 1997, pp. 37-40.

Austin, N. 'Reaching for the sky', *The Advertiser*, 5 April 1997, p. 29.

_____. 'In the grip of the grape', *The Advertiser*, 19 April 1997, p. 23.

- _____. 'Chewing over our export potential', *The Advertiser*, 24 May 1997, p. 31.
- 'Biotechnology thrust for science park', *South Australian International Brief*, June 1991, p. 3.
- Cambridge, J. 'Connecting with Asia', *South Australian International Brief*, August 1997, p. 4.
- Cater, N. 'Shandong's SA link to be revamped', *The Advertiser*, 15 June 1994, p. 13.
- Cheung, W. 'Australian universities crack Asian market', *Asian Business Review*, December 1996, p. 85.
- 'Chinese to renew links', *The Advertiser*, 30 March 1996, p. 10.
- Collins, C. 'Japanese lose yen for travel as tourism's bubble bursts', *The Australian*, 12 May 1997, p. 5.
- 'Contracts flow from Indonesian promotion', *South Australian International Brief*, September 1994, p. 4.
- Coorey, P. 'Premier in Hong Kong trade push', *The Advertiser*, 25 October 1997, p. 14.
- Colaco, O. and Lamb, K. 'The Canadian market for Australian wine continues to show strong, steady growth', *The Australian Grapegrower & Winemaker*, April 1997, p. 40.
- Denholm, M. 'Our victory on car tariffs', *The Advertiser*, 6 June 1997, pp. 1-2.
- Dew, M. 'The value of education', *The Advertiser*, 31 May 1997, p. 27.
- Duchacek, I. D. 'The international dimension of subnational self-government', *Publius*, Fall 1984, pp. 5-31.
- Evans, S. 'The clever sector', *The Advertiser*, 3 May 1997, p. 29.
- Feldman, E. J. and Feldman, L. G. 'The impact of federalism on the organisation of Canadian foreign policy', *Publius*, Fall 1984, pp. 33-59.
- Fitzgerald, S. 'Sydney wins most in regional HQ push', *The Australian Business Asia*, 8-21 June 1994, p. 14.
- Fry, E. H. 'State and local governments in the international arena', *The Annals of The American Academy of Political and Social Science*, May 1990, p.120.

- 'Furniture firms build on Japanese success', *South Australian International Brief*, June 1995, p. 4.
- 'Good news and more of it' *The Advertiser*, 12 January 1996, p. 12.
- Hawcroft, S. 'Wine exports to Asia drink the rest under the table', *Asian Business Review*, December 1996, p. 92.
- 'High impact for Singapore mission', *South Australian International Brief*, June 1987, p. 8.
- Hopkins, N. 'EDS opens window to Asia', *The Advertiser*, 27 December 1996, p.24.
- 'Immediate results from Thai mission', *South Australian International Brief*, June 1989, pp. 1-2.
- Innes, S. 'Austrade cutback angers exporters', *The Advertiser*, 23 April 1997, p.5.
- _____. 'State "set to benefit" from Chinese tourism', *The Advertiser*, 24 May 1997, p.13.
- _____. 'Trade door with China opens wider', *The Advertiser*, 27 May 1997, p.6.
- 'International MFP board meets', *South Australian International Brief*, March 1991, p. 3.
- 'Japanese study MFP investment', *South Australian International Brief*, December 1991, p. 3.
- Jennings, B. 'Mitsubishi in jobs, export corp', *The Advertiser*, 3 April 1996, pp. 1-2.
- _____. 'Driving force', *The Advertiser*, 26 April 1997, p. 21.
- 'Joint port agreement with Singapore', *South Australian International Brief*, July 1992, p. 4.
- Kelton, G. 'Water deals likely with Philippines', *The Advertiser*, 15 April 1997, p. 7.
- _____. 'Group to help open Asian trade doors', *The Advertiser*, 22 May 1997, p. 2.
- _____. 'Olsen scraps Brown advisers', *The Advertiser*, 18 June 1997, p. 4.
- _____. 'SA starts to woo more migrants', *The Advertiser*, 3 July 1997, p. 10.
- Kincaid, J. 'The American governor in international affairs', *Publius*, Fall 1984, pp. 95-114.

- Kline, J. 'The international economic interests of U. S. states', *Publius*, Fall 1984, pp. 81-94.
- 'Lack of exposure "losing us Asian tourists"', *The Advertiser*, 16 April 1997, p. 6.
- Lloyd, P. 'Superhighway revs up', *The Advertiser*, 7 June 1997, p. 31.
- 'The low cost of doing business in Australia', *Asian Business Review*, August 1997, p. 55.
- Michelmores, K. and Lloyd, N. 'Education exports "lack direction"', *The Advertiser*, 8 October 1997, p. 7.
- Milne, C. 'Fast-tracking our China ties', *The Advertiser*, 1 April 1996, p. 44.
- _____. 'Makers "must export"', *The Advertiser*, 3 December 1996, p. 21.
- _____. 'China opens up to more wool, cattle', *The Advertiser*, 19 December 1996, p. 33.
- 'Mission targets Malaysia', *South Australian International Brief*, March 1992, p. 10.
- 'Multi-media boost to marketing drive', *South Australian International Brief*, September 1996, pp. 1-2.
- Murphy, M. 'Olsen's Tokyo tariff crusade', *The Advertiser*, 7 May 1997, p. 10.
- _____. 'Welcome to SA - the state of "harmony"', *The Advertiser*, 9 May 1997, p. 4.
- _____. 'Wine giant launched export drive fit for its Queen', *The Advertiser*, 9 May 1997, p. 4.
- _____. 'Japanese firm may invest in Darwin rail link', *The Advertiser*, 13 May 1997, p. 4.
- 'New bank links with Japan', *South Australian International Brief*, December 1986, p. 2.
- 'Nihonjin kankokyaku no goshu yuchi kyanpen kappatsuka' (The activation of attracting Japanese tourists to Australia), *Nichigo Press*, March 1997, p. 4.
- O'Flahertie, S. 'The revival of the rustbelt', *Asian Business Review*, March 1995, p. 67.
- 'Okayama mission the biggest ever', *South Australian International Brief*, December 1993, p. 4.

- 'Orlando's top drop goes down well', *International Business Asia*, 25 August 1997, p. 15.
- 'Partnership aims to change perceptions', *South Australian International Brief*, September 1996, p. 2.
- Penberthy, D. 'SA trade push as Dame visits Indonesia', *The Advertiser*, 30 October 1995, p. 4.
- Ramsey, A. 'Broad appeal compensates for lack of icons', in 'South Australia: a special report', *The Australian*, 18 October 1996, p. 3.
- 'Relationship between South Australia and Shandong Province', *Australian Foreign Affairs Records*, June 1988, p. 25.
- Rowbotham, J. 'State growth fails to impress critics', in 'South Australia: a special report', *The Australian*, 18 October 1996, p. 2.
- 'SA high tech "surprises" Hong Kong - east Asian markets looking good', *South Australian International Brief*, December 1986, p. 10.
- Shand, A. 'Battle to attract RHQs', *The Australian Business Asia*, 14-27 September 1994, p. 16.
- 'South Australia's overseas links', *Australian Foreign Affairs Record*, June 1988, pp. 255-6.
- South-East Asian trade strengthened', *South Australian International Brief*, September 1990, p. 7.
- 'A strong case for investment', *South Australian International Brief*, September 1996, p. 1.
- Tideman, D. 'Universities add \$1bn to state output', in 'South Australia: A Special Report', *The Australian*, 18 October 1996, p. 5.
- Turner, J. 'Tourism: the can-do philosophy', *The Advertiser*, 26 December 1996, p.30.
- _____. 'Governor leads export mission: state's biggest Malaysian push', *The Advertiser*, 6 March 1997, p. 2.
- 'Unique Adelaide centre for software exports', *South Australian International Brief*, October 1987, p. 4.

'Uni seals \$1m training contract coup with Taiwan', *The Advertiser*, 28 May 1997, p. 7.

'Wain gyokai oishi aki' (Wine industry, lucrative autumn), *Asahi Shinbun*, 5 October 1997, p. 5.

'WA leads wine push into Japan', *Overseas Trading*, October 1996, p. 12.

Wordley, B. 'Hong Kong "Trade to grow"', *The Advertiser*, 27 May 1997, p. 15.

- **Transcripts of Speeches**

Olsen, J. 'Small business is critical to SA's growth', a speech in Business Economists Forum in Adelaide on 11 March 1997.

- **Unpublished papers**

Elliott, K. 'Subnational activism in Australia: the NSW-Japan experience', MA thesis, University of Sydney, 1995.

Miller, E. M. *Education Adelaide: A Strategy to Increase the Number of Fee Paying Overseas Students and Expand the Education Industry as an Economic Generator for South Australia*, September 1996, unpublished paper.

O'Donnell, F. M. 'A loose partnership: business and the regional state in the development of Queensland's relations with Japan', Ph. D thesis, University of Queensland, 1994.