

台海兩岸與澳洲經貿合作的可能性

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關鍵字：澳洲、中國、臺灣、兩岸經貿關係

中文摘要

資源豐富的澳大利亞是兩岸重要的交易夥伴，也是重要的投資來源地之一。過去六十年間，由於兩岸在政治經濟上的阻隔，澳大利亞與兩岸的經貿關係一直是分開進行的。然而，這種狀況可能會發生改變。馬英九政權對中國大陸的態度較其前任有很大不同，為了避免臺灣經濟邊緣化，馬政權正在積極促進與中國大陸簽署兩岸經濟合作架構協定（ECFA），大陸也給予了積極的回應，談判有望於 2009 年後半年開始。我們有理由預期未來兩岸經濟上的整合度會更高。兩岸在對澳經濟關係中展開密切合作是值得關注的。兩岸對澳貿易結構高度的相似性為這種合作提供了可能。兩岸聯合購買澳大利亞資源類產品有助於提高他們的議價能力，共同致力於品牌建設可以提高他們的產品在國際市場的競爭力，而兩岸聯合對澳投資不僅可以減低澳大利亞對來自中國大陸的投資的敏感，也可以增強臺灣資源供應的保障性。兩岸的密切合作對澳大利亞而言也是好事，因為，只有一個更加穩定的中國才是整個亞太區域最大的福祉。

The Possibility of Cross-Straits Cooperation in the Economic Relations with Australia

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Key words: China, Australia, Taiwan, Cross-Straits

Introduction

As a developed country with abundant natural resources, Australia has been an important trading partner for both Chinese mainland and Taiwan. According to Australian statistics, Chinese mainland was Australia's No.1 two-way trading partner (\$63,753 million, ¹accounting for 13.2 per cent of Australia's total trade) in the year 2007-2008. Taiwan was Australia's 12th largest trading partner (\$10,588.68 million, accounting for 2.76 per cent of Australia's total trade) during the same period.²

Investment is another important aspect of the economic relationship. Australia has been an important FDI source for both Chinese mainland and Taiwan, although its ranking is declining. By the end of 2008, Australia's accumulated investment in Taiwan was US\$

¹ All dollar figures are Australian dollars unless otherwise stated.

² Department of Foreign Affairs & Trade, Composition of Trade Australia, 2007-08, November 2008, pp15.

1023.91 million, making the country Taiwan's 14th largest foreign investor. Taiwan's accumulated investment in Australia was US\$ 159.94 million, making it Australia's 20th largest source of FDI.³ In 2007 Chinese mainland was Australia's 14th largest investment destination (\$5.2 billion) while Chinese mainland was the 17th largest investor in Australia with a total investment of \$6.2 billion.⁴

For approximately 60 years Australia has dealt with Chinese mainland and Taiwan independently, given the political and economic distance between the two places. It appears that this situation is about to change, however. The attitude of Ma Ying-jeou's toward Chinese mainland is very different from that of his predecessor. To avoid the marginalization of the island's economy in the global market, Ma's government is stepping up its efforts to sign an Economic Cooperation Framework Agreement (ECFA) with Chinese mainland.⁵ His proposal is widely supported by the business sector although there is still a dissenting voice from the Democratic Progressive Party (DPP). But it is reasonable to expect a more economically integrated China in future.

The possibility of closer cross-straits cooperation in the economic relationship with Australia is a development

³ Statistics on Overseas Chinese & Foreign Investment, <http://www.moeaic.gov.tw/>

⁴ Australian Government Department of Foreign Affairs and Trade, Overview of Australia-China Relations, http://www.dfat.gov.au/geo/china/cb_index.html

⁵ President Ma Pushes Economic Cooperation Agreement With China, CENS.com, http://www.cens.com/cens/html/en/news/news_inner_26587.html

worth considering. Will this be a win-win solution? Starting from an overview of the trade and investment relationship between Australia and Chinese mainland on the one hand, and between Australia and Taiwan on the other, and based on a comparison of trade items and investment purposes, this paper explores the implications for Australia of closer cross-strait relations.

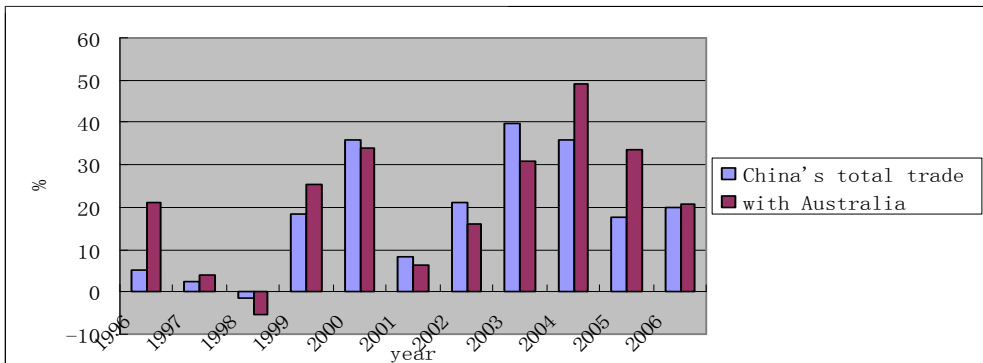
Overview of the economic relationship between Australia and Chinese mainland

Bilateral Trade

Sino-Australia trade has grown dramatically since the early 1990s, in line with China's opening up policy and the trade complementarity between the two countries. From 1995 to 2006, the average growth rate of Sino-Australia trade was 21.5 per cent, higher than that of Chinese mainland's total trade (see Figure 1 and 2). The Chinese mainland overtook Japan as Australia's largest trading partner in late 2007. Total two-way trade reached \$63.8 billion in 2007-2008, a 16.5 per cent increase over 2006-2007. It is another attractive performance compared with the increasing rate of Australia's total trade in goods and services, which was 10.2 per cent during the same period. Chinese mainland accounts for 14.9 per cent of Australia's merchandise export trade, worth \$26.9 billion, and over two-thirds are comprised of natural resources (minerals and fuels).⁶

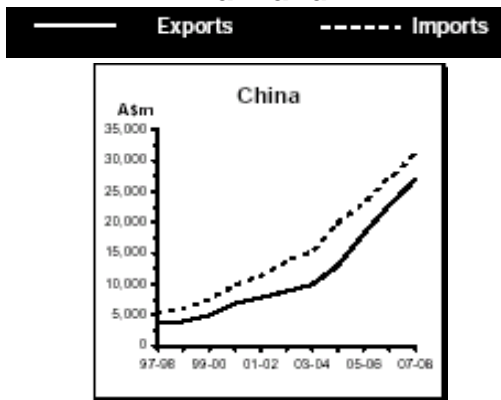
⁶ Overview of Australia-China Relations, http://www.dfat.gov.au/geo/china/cb_index.html.

Figure 1: Comparison between the growth rates of Chinese mainland total trade and Sino-Australian trade (1996—2006)



Sources: China's Statistical Year Book, 1997, 1999, 2001, 2003, 2005, 2007(pp733), Chinese Statistics Press, Beijing.

Figure 2: Australia's Merchandise Trade with Chinese mainland



Sources: DFAT, Composition of Trade Australia 2007-2008, p8.

Australia has been an important resources supplier for Chinese mainland on the one hand and Chinese mainland has been an important source of manufactured goods for Australia on the other.

Iron ore and concentrates is the single largest Australian export to Chinese mainland, valued at \$12.4 billion in 2007-2008. Indeed, ores are dominant among Australian exports to Chinese mainland, such as copper ores and concentrates (\$1.17 billion), nickel ores and concentrates (\$631 million), other ores and concentrates (\$1.60 billion) and metaliferous ores and scrap (\$242 million). The export of Australian wool to the Chinese mainland was valued at \$1.5 billion and \$646 million worth of crude petroleum was exported to China.⁷ The latest substantial export item is Liquid Natural Gas. In 2006 Australia signed an agreement to ship LNG from the North West Shelf to the Chinese mainland, for a total value of \$25 billion over the following 25 years.⁸ In other words, Australia's exports to Chinese mainland fit the traditional Australian model of low value-added natural resources.

On the other hand, the Chinese mainland exported value-added manufactured goods to Australia. Merchandise exports were the dominant type, for a total value of \$31 billion in 2007-2008. Clothing was the largest single item, valued at \$3.5 billion. This was followed by \$2.6 billion for telecommunications equipment, \$2.5 billion

⁷ DFAT, *Composition of Trade Australia 2007-2008*, p154.

⁸ Overview of Australia-China Relations,
http://www.dfat.gov.au/geo/china/cb_index.html

for computers, \$1.6 billion for sporting goods, toys and games, \$1.4 billion for furniture, and \$1.2 billion for televisions, projectors and monitors.⁹ The Chinese mainland, like Japan over the past half-century, is importing raw materials from Australia and exporting value-added manufactured goods.

The trade in services is playing an increasingly important role in Australia's exports to Chinese mainland and is dominated by education and travel. Of Australia's total services exports of \$51 billion, travel services accounted for 55.4 per cent (\$28 billion) and education related travel for nearly 27 per cent (\$13.7 billion).¹⁰ The average annual growth rate of services exports to mainland from Australia has been about 20 per cent over the past five years. There is still significant potential in the field because of the rising incomes of Chinese people and the far-reaching reforms in mainland's services sector.

More than 107,000 Chinese students enrolled to study in Australia in 2007 and about 30,000 students studied at Australian off-shore education programs in Chinese mainland.¹¹ This trend may be expected to continue through the medium term as a more developed Chinese economy demands higher levels of employee education.

Australia may be expected to benefit substantially, too, from the tourism sector, as more affluent Chinese travel to Australia. The number of Chinese arrivals visiting Australia in

⁹ DFAT, *Composition of Trade Australia 2007-2008*, pp154-155.

¹⁰ DFAT, *Composition of Trade Australia 2007-2008*, p23.

¹¹ Overview of Australia-China Relations, http://www.dfat.gov.au/geo/china/cb_index.html

2007 was 375,100, an increase of 16 per cent on the previous year. 2007 also saw Chinese tourism to Australia contribute \$2 billion to the economy - up 16 per cent on 2006. It made China Australia's 5th largest source of international visitors. With strong growth forecast throughout the coming decade, it is expected that around 1.1 million Chinese visitors from China will contribute more than \$6 billion to the Australian economy annually by 2017.¹² Although the global financial crisis will no doubt reduce these figures over the next year, the long-term forecast remains very positive.

Foreign Direct Investment

Sino-Australia two-way investment has lagged behind the trade relationship but is also growing. In 2007, Chinese mainland was Australia's 17th largest investor, at \$6.2 billion, and Chinese mainland was the 14th largest investment destination for Australia (\$5.2 billion).¹³

Australians were among the pioneers who came to invest in the Chinese mainland in the early 1980s. Australia ranked No. 7 among mainland's FDI sources from 1979 to 1989 with a total contracted investment value of US\$ 280 million, accounting for 0.8 per cent of mainland's total FDI during this period.¹⁴ Since the 1990s, although Australia's ranking declined, its total investment

¹² Australia Develops Chinese Tourism Market, 27 August, 2008, <http://www.travelmole.com/stories/1130943.php>

¹³ Overview of Australia-China Relations, http://www.dfat.gov.au/geo/china/cb_index.html

¹⁴ *Almanac of China's Economy*, Economy Management Press, Beijing, 1990. ppIII-214.

increased and remained one of the Chinese mainland's important FDI sources. Australian financial institutions have a number of investments in Chinese banks and there is interest in the mining sector. More opportunities for Australian investment will open up as the Chinese mainland liberalizes its services sector.

Chinese investments first appeared in Australia in the 1980s but were very limited – mostly small investments in the services industry. However, recently Chinese FDI in Australia has increased quickly, driven principally by Chinese state-owned enterprises investing in Australia's resources sector. This is underpinned by the official Chinese 'go-global' policy, which targets both raw materials and high technology acquisitions offshore, and is exemplified by China mainland's Qualified Domestic Institutional Investor (QDII) scheme of 2005 that encourages Chinese to invest overseas. The International Financial crisis offers another good chance for Chinese mainland, also almost US\$2 trillion foreign exchange reserves by the end of 2008¹⁵

In 2007, Australia was Chinese mainland's 14th largest investor (\$5.2 billion).¹⁶ A report from Chinese mainland shows that, in 2008, Australia's investment in Chinese mainland was US\$407.07 million (337 cases).¹⁷ By the end of 2007, more than 340 Chinese investment items in Australia were registered or approved by China's Ministry of Commerce, for a total value of

¹⁵ <http://finance.jrj.com.cn/2008/09/2909582185962.shtml>

¹⁶ Overview of Australia-China Relations,
http://www.dfat.gov.au/geo/china/cb_index.html

¹⁷ <http://www.icandata.com/data/200903/030ALB2009.html>

US\$1.73 billion. Most of the investment was in resources exploration, services, real estate and trade. Australia is therefore a relatively small but growing source of investment for Chinese mainland.¹⁸

FTA Negotiations

China has become more and more active in conducting economic diplomacy in the Asia-Pacific since 2000 with the goal of increasing China's economic and political influence in the region. After China's proposal to form a China-ASEAN free trade area (CAFTA) in 2005, Australia and China agreed to start their FTA negotiations following consideration of a joint FTA Feasibility Study. Some 13 rounds of negotiations had been carried out to December, 2008. Some progress has been achieved although there is still a substantial distance between the two sides in some sensitive fields, such as market access for agricultural goods and government procurement.

Overview of the economic relationship between Australia and Taiwan

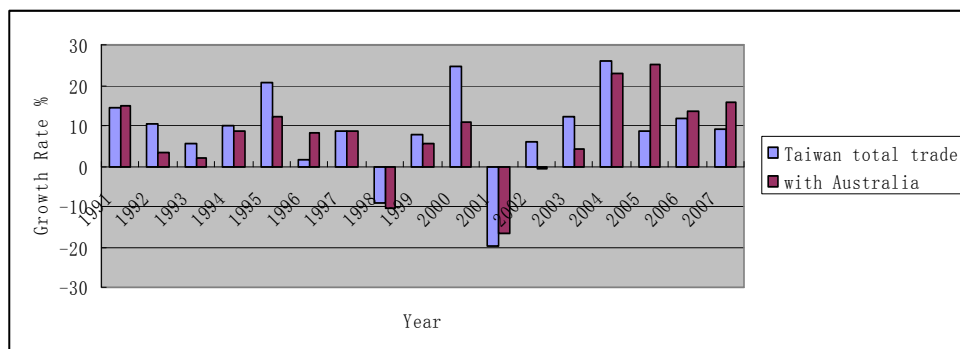
Bilateral Trade

The Australia-Taiwan trade relationship is similar to that between Australia and China, that is, an exchange of raw materials for value-added manufactured goods. In this

¹⁸ Economic and Commercial Counselor's Office of the People's Republic of China in Australia
<http://au.mofcom.gov.cn/aarticle/ztdy/200807/20080705657592.html>

respect there is very good trade complementarity. Since the early 1990s, the economic interaction between Australia and Taiwan has flourished, with trade volume rising significantly from US\$2.94 billion in 1990 to US\$9.36 billion in 2007 with a trade balance of US\$2.89 billion favorable to Australia.¹⁹ As a result, Taiwan was Australia's 8th largest merchandise export market and 15th largest merchandise import source. Compared with the increasing rate of Taiwan's total trade from 1991 to 2004, Taiwan-Australia trade growth went more smoothly. Only in the recent years, the growth rate of Taiwan-Australia trade were here than that of Taiwan's total trade (see Figure 3 and 4).

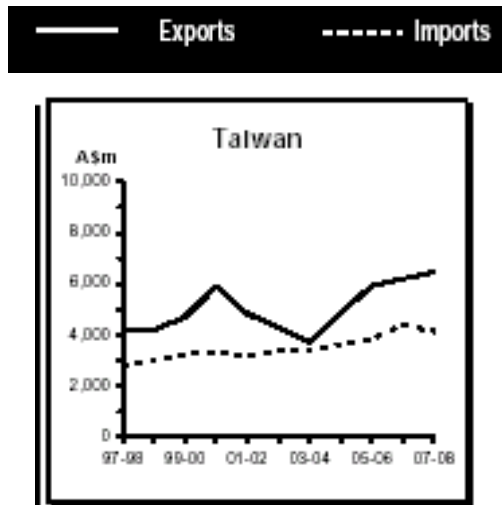
Figure 3: Comparison between the growth rates of Taiwan's total trade and Taiwan-Australia trade (1991-2007)



¹⁹ Council for Economic Planning and Development, Republic of China, Taiwan Statistical Data Book 2008, pp218-220.

Sources: Council for Economic Planning and Development, Republic of China, Taiwan Statistical Data Book 2008, pp218-220.

Figure 4: Australia's Merchandise Trade with Taiwan



Sources: DFAT, Composition of Trade Australia 2007-2008, p.8.

The major commodities that Australia exports to Taiwan are resources and Australia's principal merchandise imports from Taiwan are dominated by value-added goods. According to the *Composition of Trade Australia 2007-2008*, Taiwan was Australia's largest export market for copper (\$830.4 million or 25.7 per cent of Australia's total copper exports), the second largest markets for zinc (\$268.7 million or 22.22 per cent of Australia's total zinc exports), wood in chips or particles

(\$50.4 million) and animal oils and fats (\$48.6 million), the third largest export market for medicaments (\$261.9 million) and the fourth largest export market for iron ore and concentrates (\$712.3 million) and coal (\$1951.4 million). On the other hand, Taiwan was Australia's second largest supplier of electronic integrated circuits (\$121.7 million, accounting for 12 per cent of Australia's total), the third largest import sources of computer parts and accessories (\$93.7 million), flat-rolled alloy steel (\$78.5 million), hand or machine tools (\$79.5 million) and prams, toys, games and sporting goods (\$92.0 million). Taiwan was also Australia's fourth largest supplier of iron and steel bars and rods (\$25.5 million), tubes and pipes of iron or steel (\$90.0 million), electric power machinery and parts (\$44.9 million) and motorcycles and bicycles (\$100.6 million).²⁰

In terms of trade in services, Taiwanese students and tourists are important for Australia, reflecting the Australia-China relationship as well. In 2007 some 93,000 Taiwanese tourists visited Australia and nearly 10,000 Taiwanese students attended Australian educational institutions. The total two-way trade in services was valued at \$741 million in 2007, of which \$515 million were Australia's exports to Taiwan and \$226 million were imports from Taiwan.²¹

Foreign Direct Investment

²⁰ DFAT, Composition of Trade Australia 2007-2008, pp28-37.

²¹ Taiwan Brief-August 2008,
http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html

FDI is relatively weak between Taiwan and Australia. In Australia Taiwan is the 18th largest investor and for Taiwan Australia is in 20th place. The figure for the former was \$3.5 billion in 2006 and for the latter, \$3.1 in the same year. In both cases there was an increase of nearly 40 per cent between 2005 and 2006.²²

Taiwan statistics shows that, over the long-term, a similar pattern has held true. From 1952 to 2008, based on approved cases, Taiwan's accumulated investment in Australia was US\$160 million, making Australia Taiwan's 24th largest overseas investment market. On the other hand, a total of US\$1023.91 million (213 cases) of Australian investment in Taiwan were approved during the same period and Australia ranked No.15 on Taiwan's FDI sources list.²³

Basic metals and metal products was the main sector for Australia's FDI in Taiwan. Most Taiwanese investment went to the manufacturing, real estate, agricultural and fishing sectors. Australians invested most in Taiwan in 1997. There were only 3 approved Australian investment cases in that year but the total investment amount was US\$596.2 million, accounting for 58.23 per cent of Australian's total investments in Taiwan from 1952 to 2008. But, generally speaking, Australia and Taiwan are

²² Taiwan Brief-August 2008,
http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html

²³ Monthly Statistics Report on Overseas Chinese & Foreign Investment, Outward Investment, Mainland China Investment (Dec.2008), <http://www.moeaic.gov.tw/>

smaller FDI sources for each other. Australia's investments only accounted for 1 per cent of Taiwan's total inward FDI from 1952 to 2008 and Taiwan's investments in Australia only accounted for 0.27 per cent of Taiwan's total outward FDI during the same period.²⁴

Comparison of Cross-Straits Economic Relations: Implications for Australia

The Chinese mainland and Taiwan's economic relations with Australia share some significant characteristics. Both of them need natural resources, especially minerals and fuels, from Australia. Australia is an attractive holiday destination for Chinese, and Australian universities have a good reputation in both the Chinese mainland and Taiwan. On the other hand, Australia needs manufactured products from both the Chinese mainland and Taiwan.

There is a high level of similarity in the structure of Australia's merchandise trade with both the Chinese mainland and Taiwan. According to the *Composition of Trade Australia 2007-2008*, about 45 per cent of Australia's principal exports to and 30 per cent of Australia's principle imports from the Chinese mainland and Taiwan are exactly same items (see Table 1 in the appendix).

²⁴ Monthly Statistics Report on Overseas Chinese & Foreign Investment, Outward Investment, Mainland China Investment (Dec.2008), <http://www.moeaic.gov.tw/>

Both the Chinese mainland and Taiwan need to buy resources (especially minerals and fuels) from Australia. But, in most cases, both had to be price-takers, not price-makers, even though they are more and more important customers. Iron ore offers a good example here. The world iron ore industry is dominated by three major international suppliers, Brazil's Companhia Vale do Rio Doce and two Australian producers - BHP Billiton and Rio Tinto. They account for more than 70 per cent of the world's seaborne-traded ore.²⁵ On the other hand, despite recent mergers, the steel industry is still fragmented (on a global basis), and steel manufacturers have to compete for business. Between 2000 and 2006 the Chinese mainland's imports of iron ore increased nearly five times. The annual average imported price increased from US\$24.84 per ton in 2002 to US\$ 66.78 per ton in 2005, with a 168.84% increase in only three years.²⁶ And Baosteel, China's largest steel maker, which negotiated on behalf of China's steel industry, had to agree with BHP Billiton on a price increase of up to 96.5 percent for iron ore in June 2008, nearly double that of 2007.²⁷ *The Minerals Yearbook Taiwan* also pointed out that the increased price of iron ore affected CSC's (China Steel Corp, Taiwan) profit margin.²⁸

²⁵ 'Steel Producers seek record cut in iron ore price', <http://www.steelstrip.co.uk/steel-strip/archives/967>

²⁶ China Statistics Yearbook 2001-2007, China Statistics Press, Beijing. Tables 18-10.

²⁷ Jiang Xufeng, 'China's Baoshan agrees with BHP Billion on iron ore price increase',

http://en.ec.com.cn/article/entrade/enpromotion/200807/627869_1.html

²⁸ Pui Kwan Tse, The Mineral Industry in Taiwan, <http://minerals.usgs.gov/minerals/pubs/country/2005/twmyb05.pdf>

For merchandise exports to Australia from the Chinese mainland and Taiwan, manufactured products are the main items. Most of the products from the Chinese mainland are low value-added compared with those from Taiwan. In 2007-2008, Chinese mainland's exports to Australia were led by clothing (\$3.5 billion, more than 13 per cent of Australia's total merchandise imports from China) and Taiwan's exports to Australia were led by computers, telecommunications and integrated circuits (\$682 million, or about 14 per cent of Australia's total merchandise imports from Taiwan).²⁹

Although high-technology products account for a bigger share of Taiwan's exports and Taiwanese companies go a bit further than the mainland in the process of self-owned brand building, the majority of the export factories in both Chinese mainland and Taiwan's have remained stuck in contract manufacturing, or OEM, for foreign buyers. More and more brutal competition has significantly cut down their profit margins. A report from the Chinese mainland revealed that contract manufacturing companies could only share 10 per cent of a product's market profit and the average profit rate for Chinese textile export companies was only 3 to 5 per cent.³⁰ A report from Taiwan also pointed out that, as profit margins for contract manufacturing have shrunk, Taiwanese companies responsible for making most of the world's personal

²⁹ DFAT, *Composition of Trade Australia 2007-08*, pp154-155 and 272-273.

³⁰ Lack of own brand names limited Chinese mainland's textile exports, <http://xmtex.smexm.gov.cn/2007-2/20072792340.htm>

computers have leveraged their manufacturing strengths to market their own brands.³¹

The Chinese mainland and Taiwan also share some similarity in their services trade with Australia. Both of them are major tourism and education markets for Australia. The Chinese mainland has become Australia's third largest services export market since 2005-06 and Taiwan ranked at No. 17 in 2007-08. Because of Australian universities' internationalization focus and the increasing demand for higher levels of employee international education from the Chinese mainland and Taiwan on the one hand, and the growing desirability of international travel driven via increasing disposable incomes on the other, the increasing trend of Australia's services exports to the two sides across Taiwan strait, and especially to the Chinese mainland, may be expected to continue through the medium term.

In short, the structure of China-Australia and Taiwan-Australia trade is very similar in many respects. Is there any potential for Chinese mainland and Taiwan to secure a win-win solution from cooperation in their economic relations with Australia? And what are the implications of this similarity of trade for Australia of closer cross-strait ties?

³¹ Craig Simons, 'Taiwan's PC Powers Shift to Selling Brands', <http://www.coxwashington.com/reporters/content/reporters/stories/2008/03/17/>

Combined natural resources purchasing

As mentioned above, both the Chinese mainland and Taiwan's steel industry were hurt by increasing iron ores prices in recent years. Combined purchasing power will increase the Chinese mainland and Taiwan's voices in price negotiations. It also works well for Hong Kong and Macau. And the combined purchasing idea is not a one-way benefit delivery. A detailed analysis of the trade items shows that for the items in Table 2, the Chinese mainland is a much more important buyer for Australia; for the items in Table 3, Taiwan buys more than Chinese mainland from Australia; and for the items in Table 4, both Chinese mainland and Taiwan are smaller buyers, hence the combination will be even more meaningful for both sides. The benefits from the combined-purchasing groups will come, not only from the purchase price cutting, but also from the savings in shipping costs (different small buyers can rent a ship together and share the cost).

The combined purchasing power idea is also useful for the services trade between Australia, and the Chinese mainland and Taiwan. In 2007, over 93,000 Taiwanese visited Australia and there were 9,646 Taiwan student enrolments in Australian educational institutions.³² Chinese mainland visitors to Australia rose to 375,100 in 2007-08 and over 107,000 Chinese mainland students enrolled to study in Australia.³³ Cross-straits cooperation is hopeful for

³² Taiwan Brief-August 2008,
http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html

³³ Overview of Australia-China Relations,
http://www.dfat.gov.au/geo/china/cb_index.html

asking for more convenience (especially with respect to visa restrictions) and higher quality services from Australia to the students and visitors from both sides.

On the other hand, combined purchasing does not necessarily mean a loss for Australia. In the short term, the cut in prices will reduce Australia's profits. But, Australia's long term profits come from the stable development of China and Taiwan's resources related industries. If combined purchasing and far-reaching cooperation from this starting point can integrated cross-straits industries successfully and make them more competitive, it will give Australia a more stable and reliable demand.

Increasing the reputation of “Made in China” and “Made in Taiwan” in Australian markets

“Made in China” and “Made in Taiwan” are popular in Australia. But, many Australians buy products which are “Made in China” or “Made in Taiwan” because they are sold under well known brand names. Until now, generally speaking, the comparative advantage of both “Made in China” and “Made in Taiwan” mainly come from low prices although Taiwan's exports to Australia are high-tech compared to those from the Chinese mainland. On the one hand, there are only a few brand-name products from the Chinese mainland and Taiwan in Australia and most of them are of low price with medium level quality. On the other hands, many Chinese mainland producers and Taiwanese producers have to rely on orders from famous brand name companies and the profit margin they can ask

is more and more limited because the competition for orders is more and more intense.

Both the Chinese mainland and Taiwan have gained substantially from contract manufacturing for foreign buyers. It is the model which brought them, to a large extent, the fast growing period in their early economic take-off years. With improving knowledge in technology and management, facing the rising costs and shrinking profit margins, building up domestic brand names has become an important issue. From OEM to ODM to OBM is the way to raise one's position in the international technical ladder and improve efficiency in resource useage.

Taiwan has gone further in this respect and has had some successful experiences. The Chinese mainland has cheaper production costs and a huge domestic market which can be used as an excellent laboratory for new brand names. The combination of the Chinese mainland and Taiwan's advantages will facilitate brand name building for both sides.

Cross-strait cooperation is not only good for changing export patterns from contract manufacturing to brand name building. It can also help to avoid the malignant competitiveness between exports from the Chinese mainland and Taiwan to the Australian market, especially for the same exports items. It can offer more chances for the Chinese mainland to learn from Taiwan's industrial up-grading, and bring Taiwan's business sector a huge market and plenty of resources to enhance its value

creation abilities. And all of these will ultimately benefit Australian consumers.

Joint investment in Australia's resources

Two-way foreign investment between Australia and the Chinese mainland has lagged behind their trade relationship. It is the same picture for the two-way foreign investment between Australia and Taiwan. And, in both of the cases, the investments are dominated by Australian outflow FDI. The situation started to change in recent years.

China's fast growing economy led to its tremendous demand for Australian resources and, of course, this demand helped push up prices. Australia's high level of economic growth in recent years had been underpinned by record commodity prices but on the other hand, it has driven up China's costs and shrunk profits significantly. The increasing prices as well as Chinese concerns about security of supply have been a strong encouragement for Chinese companies to invest in the mining industries of foreign countries. Australia has therefore become an important focus for Chinese investment.

Taiwan has had a similar problem and investing in the mining industries of foreign countries has also been Taiwanese strategy. China Steel Corporation (CSC), Taiwan's largest integrated producer of steel products, has already begun cooperation with Japan-based J.F.E., a steel mill, to invest in coal mining in Australia. A recent

report revealed that CSC would partner with mainland China's BaoSteel Corporation to invest in mines overseas and the partnership is aimed at reducing production costs and developing high-grade steel products for sustainable operations by finding coal and iron ore overseas.³⁴

Australian responses to investment from the Chinese mainland are complicated. 'While Australia welcomes foreign investment in its economy, it carefully examines national interest issues where these arise in relation to foreign ownership.'³⁵ To some extent, the state-owned nature of China's large enterprises has been the block to some Chinese mainland investments in Australia. Some 78 percent of Australians oppose investment in Australia by Chinese government-controlled businesses, according to a poll of 1,001 people published by the Sydney-based Lowy Institute in September, 2008.³⁶ "There is immense concern out there as to why we would have a sovereign nation as the owner of a sovereign asset in our country."³⁷

The Australian Senate Economics Committee was required to probe investment by state-owned companies

³⁴ Ben Shen, CSC and BaoSteel to Partner to Invest in Overseas Mining, http://www.cens.com.tw/cens/html/en/news/news_inner_25318.html

³⁵ BBC News. 'Australia allows Chinese Investment'. 15 August, 2008. [www.bbc.co.uk/2/hi/business/7580458.stm]

³⁶ Gemma Daley, 'Australian Senate to Inquire Into Foreign Investment', <http://www.bloomberg.com/apps/news?pid=20601085&refer=europ e&sid=aKAjeBS35pul>

³⁷ James Grubel, 'Australian senate move casts shadow over Rio shares', http://www.boston.com/business/articles/2009/03/18/australian_senate_move_casts_shadow_over_rio_shares/

and sovereign wealth funds and this investigation may increase pressure on the Australian government to block transactions with Chinese state-owned investors. The Foreign Investment Review Board (FIRB) extended its probe into the Rio-Chinalco's deal (Aluminum Corp. of China planned \$19.5 billion funding deal with Rio Tinto Group) by as long as 90 days.³⁸

The cross-strait joint investment idea should be helpful to remove Australia's concerns about Chinese investment. Chinese mainland state-owned enterprises can also share Taiwanese experience in international investment. It is also a way for Taiwanese to cut down their production costs and ensure a stable supply of resources.

Conclusion

Cooperation has become the main theme of the 21st century. Geographic proximity, economic complementarity as well as strong business and cultural ties, make the Chinese mainland an attractive destination for investment from Taiwan. The Chinese mainland is Taiwan's largest trade partner and outward investment destination. During the current international financial crisis, Ma administration's plan to revitalize Taiwan's economy and the mainland's increasingly practical attitude towards "the peaceful reunion" has built a the bridge for closer cross-

³⁸ Dow Jones, 'Fortescue Metals: FIRB Extends Valin Review Period By 30 Days',
<http://www.smartmoney.com/news/on/?story=ON-20090319-000448-0438>

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strait cooperation. It is hopeful that Greater China, especially in the economic level, will be a reality in the near future.

Is there any potential for the Chinese mainland and Taiwan to secure a win-win solution from cooperation in their economic relations with Australia? And what are the implications of this similarity of trade for Australia in terms of closer cross-straits ties?

The high level of similarity in the structure of their trade with Australia did offer them the potential benefits to cooperate. The combination of purchasing power will increase their voices in price negotiations and the joint effort in brand building will improve their competitiveness in international markets. The cross-strait joint investment idea should be helpful to remove Australians sensitivities regarding Chinese investment and offer Taiwanese more opportunities to ensure its supply of resources. These developments will be good for Australia because a more stable China will be a great benefit for the whole region.

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Appendix:**Table 1: Australia's principal merchandise exports to and imports from the Chinese mainland and Taiwan (2005-2008)**

Exports	Imports
*0 Food & live animals	*69 Manufactures of metals, nes
281 Iron ore & concentrates	699 Manufactures of base metal, nes
284 Nickel ores & concentrates	*7 Machinery & transport equipment
321 Coal	*74 General industrial machinery & part
333 Crude petroleum	752 Computers
342 Liquefied propane & butane	759 Computer parts & accessories
411 Animal oils and fats	761 Monitors, projects & TVs
*5 Chemicals & related products, nes	764 Telecom equipment & parts
542 Medicaments(incl veterinary)	778 Electrical machinery & parts, nes
*6 Manufactures classed by material	784 Vehicle parts & accessories
682 Copper	*8 Miscellaneous manufactured articles
684 Aluminium	821 Furniture, mattresses, & cushions
*7 Machinery & transport equipment	893 Plastic articles, nes
	894 Prams, toys, games & sporting goods

Source: DFAT, Composition of Trade Australia 2007-08, pp154-155 and 272-273.

Table 2: The items Taiwan can share with the Chinese mainland's purchasing power

		2005-06	2006-07	2007-08
Iron ore & concentrates				
Australia's Exports to	all countries	12,854,542	15,512,238	20,401,708
	Chinese mainland	6,818,277	8,352,367	12,419,544
	Taiwan	517,954	643,666	712,339
	Great China together	7,336,231	8,996,033	13,131,883
Mainland's % of Australia's total		53	54	61
Taiwan's % of Australia's total		4	4	3
Great China's % of Australia's total		57	58	64
Nickel ores & concentrates				
Australia's Exports to	all countries	1,031,057	1,843,343	1,628,879
	Chinese mainland	179,710	334,975	630,722
	Taiwan	57,125	155,580	37,721
	Great China together	236,835	490,555	668,443
Mainland's % of Australia's total		17	18	39
Taiwan's % of Australia's total		6	8	2
Great China's % of Australia's total		23	27	41
Food & live animals				
Australia's Exports to	all countries	2,128,576	2,021,604	2,091,718
	Chinese mainland	328,973	329,097	370,988
	Taiwan	92,679	67,690	59,177
	Hong Kong	85,444	85,844	89,253
	Macau	398	175	508
	Great China together	507,494	482,806	519,926
Mainland's % of Australia's total		15	16	18
Taiwan's % of Australia's total		4	3	3
Great China's % of Australia's total		24	24	25

Liquefied propane & butane				
Australia's Exports to	all countries	1,001,859	1,037,753	1,181,492
	Chinese mainland	128,569	106,540	204,105
	Taiwan	2,811	10,058	35,968
	Great China together	131,380	116,598	240,073
Mainland's % of Australia's total		13	10	17
Taiwan's % of Australia's total		0	1	3
Great China's % of Australia's total		13	11	20
Manufactures classed by material				
Australia's Exports to	all countries	2,789,341	2,788,364	2,672,521
	Chinese mainland	403,878	443,253	400,121
	Taiwan	55,650	44,810	37,271
	Hong Kong	63,635	37,002	33,347
	Macau	608	1,073	264
	Great China together	523,771	526,138	471,003
Mainland's % of Australia's total		14	16	15
Taiwan's % of Australia's total		2	2	1
Great China's % of Australia's total		19	19	18

Sources: DFAT, Composition of Trade Australia 2007-08, pp154-155 and 272-273.

Table 3: The items the Chinese mainland can share regarding Taiwan's purchasing power

		2005-06	2006-07	2007-08
Copper				
Australia's Exports to	all countries	2,605,147	3,206,017	3,232,143
	Chinese mainland	262,406	248,216	166,688
	Taiwan	563,178	806,894	830,396
	Hong Kong	100,421	140,987	110,130
	Macau	2,268	1,788	3,210
	Great China together	928,273	1,197,885	1,110,424
Mainland's % of Australia's total		10	8	5
Taiwan's % of Australia's total		22	25	26
Great China's % of Australia's total		36	37	34
Aluminium				
Australia's Exports To	all countries	5,242,863	6,156,517	5,464,515
	Chinese mainland	303,314	270,148	199,916
	Taiwan	589,046	566,606	624,314
	Hong Kong	247,245	182,230	126,887
	Great China together	1,139,605	1,018,984	951,117
Mainland's % of Australia's total		6	4	4
Taiwan's % of Australia's total		11	9	11
Great China's % of Australia's total		22	17	17
Coal				
Australia's Exports To	all countries	24,289,626	21,845,298	24,365,672
	Chinese mainland	588,717	506,946	235,643
	Taiwan	1,704,613	1,589,463	1,951,408
	Great China together	2,293,330	2,096,409	2,187,051
Mainland's % of Australia's total		2	2	1
Taiwan's % of Australia's total		7	7	8
Great China's % of Australia's total		9	10	9

Sources: DFAT, Composition of Trade Australia 2007-08, pp154-155 and 272-273.

Table 4: The items for which both the Chinese mainland and Taiwan are smaller buyers

		2005-06	2006-07	2007-08
Crude petroleum				
Australia's Exports to	all countries	5,996,955	7,641,046	9,609,609
	Chinese mainland	218,264	265,832	645,510
	Taiwan	155,675	223,394	184,910
	Hong Kong	0	60,802	0
	Great China together	373,939	550,028	830,420
Mainland's % of Australia's total		4	3	7
Taiwan's % of Australia's total		3	3	2
Great China's % of Australia's total		6	7	9
Chemicals & related products, nes				
Australia's Exports To	all countries	3,622,518	4,103,625	4,489,462
	Chinese mainland	146,686	268,593	240,174
	Taiwan	77,996	85,645	102,137
	Hong Kong	40,756	38,620	35,095
	Macau	428	113	136
	Great China together	265,866	392,971	377,542
Mainland's % of Australia's total		4	7	5
Taiwan's % of Australia's total		2	2	2
Great China's % of Australia's total		7	10	8
Medicaments(incl veterinary)				
Australia's Exports To	all countries	3,022,761	3,370,135	3,552,458
	Chinese mainland	106,302	161,458	137,912
	Taiwan	256,212	260,657	261,943
	Hong Kong	122,719	100,271	97,213
	Macau	566	449	269
	Great China together	485,799	522,835	497,337
Mainland's % of Australia's total		4	5	4
Taiwan's % of Australia's total		8	8	7
Great China's % of Australia's total		16	16	14

Sources: DFAT, Composition of Trade Australia 2007-08, pp154-155 and 272-273.