



The Engaging State

A photograph of the Adelaide Oval stadium in South Australia, featuring its distinctive curved glass facade and surrounding urban buildings, with a river in the foreground.

South Australia's
Engagement with the
Asia-Pacific Region

Edited by
John Spoehr & Purnendra Jain

Wakefield Press

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Preface

The Engaging State is a book for its time. It is a product of multi-disciplinary effort within the University of Adelaide, which has aimed to deepen understanding of the dimensions and complexities of South Australia's engagement with the Asia Pacific Region. At a time when subnational governments have come of age as international actors in their own right, this book contributes to conceptual and practical knowledge of the evolving role of sub-national governments in international affairs.

Most authors completed research for this book and finalised their chapters before the Hon Jay Weatherill, MP, took office as South Australia's 45th Premier in October 2011, replacing the Hon Mike Rann. Even in his early days as Premier, Mr Weatherill has vindicated the importance of this book through his international engagements as Premier. In January 2012, he launched a South Australia–India economic development directions paper underscoring the rising economic importance of India for South Australia. In the same month he travelled to the United States to consolidate and strengthen South Australia's economic and other multi-layered linkages with the US. His international activism in the first few months after taking office shows a clear commitment of the new state government to further deepen South Australia's engagement with the nations of Asia Pacific through economic, cultural, social, educational and even some political linkages.

Preliminary research for these chapters was presented by the group at the 18th Biennial Conference of the Asian Studies Association of Australia, held at the University of Adelaide in July 2010. The papers have been subsequently refined for publication in this collection. We thank all the authors for their thoughtful and timely contributions to the book.

Our thanks to Lance Worrall, Deputy Chief Executive, Department of Manufacturing, Innovation, Trade, Resources and Energy and a number of departmental staff for helpful insights and comments.

We also thank the Faculty of Humanities and Social Sciences for supporting the project that has underpinned publication of *The Engaging State*. Finally, we thank Wakefield Press for publishing *The Engaging State*, with special thanks to Michael Bollen and Stephanie Johnston.

John Spoehr

Purnendra Jain

Adelaide, February 2012

LIST OF ACRONYMS

AALD	Australian-Asian Leadership Dialogue
ABC	Australian Broadcasting Commission
ABS	Australian Bureau of Statistics
ACBC	Australia-China Business Council
AIBCSA	Australia-India Business Council South Australia
AJA	Australia-Japan Association SA
ANZCERTA	Australia New Zealand Closer Economic Relations
ANZUS	Australia New Zealand and United States
APEC	Asia-Pacific Economic Forum
ASCO	Australian Standard Classification of Occupations
ASEAN	Association of South East Asian Nations
CBD	Central Business District
CGE	Computable General Equilibrium model
CII	Confederation of Indian Industry
CITSCA	Council for International Trade and Commerce of South Australia
DECS	Department of Education and Children's Services
DFAT	Department of Foreign Affairs and Trade
DIAC	Department of Immigration and Citizenship
DTED	Department of Trade and Economic Development - South Australia
EAS	East Asia Summit
EDS	Electronic Data Systems
ELICOS	English Language Intensive Courses for Overseas Students
ETSA	Electricity Trust of South Australia
FTA	Free Trade Agreement
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GFC	Global Financial Crisis

GMH	General Motors Holden
GMO	Genetically Modified Organisms
GRP	Gross Regional Product
GSP	Gross State Product
IAASA	Indian-Australian Association of South Australia
I-O	Input-Output
JABC	Japan-Australia Business Council of SA
JAJA	Japan-Australia Friendship Association
JSA	Japanese Society of Adelaide
MFP	Multi-Function Polis
MIS	Municipal international cooperation
PIF	Pacific Island Forum
PRC	People's Republic of China
SAFC	South Australian Film Corporation
SAFTA	Singapore-Australia Free Trade Agreement
SAMEAC	South Australian Multi-cultural and Ethnic Affairs Commission
SEATO	South East Asia Treaty Organisation
SNGs	Sub National Governments
SRMS	Skilled Regional Migration Scheme
SSRM	State Specific Regional Migration Scheme
TAFE	Technical and Further Education
TAFTA	Thailand-Australia Free Trade Agreement
VET	Vocational Education and Training
WAP	White Australia Policy
WHM	Working Holiday Maker program
WCTU	Women's Christian Temperance Union
WTO	World Trade Organisation

The Engaging State – Australian Subnational Government Engagement with the Asia Pacific Region

JOHN SPOEHR and PURNENDRA JAIN

Australia's links with the nations of Asia-Pacific, particularly of Asia, are strengthening at an unprecedented pace. Economic ties, especially trade, continue to expand exponentially. This comes as no surprise since in 2010 China overtook Japan as the world's second largest economy and as Australia's largest trading partner, and India is now one of the top destinations for Australian exports. About two-thirds of Australia's trade is concentrated in the Asia Pacific region and these days, usually seven or eight of Australia's top ten trading partners are in the Asia Pacific. Direct investment from Asia, especially from Japan and Singapore, remains high. In more recent years Chinese investment in Australia, especially in the mining sector, has also begun to take off and Indian companies, too, are proceeding with modest investment in Australia. Given the expectations inspired by China and India's recent economic growth patterns and Japan's place as the world's third largest economy and still a significant economic power in the region, both trade and investment links with Asian countries appear set to increase even further.

This solid flow of goods and finance is accompanied by – to a considerable extent has inspired – a similar surge in flows of people and ideas. Tourism and exchange/volunteer programs carry significant numbers of people between Australia and Asia alongside commercial and official travellers. Another human flow has much deeper and longer-lasting import: the phenomenal growth of migration from Asia, particularly from China and India, which is reshaping Australia's demographic landscape. One key migration route is eligibility of full-fee paying international students for permanent resident status on completing a recognised study program in Australia. The study program may be a degree or diploma at tertiary or government-funded vocational institutions, or may even be through privately run institutes' vocational courses such as cookery, hair dressing, hospitality and community welfare, or other areas where the Australian government defines skill short-

ages. While the migrant inflow from many Asian countries has increased in recent years, by far the largest numbers – most of them taking the student route to ‘permanent resident’ status – are from mainland China and India. The passage and settling in Australia of people from Asian countries has entailed the increasing popularity of foods, cultural events, grocers and other cultural trappings from Asian countries, which helps to promote a culturally richer, more diverse Australian society.

Scholarship of Australia–Asia relations has almost exclusively concerned national level dynamics, detailing economic, strategic, political and socio-cultural links and associated issues in the context of the nations involved. Studies include government and private reports and research conducted by think tanks, specialised centres, individual scholars, diplomats, journalists and political leaders (e.g., Keating 2000; Dobell 2000; ASAA 2002; Wesley 2011).¹ But clearly, when we consider the nature and extent of contemporary engagement between Australia and Asia, much of it reaches beyond the national level and therefore is not considered in depth within the Australia–Asia scholarship. The international roles of other government, non-government, private sector and individual actors who comprise, and produce, this international engagement have not been fully recognised or examined in this geographic context.

This book turns the lens onto one of these ‘other’ international actors now playing an increasingly important role in Australia–Asia relations. Here our concern is with the next unit of government below the national level, which in the Australian case is state government. Specifically we are concerned with the government of South Australia, the fourth largest of Australia’s six states and two territories. Literature on international relations has referred to internationally active governments below the national level with various terms, including sub-national authorities, sub-national and regional actors and meso-level governments. We use the term subnational government (SNG) to refer to all governments below the national government. SNGs therefore include the governments of all Australian states and territories and the administrative units within them.

While little has been published concerning the role of SNGs in shaping Australia’s relations with the nations of Asia-Pacific, this is much less true of the international role of SNGs in some other parts of the world. The international relations and international political economy literature contains ever more analyses of the international roles of SNGs – their initiatives, actions, policy responses and motivations in various parts of the world. This is testament not just to more careful, insightful scholarship of ‘international actors’ but also to the increasing scope, diversity and importance of SNGs in their evolving international roles. Examples discussed in the literature are not just from North America but are also from a large number of European countries, and in recent years from such Asian countries as China, Japan and India as well. It is useful to briefly consider this literature for insights into the nature, purpose and sig-

nificance of internationally active SNGs to better understand the Australian context and the South Australian case in comparative perspective.

COMPARATIVE PERSPECTIVE

Publications concerning internationally active SNGs, particularly in European and North American contexts, began to appear from the early 1990s. Today the international relations literature has ever more studies of SNGs, forming part of a rich seam of empirical and conceptual analyses that detail the role in international affairs of actors beyond the nation-state and national level players. These actors include government units above and below the level of national government, such as the European Union, ASEAN and other supranational bodies, and SNGs respectively, as well as non-state actors such as non-governmental organisations (NGOs), business groups and other civic and private groups and individuals. The role and significance of these actors has increased substantially in the post-Cold War period marked by increasing globalisation, as international relations and diplomacy enter new terrain and force new scholarship to explain.

An observation by Hocking (2006) expresses this complex picture succinctly: ‘diplomacy is becoming an activity concerned with the creation of networks embracing a range of state and non-state actors focusing on the management of issues demanding the application of resources in which no single participant possesses a monopoly’. Hocking employs the term ‘multi-stakeholder diplomacy’ to capture the international role of diverse non-state actors that shape international outcomes while pursuing their own internationally significant interests outside – and sometimes even inside – their national borders.

Scholarship concerned specifically with internationally active SNGs offers sundry terms that refer to SNGs’ international activities, from sub-state diplomacy, paradiplomacy and protodiplomacy to microdiplomacy and constituent diplomacy. In all instances ‘diplomacy’ denotes the official, government nature of these activities.² Other offerings have a narrower reach. For example, Hobbs (1994) refers specifically to ‘city diplomacy’. And Brande (2010, 200) acknowledges ‘sub- or infra-state foreign relations’ but advances the term ‘federated state diplomacy’ for situations where subnational actors become key players in a nation’s foreign affairs including in treaty making processes.³ For the present study of the state of South Australia in its relations with Asia, the term SNG remains the most appropriate. But as we shall see, while the South Australian state government’s international activities involve government officials in international negotiations and relationships, their main purposes are not to pursue international ‘diplomacy’ as usually understood in the context of foreign diplomats and foreign ministries. Their purposes here are explicitly concerned with working for the people and the state of South Australia – in these instances crossing national borders to do so.

The literature suggests that the trend towards SNGs becoming inter-

nationally active has been under way most strongly in Western nations. Yet at present, the erosion of the exclusive power of nation states and national governments in international affairs means that 'sub-state entities across the world today engage in international relations and conduct a 'foreign policy' that runs in parallel, complements, or is sometimes in conflict with their central governmental counterparts' (Criekemans 2010, 1). Increasingly, SNGs in Asia are actively pursuing their own interests abroad, in cooperation with the national government and sometimes independently (Jain 2005). Indeed, the literature, or at least English language literature, may not be keeping pace with action on the ground. Cornago (2010, 24) has observed, 'Chinese provinces are among the most active actors all over the world in the field of sub-state diplomacy'.

At this point we should ask why 'conducting a foreign policy' is now virtually a standard feature among 'sub-state entities across the world today'. There are multiple and complex answers that usually depend upon the distinctive circumstances of each SNG or at least their national context. One reason appears to be central and universal: SNGs increasingly need to support themselves financially. They now pursue international engagements as a vital component of the self-sustainability that national governments are increasingly requiring of SNGs as national budgets are forced to stretch further. While many SNGs have responded by pursuing their own interests abroad through cultural, educational, commercial and other cooperation programs at the grassroots level, one of the major motivations is to gain economic benefit for their locality, usually through promoting trade and attracting foreign investment and increased tourism.

In Europe, a number of regions have opened 'embassies' abroad and negotiate their own trade agreements; some have linked themselves in state-of-the-art transportation networks to attract foreign business. Some local governments are claiming new ground in EU decision-making (Matthews 1997; Newhouse 1997; Bomberg and Peterson 1998). Almost all 50 US states have trade offices abroad, and all have official standing in the World Trade Organisation (Hobbs 1994; Fry 1998). US state governors have been particularly active in this field (McMillan 2008). Similarly, in some Asian nations SNGs are actively promoting their economic interests through overseas trade and attracting foreign investment for their locality (Cheung and Tang 2001; Arase 2002; Jain 2005).

Political considerations – at times mixed with ethical considerations and altruism – may also motivate the international activities of SNGs. Some SNGs see that they have a crucial role to play in a range of global issues such as combating poverty and promoting sustainable development (Shuman 1994). Some, especially in Europe, have become involved in delivery of foreign aid both independently and in conjunction with their national government. Municipal international cooperation (MIC) serves as a mechanism for SNGs to become directly involved in overseas development assistance,

providing SNGs of developing countries uninterrupted access to technical assistance and financial support from their partners in the industrialised world (Schep 1995). Some SNGs, particularly in North America, take action against abuses of human rights internationally, through punitive actions such as imposing economic sanctions and establishing laws banning state agencies from signing contracts with companies doing business with the blacklisted nation. The laws imposed by Massachusetts State against Burma are one renowned example (Guay 2000). Many SNGs far and wide try to ensure they have a representative at international forums relevant to their concerns.

What enables and encourages SNGs to set out on an international path? First are factors concerning the constitutional distribution of powers and institutional arrangements between national and state governments. Federations, such as Australia and the US, are characterised by partially self-governing states or regions united by a central (federal) government. Unitary states, such as France and the UK, are governed as a single unit, with the central government as the supreme source of authority, and subnational units as *administrative divisions* able to exercise only the powers that the central *government* delegates to them. Australia's relatively decentralised federal system presents some guaranteed space for SNGs to pursue international activity but also sets restrictions, as we discuss later.

Second, irrespective of their constitutionally regulated relationship with the national government, SNGs have learned to speak for themselves to protect their specific 'local' interests, which may be in conflict with what their national governments recognise internationally as national interests. For example, decisions that national governments make at international organisations like the WTO and the UN or through bilateral agreements can impact profoundly on local economies and their governance. Decisions by the Australian government to establish free trade agreements advantage some states while other states may have adverse impacts on their regional economy.

Third, SNGs have the political will to undertake these activities. They recognise, particularly through the precedents of their counterparts nationally and internationally, that international linkages can enhance SNG independence from their central government, not just in financing (which they see as vital) but also in policy matters. SNGs are generally very eager to achieve greater autonomy, which provides the imperative to search for new areas – activities and overseas locations – where they can generate sources of income for themselves and introduce innovative policies both independently and ahead of the national government. Some SNGs have the constitutional capacity to represent the political voice of local constituents, as the Massachusetts State laws against Burma demonstrate. As explained below, Australian states have quite limited constitutional capacity to take explicitly political action that has national consequences.

Fourth, reciprocally, SNGs lack what national governments cannot escape in their international dealings. Here we refer to diplomatic baggage

and perception of it that can disable national governments from undertaking some actions that SNGs can perform effectively, precisely because they are government but not national government. A recent Australian example concerns diplomatic discussion of convicted Rio Tinto executive Stern Hu, a Chinese Australian citizen. While Chinese leaders were reluctant to talk to federal Trade Minister Simon Crean about the controversy, the Shanghai Mayor discussed the issue with visiting Western Australian Premier Colin Barnett (Callick 2010).

A final reason concerns SNGs' mutual awareness and knowledge of what SNGs can do outside national borders. The early efforts of internationally active SNGs provided precedent for their counterparts in the national and international context to follow suit – or reach even further. Internationally active SNGs are now so common, with links between them firming, that SNGs have their own international networks that operate independently of national governments. In some instances these networks have been institutionalised, such as the States and Regions Alliance's role in climate change (Rann and Charest 2010). It is not just that SNGs can learn from each other but also that they can identify with each other, sharing similar dispositions, problems, and capacities/incapacities to solve them. Returning to Western Australian Premier Colin Barnett on his Chinese SNG counterparts, 'Politicians tend to trust each other. They may say something to me that they wouldn't say even to the biggest of Australian companies' (Callick 2010). They understand that SNG commercial and other arrangements abroad are in many respects political, and locate their policies within that context.

The discussion above points to some important considerations concerning pursuit of interests. In international affairs the interests of SNGs may be in conflict with interests pursued by their central governments on some issues. For example, all state governments did not endorse the federal government's ban on exporting uranium to India while it was in place. But the interests of both may also be very much in sync, particularly in pursuit of economic and diplomatic gain that can benefit both locality and nation. This is also likely in international aid delivery and the various educational and exchange programs that generate goodwill. In some cases SNGs' overseas actions can reinforce the centre's political position or even express it explicitly when the centre is unable to. This points to the need for mutual cooperation to achieve mutual benefit for both levels of government. Australia's national policy responses to trade liberalisation, foreign investment, migration, international education and so forth directly affect Australian state governments. It is natural, then, that as stakeholders, state governments want to have their views considered to produce policy that is at least not damaging of Australian state interests and ideally is beneficial for stakeholders at both national and sub-national levels.

The interests of SNGs themselves may also set them in competition with each other to achieve the benefits that international linkages can yield. Overcoming skill shortages in areas of high occupational demand is a case in

point. Up until 2011 South Australia had some advantage in this respect with Adelaide being designated a 'region' under the Australian migration program. This gave skilled migrants a discount on the number of eligibility points they had to score to gain entry, increasing the attractiveness of Adelaide as a destination for migrants. Some tension was generated within South Australia by this with complaints from local government that Adelaide 'should never have been allowed to have regional status' as it is 'an impediment to the South-East and the other regions' that face skill shortages (Wills and Littley 2011). It is likely that these competitive tensions will intensify within South Australia and between South Australia and other states while demand for skill remains relatively high.

Two other factors are also very important in shaping what Australian SNGs can and will do as international actors. First, as the discussion above signals, a major determinant of what SNGs do as international actors are the authorisations and restrictions set out in national constitutions and/or the national legal code. In the US, Canada and some European countries, many SNGs have vast-ranging constitutional powers that far surpass those of Australian state governments. For example, US states and local authorities have entered into thousands of accords, compacts and agreements (not 'treaties') with their counterparts overseas and with Washington approval, state governments have even begun to dispatch their National Guard Units abroad to train military and civilian leaders in Warsaw Pact nations (Fry 1998, 5). US state governors engage actively in foreign policy activity as they have institutional powers, budgetary control and electoral support behind them (Macmillan 2008). Belgium's constitution since 1994 even provides its federated states with the quasi-sovereignty to enter into treaties with outside powers within 'the necessary internal competency' (Van den Brande 2010, 200). Australian circumstances are somewhat more restricted. Here institutional arrangements are based on the Westminster system, and do not provide state premiers the kind or extent of executive autonomy to pursue international affairs in the way of their US and Belgian counterparts.

The second factor is Australia's geographical location. Unlike most nations, which share contiguous land borders, Australia is completely surrounded by ocean. This initially reduced both the imperative and the opportunity for Australian SNGs to actively seek links beyond their state and national borders. Yet in the era of globalisation, Australia has become linked much more closely to the region and the world than even a few decades ago. The forces of globalisation and capacities of technology have inevitably activated both imperative and opportunity for Australian SNGs to pursue international activities, perhaps an inevitable consequence since so much of what these SNGs are required to do, can do, and aspire to do is profoundly influenced by what happens outside Australia. Growing economic interdependence as well as links between people particularly through migration, employment, education and tourism make it essential for state and other subnational units to conduct their own 'foreign policy'.

AUSTRALIAN SUBNATIONAL GOVERNMENT IN INTERNATIONAL AFFAIRS

We have noted that Australian SNGs have become active internationally, though not at the forefront when considered against counterparts abroad. For whatever reasons, this development on the part of Australian SNGs has not drawn the scholarly attention it appears to deserve as an increasingly important aspect of Australia's international engagements. Let us briefly consider this minimal literature on Australian SNGs as international actors before turning to our specific case of South Australia.

John Ravenhill's study at the end of the 1990s mapped out the role of Australian SNGs in international activities in some detail in the context of federal–state relations. He observed that Australian states had expanded their international role during earlier years, but through the 1990s 'retreated from some of their international activities and increasingly entered collaborative arrangements with one another and with the Commonwealth government' (Ravenhill 1999, 136). Today state governments maintain their own offices overseas mainly to conduct economic activities. These at times overlap with what the Commonwealth government does and are often in competition with other states.

On an empirical level, two volumes in the mid-1990s presented some documentation on state government international activities (McNamara 1994 and McNamara 1996). But these were not analytical studies, essentially describing briefly the kinds of activities Australian state and territory governments were undertaking in Asia. Since information presented in the volumes was based on materials supplied by government agencies themselves, the author rightly acknowledged the 'incomplete', 'unchallenged' and 'tentative' nature of the reports (McNamara 1996, 58). Even so, these reports are a valuable source for some understanding of Australian SNGs' activities overseas in the mid-1990s. They point to the need for an updated study, especially since we can be reasonably sure that SNGs have stepped up their international programs, particularly economic, in the 15 year interim when Australia's engagement with Asia has expanded and fortified, particularly through economic interdependencies.

Surveys and commentaries on Australia's sister-state relations, especially with China and Japan were also published during the 1990s (Jain 1991; Goodman 1996; Dunn 1996). These sister ties can serve as an important vehicle for economic and cultural activities, but their overall impact has not been examined and it appears that the quality and intensity of sister ties varies from state to state. Other studies (Elliott 1995; Minami 1997; O'Donnell 1994) contributed to our understanding but focused mainly on economic aspects and bilateral examples with Japan, since written in the mid-1990s when Australia's economic partnership with Japan was still booming. As Asia's two new giants, China and India, have surfaced through the 21st century, they both provide areas to which our analytical lens should

be turned, given their potential (partly realised) for unprecedented influence on Australia's economic, social and political landscape and the engagement already underway between Australian state governments and their Chinese and Indian counterparts.

ENGAGEMENT IN A CHANGING WORLD

South Australia's engagement with the Asia Pacific region during the latter part of the 20th century continues a long tradition of engagement with politically and economically dominant nations and regions. The character of South Australia's international engagement was profoundly influenced by British colonisation and patterns of late 19th and early 20th century migration, investment, trade and cultural development. Subsequent waves of foreign investment and the development of deep trading relationships with other nations and regions, particularly the United States, Europe and Japan have diversified South Australia's international relationships. As the second decade of the 21st century unfolds the focus of attention is now the Asia Pacific region, particularly as a consequence of sustained high rates of economic growth in China and India which continue to fuel strong demand for South Australian commodity exports. This has been vitally important in the face of the global financial crisis which has dampened demand for South Australian exports from the United States, Britain and Europe as we shall later in this chapter.

Early signs of South Australia's economic engagement with Asia emerged during the 1970s when Premier Don Dunstan visited Hong Kong and Japan to organise trade representation in those countries (Dunstan 1981, 184). Dunstan signalled the importance of building ties with the region, visiting Singapore, Jakarta, Hong Kong and Japan. He established a South Australian presence in the region through various mechanisms. Dunstan recalled, 'In Japan we hired as agents the branch office of Elders GM, the South Australian pastoral industry giant, and other local offices were hired in due course in Hong Kong, Kuala Lumpur, Singapore and Jakarta. The agents were required to keep us informed of local market opportunities, to suggest products or processes south but not supplied, and to service South Australia businesses on their visits to the countries concerned' (*ibid*, 192).

Over the last two decades there have been various attempts by policy-makers to strengthen economic and commercial ties with the Asia Pacific region. National policy settings, in particular the phasing down of tariffs and more aggressive export strategies, have forced the pace of this in South Australia. Following the lead of the Hawke Government's economic and industry development reforms during the late 1980s and early 1990s, the South Australian Labor Government led by John Bannon looked to Asia as a source of future growth. In the midst of recession it commissioned the US based consultancy firm Arthur D Little to generate a policy blueprint – 'New Directions for South Australia's Economy'.

Released in 1992, the so called AD Little draft report focused the attention of policy makers on the Asia-Pacific region (Little 1992). The report highlighted the growing importance of tradeable services to meet the needs of the Asia-Pacific region, noting that 'rapid economic development taking place' in the region, 'gives rise to many opportunities for the sale of tradeable services' and the provision of technical assistance with infrastructure development (ibid, 15). The seeds for the growth of one of South Australia's fastest growing service export industries – international student education were sown at this time (ibid, 7). The report urged the State Government to place particular emphasis on the development of trade and investment relationships with the Asia-Pacific region and 'as a matter of urgency ... improve or increase' government representation in the region (ibid, 28). Specifically the AD Little Report recommended that the State Government establish representation in Indonesia, Malaysia and Taiwan 'to build closer relationships with government and industry in those countries' and 'to promote South Australian trade and investment and identify opportunities for joint venture and collaborative activities (ibid, 32).

The AD Little Report was sidelined by the calamitous events surrounding the collapse of the State Bank during the early 1990s (Spoehr 1999, 10–11). While the change of government that flowed from the State Bank crisis ushered in a political era dominated by micro-economic reform, the incoming Liberal Government led by Dean Brown made pre-election policy commitments to engagement with Asia through the establishment of an International Business Centre with a particular focus on Indonesia, Singapore, Thailand, Hong Kong, China, Taiwan and Japan (Brown 1993, 10–11). In part, the new government justified its outsourcing and privatisation strategies as tools of engagement with major corporate interests in the Asia Pacific region. The Government's Development Council identified the export of public services to Asia as a priority and established a Government Services Export Panel (South Australian Development Council 1996, 12).

Outsourcing became a major instrument of international economic engagement as well as financial policy in the mid 1990s when the Liberal Government signed contracts for the management of Adelaide's metropolitan water and waste water infrastructure with the French/Anglo/Australian United Water Consortium and the management of the State Governments information technology services to US based Electronic Data Services. To bolster exports to Asia the Government supported the establishment of a Water Industry Cluster of companies focused on export development (Department of Industry and Trade 1998, 14).

Soon after re-election for a second term of government in 1997 the Liberal Government led by Premier John Olsen announced that it would privatise the South Australian electricity industry (Spoehr 2003, 27). The scale of the asset privatisation program was certain to attract overseas interest and it did. By the end of 1999 it had leased Flinders Power, a major electricity