

澳洲與台海兩岸的經貿關係

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中文摘要

冷戰後時代與冷戰時代亞太國際關係的兩個最大不同點就是經貿事務的重要性與日俱增與中國的崛起。前者使澳洲與台灣皆面臨如何在安全利益與經貿利益間尋求平衡，後者亦使兩國思考如何因應中國的崛起。儘管台澳兩國皆處於同樣的國際情境，但是二者卻做出截然不同的抉擇。澳洲與大多數亞太國家一樣採取與中國交往的政策，另一方面台灣官方基於安全考量對中國大陸存在著相當的敵意，而台商則盼望強化與對岸的經貿互動。本文主旨在探討澳洲與台海兩岸的經貿互動。

澳中經貿互動的規模大於澳台經貿互動。在商品貿易上，2003年澳中雙邊貿易總額（233億澳元）是澳台雙邊貿易總額（70.5億澳元）的3.3倍。澳洲對中國貿易有51億澳元的逆差，而對台灣則有3.9億澳元的順差。過去四年澳中雙邊貿易激增一倍，由於中國已連續與澳洲簽訂兩項大幅採購液化天然氣，且目前兩國正在研究簽訂FTA的可能性，預料兩國貿易仍將會持續攀升。而相對澳台雙邊貿易在同一時期先後受到亞洲金融危機、全球經濟不景氣、台灣經濟衰退以及製造業西移大陸的衝擊，呈現下滑（除2000年外）趨勢。不過，只要台灣經濟復甦，澳台貿易將可重現活絡。況且，台灣已於2002年加入WTO，市場正進

一步開放中，將會有利澳洲對台的出口。

再就投資來看，迄2002年底，澳洲對中國投資累計總額（28億美元）是澳洲對台灣投資累計總額（9.1億美元）的三倍多。同期，中國在澳洲投資累計總額（15.7億美元）約為台灣在澳洲投資累計總額（1.21億美元）的15倍左右。至2004年7月底止，澳洲對台灣投資累計總額（9.34億美元）約為台灣在澳洲投資累計總額（1.26億美元）的九倍左右。至2003年6月底止，中國在澳洲投資累計總額（22億澳元）則比澳洲對中國投資累計總額（12億澳元）多出近一倍。

以上分析顯示中國對澳洲的重要性在過去幾年大幅提昇，而相對地台灣對澳洲的重要性則呈現衰退的現象。因而導致台灣在此一三角關係中正處於相當不利的地位。晚近澳洲外長唐納（Alexander Downer）在北京的發言就是項值得吾人注意的發展。他稱台灣尋求獨立是項嚴重錯誤，並表示澳紐美防禦條約（ANZUS）並未規定澳洲一定要支持美國對台海用兵。這意味著澳洲對台海兩岸的立場可能會因其國家利益越來越依賴中國成長與中國龐大市場而改變。另一方面，台海兩岸經貿互動頻繁實際上提供澳商與台商聯手赴中國大陸投資的良好契機。

Australia's Economic Relations with China and Taiwan in the 2000s

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During the Cold War period, ideological and strategic considerations dictated nations' foreign policies as well as international relations. Asia Pacific was without exception. However, with the advent of the post-Cold War era, quite different from those in the Cold War period, at least two major characteristics of the international environment in Asia Pacific can be identified. The first one is the growing importance of economic affairs in international relations. In the Cold War period, national interest of most countries was monolith. To be more specific, economic interest was largely subordinated to security interest as a tool to achieve strategic and political goals. However, this is no longer the case in international relations in the post-Cold war era. For decision makers in Asia Pacific nowadays, the importance of economic affairs matters no less than security. Economic cooperation is always on the top agenda of summits. The most recent example is that Chinese Premier Jiabao Wen's visit to Russia. The visit was depicted in the media as energy trip. By the same token, economic cooperation topped agenda of South Korean President Moo-hyun Roh's trip to Russia in September, to India and Vietnam in October this year. The Russian trip was aimed

at accelerating their economic cooperation in bilateral investment, energy, (linkage of) railways, space technology and information technology.¹ In addition, it has become not uncommon that a country's economic interest conflicts with its security interest. This phenomenon exists not only between the two sides of Taiwan Straits, but also between Australia and China. China is both Taiwan's number one export market and the greatest security threat. Alternatively, for Australia, the worst scenario in the post-Cold War era is the confrontation between Washington and Beijing. This could put Australia in a dilemma torn between its security interest with the U.S. and economic interest with China. Derek McDougall points out "If war were to break out over the Taiwan issue, and the US came to the assistance of Taiwan, there would then be pressure on Australia to provide some support to the US. This would be a very divisive issue in Australia but, in this extreme circumstance, priority would most likely be given to the US alliance over the relationship with China."²

Another major characteristic of international environment in Asia Pacific since the end of the Cold War is the emergence of China.³ Despite of China's low per capita GDP (US\$1,087 in 2003),⁴ according to WTO, PRC's total trade volume increased from US\$325 billion in 1997 to US\$500 billion in 2001. Its ranking in global trade thus has shot up from the thirty-second in 1979 to the fourth last year (2003). As a result, China has emerged as the third largest imports

¹ http://koreanow.koreaherald.co.kr/SITE/data/html_dir/2004/09/18/200409180002.asp

² Derek McDougall, "Australian Approaches to Regional Security: Implications for Taiwan-Australian Relations," *Taiwanese Journal of Australian Studies*, Vol. 3, 2002, pp. 127-155.

³ Satu Limaye (ed.) *Asia's China Debate* - December 2003, <http://www.apcss.org/Publications/SAS/ChinaDebate/Asias%20China%20Debate%20complete.pdf>

⁴ <http://ekm92.trade.gov.tw/BOFT/OpenFileService2>

nation in the world, only next to the U.S. and Germany.⁵ Last year, China's imports volume from Asia totaled US\$272.9 billion, an increase of 42.4% from 2002. In particular, the growth rate of imports from the ASEAN, Japan, South Korea and India all recorded over 35%.⁶ This has further deepened those countries' dependence on China's market. Furthermore, according to a report by the Organization for Economic Co-operation and Development (OECD), China, attracting US\$53 billion of foreign direct investment (FDI), overtook the United States in 2003 as the world's biggest recipient of foreign direct investment. FDI to China continued to keep a stable growth rate of 11.99 per cent in the first half of this year (2004), with an actual FDI amounting to US\$33.9 billion.⁷ Alternatively, in terms of amount of money used for merger and acquisition (M&A) in Asia Pacific, China emerged as the country that merged and acquired most companies of other countries in the area in the first half of this year.⁸

Against this background, how to deal with a rising China and how to manage relations with China have become a fundamental factor that every country in this part of world has to take into consideration in formation of its foreign policy. In the Republic of China (ROC) on Taiwan's case, threatened by China's possible military actions against Taiwan, the ROC government has taken a wary attitude toward China. To avoid hollowing out Taiwanese industries, the ROC government has blocked high-tech industries such as advanced semiconductor companies, chipmakers and chip-packaging industry from investing in China because of political rivalry and security consideration. Nevertheless, Taiwanese business community is concerned that the government may be hindering its

ability to compete internationally.⁹ In other words, private sectors, business community inter alia, favor an approach of engaging China.¹⁰

For most countries in this area including Australia tend to perceive China "as both an emerging market economy and a responsible player in the Asia Pacific" and thus choose to engage China, given China's huge market and enormous political influence.¹¹ However, economic slowdown in China will have negative implications for Australian economy. Additionally, economically rising China also poses threat to Australia on both international and domestic fronts. For example, emerging as the world's second largest coal exporters, only next to Australia, China is challenging Australia's domination of major Asian markets. According to ABARE, Australia's national commodities forecaster, Australia has already lost shares in the three key steaming (thermal) coal markets of Japan, South Korea and Taiwan to China.¹² In addition, due to the appreciation of Australian dollar and other reasons, Australia's live livestock exports are also threatened by China. In particular, Australia's sheep and cattle exports to Middle East are under severe threat from Chinese counterparts.¹³ Alternatively, Australia's silicon metal exporters are requesting their government to levy Chinese counterparts high tariffs for dumping.¹⁴

With respect to Australia's relations with both sides of the

⁹ <http://www.etaiwannews.com/Business/2004/09/18/1095475638.htm>

¹⁰ Chapter 1 3, Denny Roy, *Returning Home or Selling Out? Taiwan's China Debate*, http://www.apcss.org/Publications/SAS/ChinaDebate/ChinaDebate_Roy.pdf

¹¹ Chapter 5, Anthony L. Smith, *Banking on a Constructive China: Australia's China Debate*, http://www.apcss.org/Publications/SAS/ChinaDebate/ChinaDebate_SmithAus.pdf

¹² *The China Post*, March 11, 2003, p. 12.

¹³ http://au.mofcom.gov.cn/article/200410/20041000289799_1.xml

¹⁴ http://au.mofcom.gov.cn/article/200410/20041000289804_1.xml

⁵ Ibid.

⁶ *Economic Daily*, April 25, 2004, <http://udn.com/NEWS/FINANCE/FIN5/1977002.shtml>

⁷ *China Daily*, July 15, 2004 http://english.mofcom.gov.cn/article/200407/20040700249053_1.xml

⁸ http://au.mofcom.gov.cn/article/200409/20040900284218_1.xml

Taiwan Straits, its interest in both Taiwan and China centers primarily on economic affairs. Strategically, Australia regards the U.S. as its most important ally. In addition, the convergence of national interests between Australia and China is by and large more economic than strategic. Mohan Malik indicates "(T)he Coalition government's initial foreign policy concerns centred around the impact of China's rise on the Asian balance of power..."¹⁵ Alternatively, given China's huge market and high economic growth, Australia has enormous economic interest in Mainland China. What is more, "China is also on the verge of replacing the U.S. as Australia's single largest source of imports."¹⁶ By the same token, Taiwan's importance to Australia is also primarily economic. Because of China's importance to Australia and a lack of diplomatic relations with the ROC, Australia-Taiwan relations are largely defined by Canberra in an economic perspective. Another important development which also adds to the momentum of Australia's economic interactions with both sides of Taiwan Straits is that both China and Taiwan were admitted to the World Trade Organization (WTO) in 2001 and in 2002.

Against this background, this paper intends to explore Australia's economic relations with China and Taiwan in the post-Cold War period in a comparative way.

Bilateral Trade

Taiwan

Despite the lack of diplomatic relations since the early 1970s,¹⁷

¹⁵ Mohan Malik, "Australia and China: Divergence and Convergence of Interests," in James Cotton and John Ravenhill (eds) *The National Interest in a Global Era: Australia in World Affairs 1996-2000*, Oxford University Press, 2001, pp. 110-111.

¹⁶ <http://www.theage.com.au/articles/2004/10/05/1096949503850.html>

¹⁷ Canada established diplomatic relations with Mainland China and severed

Taiwan's unofficial contacts with Australia have greatly increased since the early 1990s. This is mainly because of a convergence of economic interests. Direct links between the two countries were established in the early 1990s. Australia and Taiwan reached an agreement to have direct air links in October 1991. Moreover, official exchange visits between the two nations have also increased since the early 1990s, though on a private basis.

With strong economic complementarity, since the early 1990s economic interaction between Australia and Taiwan has flourished, with trade volume rising uninterruptedly from US\$2.8 billion in 1990 to US\$5.3 billion in 2000 with a trade balance of US\$1.7 billion favorable to Australia. As a result, Australia was Taiwan's seventh largest import source and 13th largest export market, whereas Taiwan was Australia's fifth largest export market and eighth largest import source. The major commodities that Australia exports to Taiwan are mainly minerals such as aluminum, crude petroleum, coal, and iron ore. According to *Composition of Trade Australia 1999-2000*, Taiwan was the second largest market for Australian exports of aluminum, only next to Japan; the fourth largest market for Australian exports of coal, iron ore, wool and bovine meat; fifth largest market for Australian exports of crude petroleum. On the other hand, Australia's principal merchandise imports from Taiwan were computers, computer parts and telecommunications equipment. With an imports volume of A\$625 million, Taiwan was Australia's fourth largest supplier of computers after the U.S., Singapore, Malaysia in 1999-2000.¹⁸ However, Taiwan dropped one notch to the fifth largest supplier of computers in 2003. It is worth noting that China who was not even among the top five largest supplier of computers in 1999-2000 suddenly emerged as Australia's largest supplier of the product in 2003, with an import volume of A\$1.1 billion (almost one-fourth of

formal relations with the ROC in 1970, Australia did the same two years later.

¹⁸ *Composition of Trade Australia 1999-2000*.

Australia's total imported volume of that product which at A\$4.8 billion in the year), an increase of 22 percent from the previous year. In the same period, total volume of Taiwan's exports of computers to Australia downed to A\$478 million, a decrease of 20 percent from 2002.¹⁹ This is largely due to the Taiwanese computer producers who have shifted their production lines to China. According to Institute for Information Industry, 70 percent of Taiwan's IT manufacturers shifted their production lines to China. In recent three years, Taiwan's IT hardware production value reduced by almost US\$10 billion. It is estimated that 70 percent of the global production value of Taiwanese IT manufacturers this year will come from Mainland China.²⁰ As a result, now 60 percent of China's exported computers is made by Taiwanese investors. In addition, Taiwan emerged as the largest supplier (A\$204 million), next to Singapore and China, of Australia's imported refined petroleum in 2003, an increase of 84 percent from the previous year.²¹

Based on Australia's figures, Australia-Taiwan merchandise trade volume totaled A\$7.7 billion in 2002-2003, decreasing from A\$9.2 billion (3.9 percent of total trade volume) in 2000-01. Australia had a trade surplus of A\$912 million, reducing from A\$2.5 billion in 2000-01. Australia's exports to Taiwan were valued at A\$4.3 billion (decreasing from A\$5.8 billion in 2000-01, 4.9 percent of total exports), while Australia's imports from Taiwan were A\$3.4 billion. Australia's primary items exported to Taiwan were led by coal (A\$767 million). It was followed by aluminum (A\$496 million), iron ore (A\$325 million), copper (A\$242 million), and wool (A\$178 million). During the same period, Australia's major merchandise imports from Taiwan were computers (A\$523 million), computer parts (A\$286 million), telecommunications equipment (A\$164 million)

and refined petroleum (A\$117 million). Taiwan is Australia's ninth largest merchandise trading partner (A\$7 billion in 2003-04). Taiwan is now the eighth largest exports market of Australia, a drop of three notches from 2000. Taiwan's share of Australia's merchandise exports was 3.5 per cent in 2003-04 and Australia's share of Taiwan's market was 1.1 per cent in 2002-03.

Taiwan joined the World Trade Organisation on 1 January 2002. As a result, Taiwan is reducing tariffs on average by 40 per cent on a wide range of products including beef, seafood, lamb, dairy products, building materials, iron and steel.²²

Australia is the world's biggest beef exporter. Demand for Australian beef has surged in Northeast Asia due to a ban on U.S. beef exports because a case of mad cow disease (Bovine Spongiform Encephalopathy, BSE) was found in America last December.²³ Against this backdrop, Australian beef has further expanded its share of Taiwan beef market. Its beef already accounted for half of Taiwan's imported beef before BSE was found in the U.S.²⁴

As for Australia's trade in services with Taiwan, in 2002 Australia's exports of services to Taiwan totaled A\$355 million, while imports from Taiwan A\$140 million. Australia enjoyed a surplus of A\$215 million.²⁵ Education is the reason behind Australia's trade surplus with Taiwan in services sector. Given the geographic proximity, high quality education and affordable cost, Australia has successfully attracted Taiwanese students that it now has more than

²² http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html#bilateral

²³ <http://www.theage.com.au/articles/2004/09/09/1094530770217.html?from=storylhs>

²⁴ <http://news.chinatimes.com/Chinatimes/Moment/newfocus-index/0,3687,921225006+0+0+080530,00.html>

²⁵ <http://www.dfat.gov.au/geo/fs/taiw.pdf>

¹⁹ http://au.mofcom.gov.cn/article/200406/20040600238769_1.xml

²⁰ Economic Daily, October 19, 2004 ; <http://udn.com/NEWS/FINANCE/FIN5/2300731.shtml>

²¹ http://au.mofcom.gov.cn/article/200406/20040600238769_1.xml

10,500 Taiwanese studying there.²⁶

Furthermore, an Australian consortium of construction and engineering companies led by Barclay Mowlem Construction Ltd., a NSW-based company, and Leighton Contractors Ltd, a Sydney-based consortium, earned a \$180 million contract to build the first stage of a high speed rail project in Taiwan in August 2002. The consortium will construct 29 kilometres of low vibration track directly underneath Taipei and an additional three kilometres of track on viaduct.²⁷ Taipei's 101 Mall is managed by an Australian John Sironic of Citta.²⁸

TABLE I Taiwan's Trade with Australia
(in U.S. million dollars)

Year	Exports	Imports	Total	Balance
1990	1,279.0	1,659.0	2,938.0	-380.0
1991	1,353.0	2,018.0	3,371.0	-664.0
1992	1,428.0	2,055.5	3,483.5	-627.5
1993	1,449.0	2,096.8	3,545.8	-647.8
1994	1,632.0	2,224.9	3,856.9	-592.9
1995	1,755.0	2,575.2	4,330.2	-819.2
1996	1,836.0	2,845.0	4,681.0	-1,008.0
1997	1,872.0	3,217.3	5,089.3	-1,344.3
1998	1,631.0	2,912.9	4,543.9	-1,281.9
1999	1,847.2	2,957.0	4,804.2	-1,109.8
2000	1,827.9	3,501.4	5,329.3	-1,673.5
2001	1,362.7	3,084.9	4,447.6	-1,722.2
2002	1,586.6	2,832.5	4,419.1	-1,245.9

²⁶ Study in Australia, The China Post, October 2, 2004, p.1.

²⁷ The rail line is the largest infrastructure project of its kind in the world and will eventually stretch 345 kilometres from the Taiwan capital Taipei to the southern port city of Kaohsiung. <http://www.smh.com.au/articles/2002/08/13/1029113919843.html>

²⁸ The Liberty Times, November 2, 2003, p. 21.

2003	1,895.3	2,726.5	4,621.8	- 831.1
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SOURCES: *Monthly Statistics of Exports and Imports Taiwan Area*, the Department of Statistics, Ministry of Finance, the Republic of China, December 2000 and December 2003.

China

Sino-Australia total trade volume, according to Australian figures, between 1999-2000 and 2003, increased from A\$12.4 billion to more than A\$23.3 billion (US\$16 billion).²⁹ Australia's trade deficit with China more than doubled from A\$2.5 billion to A\$5.1 billion. During the period, though China continued to be Australia's third largest trading partner (only next to Japan and the U.S.) and third largest source of imports, China emerged from Australia's fifth largest exports market in 1999-2000 to second largest exports market, overtaking the U.S., in 2003 and is expected to become the country's largest export market in the next decade.³⁰ As for Australia's importance to China, Australia is the country's 12th largest merchandise trade partner, 11th largest import source and 12th largest export destination in 2003. Bilateral merchandise trade in 2003-04 totaled A\$25.2 billion, with A\$9.9 billion of Australia's exports to China and A\$15.3 billion of its imports from China.³¹

Sino-Australia merchandise trade volume totaled A\$22.5 billion in 2002-2003, with a trade balance of A\$4.9 billion favorable to China. Australia's exports to China were valued at A\$8.7 billion, while Australia's imports from China were A\$13.7 billion. In terms of trade structure, major items that Australia exports to China are confidential items (possibly wheat, A\$1.9 billion, accounted for 22.5 % of

²⁹ Australian PM Praises Deng's Reform, August 17, 2004, http://www.chinadaily.com.cn/english/doc/2004-08/17/content_365989.htm

³⁰ http://au.mofcom.gov.cn/article/200407/20040700254785_1.xml

³¹ http://www.dfat.gov.au/geo/china/proc_bilat_fs.html

Australia's exports to China,) emerged as Australia's top item exported to China, followed by iron ore (A\$1.7 billion, 18 % of its exports to China), wool (A\$1.3 billion, 15 % of its exports to China), crude petroleum (A\$527 million), coal (A\$215 million), and aluminum (A\$212 million). In the same period, Australia's principal merchandise imports from the PRC were dominated by clothing (A\$2.4 billion, 17.5 % of Australia's total imports from China); computers (A\$992 million); toys, games and sporting goods (A\$893 million) and telecommunications equipment (A\$493 million). As a result, Australia is China's 12th largest merchandise trade partner, 11th largest import source and 12th largest export destination.³² According to Chinese figures, the total volume of Sino-Australian merchandise trade doubled from US\$5.3 billion in 1997 to US\$10.4 billion in 2002. China's exports to Australia have increased from US\$2.3 billion in 1998 to US\$4.5 billion in 2002. In the same period, China's imports from Australia have also risen from US\$2.7 billion to US\$5.8 billion.³³ Australia had a US\$1 billion trade surplus on US\$13.56 billion of trade with China because of increasing demand for Australian copper, petroleum and iron ore.

Because its exports to China are by and large resources and raw materials, Australia in recent years has become one of the biggest beneficiaries of China's rapid economic growth which needs huge demands on world supplies of energy and other raw materials. "China is already the world's biggest consumer of many commodities, such as steel, copper, coal and cement, and the second-biggest consumer of oil, after America." China's demand for energy also continues to rise.³⁴ Australia's mining conglomerate BHP Billiton struck a deal for supplying 12 million tons a year with Chinese steel mills including

Wuhan Iron and Steel, Maanshan Iron and Steel, Jiangsu Shagang Group and Tangshan Iron and Steel to sell more than \$US3.2 billion (\$A4.5 billion) of iron ore from operations in Australia's northwestern Pilbara region over the next decade. In March this year, BHP Billiton also reached a deal totaling 12 million tons a year with the same four Chinese steel makers plus its Japanese partners Itochu Minerals & Energy of Australia and Mitsui Iron Ore Corp. Iron ores will be supplied by BHP Billiton's Jimblebar mine near Newman in Western Australia and the deal involves sales of 12 million tons a year of iron ore over the next 25 years estimated to be worth \$US9.3 billion. BHP Billiton Iron Ore President Graeme Hunt indicated that the joint venture aligned long-term supply with demand and gave BHP Billiton the ability to expand with confidence.³⁵ In addition, Sino Nickel and Sally Malay Kimberley nickel mine signed a contract in 2003 that the former will purchase 100 per cent of annual production of nickel, copper and cobalt concentrate on a life-of-mine basis from the latter, representing revenue of over A\$450 million over the project life. Australian company WMC Resources Ltd and China's largest nickel producer, Jinchuan Group, signed a \$1 billion nickel supply agreement. As a result of the deal, nickel will likely become one of our largest exports to China in the years ahead.³⁶

FTA

Taking advantage of rising economic influence in the 1997 Asian financial crisis, China has become extremely active in conducting economic diplomacy in Asia Pacific since the year of 2000 in an attempt to pursue political and economic leadership in the region and eventually to be able to lead Asia Pacific to compete with the U.S. and the European Union in the world. The salient starting point was China's proposal to form a China-ASEAN free trade area (CAFTA) at

³² <http://www.dfat.gov.au/geo/fs/chin.pdf>

³³ <http://www.fmprc.gov.cn/chn/wjb/zzjg/bmdyys/gjlb/1918/default.htm>

³⁴ "A hungry dragon," *Economist*, Vol. 372, No. 8395, October 2, 2004, pp. 12-14.

³⁵ <http://www.theage.com.au/articles/2004/09/28/1096137237706.html?oneclick=true>

³⁶ http://www.dfat.gov.au/geo/china/cb_index.html

the ASEAN plus three summit talks in November 2000.³⁷ It was against this background, China accepted Australia's proposal to sign a FTA. For Australia, one of driving forces behind Australia's initiative to sign a FTA with China is that Sino-ASEAN FTA agreement is unfavorable to Australian farmers, particularly regarding Thailand's acquiring an access to China's agricultural market before 2010.³⁸ FTA feasibility study was part of the Australia-China Trade and Economic Framework, signed during President Hu Jintao's visit to Australia in October 2003. In April 2004, Australian Trade Minister Mark Vaile went to China attending the Boao Forum for Asia on Hainan Island. He proclaimed that "The Australia-China trade and economic relationship is set to move into a new, expanded phase." Minister Vaile and Chinese Commerce Minister Bo Xilai agreed to fast-track completion of the FTA study to allow both Governments to make an early decision on future FTA negotiations.³⁹ While visiting China in August this year, Australian Foreign Minister Alexander Downer at a lecture at Tsinghua University claimed a China-Australia free trade agreement was faster and smoother than expected. "Completion of a feasibility study scheduled for October 2005 is now expected by the middle of next year." He predicted that a Sino-Australia FTA would be the first China had done with a developed economy.⁴⁰ Since October 2003, officials from Australia and China have been examining the difficulties and benefits of a free trade deal. The talks were based on a framework, which was signed by Australia's Trade Minister Mark Vaile and China's Vice-Minister of Commerce Yu Guangzhou in the presence of Australia's Prime Minister John Howard and Chinese President Hu Jintao on October 24, 2003. The

framework includes a commitment to undertake a joint feasibility study by October 2005 into a possible FTA between Australia and China. Downer said a key remaining sticking point was the recognition of China as a market economy. Both sides agreed that Australia needed to recognize China as a market economy before an FTA could go ahead. Although the European Union recently rejected China's request for market economy status, Downer said Australia would make its own evaluation. Australia has started a feasibility study on China's market status scheduled to be completed by March or April, he said. If the two countries initiate FTA negotiation, this will be China's first FTA negotiation with a developed economy.⁴¹ Chinese Foreign Minister Li Zhaoxing and Downer agreed in August this year that the two countries should enhance political mutual trust, strengthen their economic and trade ties and increase communication and co-ordination in dealing with international and regional affairs.⁴²

Mr Vaile's visits to Guangzhou and Shanghai allowed Mr Vaile to promote Australia's strengths as a reliable, trustworthy supplier of energy and resources to fuel China's economic development.⁴³

Australia's exports to China are expected to grow by leaps and bounds in the foreseeable future, given that several major contracts inked between the two countries since 2002. Australian Gorgon Venture Participants and China National Offshore Oil Corp. (CNOOC) signed a LNG contract worth US\$19.9 and MOU on the Management and Implementation of the Australia-China Natural Gas Technology Partnership Fund. If the MOU is realized, Australia's natural gas in northwest coast will be exported to China's Guangdong, Fujian and Zhejiang provinces in the next twenty-five years. This is

³⁷ Francis Fukuyama, "China: Global citizen or growing menace?" May 16, 2004, <http://www.yomiuri.co.jp/index-e.htm>

³⁸ http://au.mofcom.gov.cn/article/200407/20040700254785_1.xml

³⁹ <http://www.australia-online.net.cn/servlet/Display;jsessionid=A7C5DD02A01F3A6178A2E881FBCE4CD1?Locale=en&Id=234>

⁴⁰ http://www.chinadaily.com.cn/english/doc/2004-08/18/content_366492.htm

⁴¹ http://www.chinadaily.com.cn/gb/doc/2004-09/17/content_375351.htm

⁴² http://www.chinadaily.com.cn/english/doc/2004-08/18/content_366460.htm

⁴³ <http://www.australia-online.net.cn/servlet/Display;jsessionid=A7C5DD02A01F3A6178A2E881FBCE4CD1?Locale=en&Id=234>

the second big energy cooperation project between China and Australia since the two countries signed an agreement to provide Guangdong with 7,500 tons of LNG (worth US\$16.6 billion) from Australia in 2002. Again, earlier this year (2004), BHP Billiton signed a A\$200 billion iron ore deal with Beijing. And the Chinese are committed to a A\$30 billion contract for gas from the North West Shelf.⁴⁴ According to Wang Youli, an expert from the Chinese Academy of International trade and Economic Cooperation, if the Sino-Australia FTA is signed, economic ties between China and Australia will be more concrete and diversified. China's demand for Australia's iron ore, natural gas, unwrought aluminium, copper, wool and wheat will grow. Meanwhile, Australian consumers will benefit from inexpensive Chinese exports - including computers, clothing, video and digital cameras, mobile phones and sporting items.⁴⁵

Australia's exports of services to China totaled A\$1 billion in 2003 from A\$927 million in the previous year, while imports from China A\$870 million last year, A\$10 million less than that of 2002.⁴⁶ Australia's surplus thus increased from A\$47 million in 2002 to A\$145 million in 2003. As a result, China was Australia's 7th largest services export market, its share of Australia's services trade exports was 3%, whereas China was the 9th largest services import market last year.⁴⁷ Education and tourism dominate Australia's service exports to China, accounting for about two-thirds of services exports in recent years.⁴⁸ Based on a report on world education trend released by the Organisation for Economic Co-operation and Development in

September 2004, there are about 1.9 million students studying abroad, almost half of them from Asia, China, India, Japan and South Korea in particular. Absorbing 10 percent of the total, Australia ranks the fourth of the OECD's 30 member states, after the U.S.(30%), the U.K (12%) and Germany (12%). In terms of the rate of foreign students in total population, Australia has highest rate (17.8 percent) among OECD members.⁴⁹ About 85 per cent of all overseas students in Australia are from Asia. Australia's education relationship with China is currently worth around half a billion Australia dollars annually. Three decades ago there were almost no Mainland Chinese students in Australia. China became the world's largest source of students studying abroad in 2002. In the same year, number of Chinese students studying in Australia doubled, compared with the previous year.⁵⁰ In 2003, onshore Chinese student numbers have reached around 43,000, making China as Australia's number one source of overseas students. Within a decade there will be 100,000 students from China.⁵¹

On the tourist front, "Australia was the first, and is now one of only a handful of western countries to be granted Approved Destination Status by China for tourism."⁵² In April 1999, China and Australia reached agreement to allow Chinese to travel to Australia by its own cost and formally implement in July the same year.⁵³ According to the World Tourism Organization, China is the world's

⁴⁹ http://au.mofcom.gov.cn/article/200409/20040900279768_1.xml

⁵⁰ According to statistics of the Ministry of Education, the number of Chinese students now studying in other countries almost tripled in the last three years, jumping from 39,000 in 2000 to 117,300 in 2003. Meanwhile, self-sponsored students increased from 32,000, or 82 percent of the total, to 110,000, or 93 percent. [http://www.bjreview.com.cn/200435/Cover-200435\(A\).htm](http://www.bjreview.com.cn/200435/Cover-200435(A).htm)

⁵¹ <http://www.theage.com.au/articles/2004/02/07/1075854110079.html>

⁵² http://www.dfat.gov.au/geo/china/cb_index.html

⁵³ <http://www.fmprc.gov.cn/chn/wjb/zjg/bmdydzs/gjlb/1918/default.htm>

⁴⁴ Editorial: Mining Offers Export Energy, August 20, 2004, http://www.theaustralian.news.com.au/common/story_page/0,5744,10501887%255E7583,00.html

⁴⁵ http://www.chinadaily.com.cn/english/doc/2004-08/23/content_367928.htm

⁴⁶ <http://www.dfat.gov.au/geo/fs/rkor.pdf>

⁴⁷ http://www.dfat.gov.au/geo/china/proc_bilat_fs.html

⁴⁸ http://www.dfat.gov.au/geo/china/cb_index.html

fastest growing tourism market. More than 16 million Chinese people went abroad in 2002, up 36.8 percent from the previous year. The Organization predicts China will become the fourth largest outbound tourism source by 2020.⁵⁴ With 20.2 million visits, Chinese for the first time replaced Japanese as Asia's biggest travelers in 2003.⁵⁵ In the next 20 years, an estimated 100 million Chinese will go abroad for sightseeing.⁵⁶ Over 176,100 Chinese visitors came to Australia last year (2003), while Australian visitors to China in the same period reached 114,200. It is estimated that by 2010 more than one million Chinese tourists will visit Australia annually.⁵⁷

Mutual Direct Investment

Taiwan

In 2001-02, Australian investment stocks in Taiwan amounted to A\$478 million, the 24th largest investment destination for Australian investment abroad. At the same time, Taiwan investments in Australia totalled A\$915 million making Taiwan the 19th largest investor in Australia.⁵⁸ In 2000, Taiwan was the 20th largest destination for Australian investment abroad and the 16th largest foreign investor in Australia (compared to rankings of 22nd in both directions in 1999).⁵⁹ Regarding mutual investment, until December 1999, the total amount of Taiwan's investment in Australia on the accumulative basis was US\$102 million. (Table II & Table III)

By contrast, as of the end of July 2004, Australia's accumulated

investment in Taiwan is nine times more than the reverse. According to the ROC's Investment Commission, Ministry of Economic Affairs, on approved foreign investment, Australian enterprises have invested US\$934 million of 117 cases in Taiwan (Table III), making the country Taiwan's seventh largest foreign investor, next to the United States, Japan, Singapore, Netherlands, Britain and Germany. Before 1987, the total amount of Australia's investment in Taiwan was only US\$122 million. Nevertheless, since the early 1990s its investment has increased by leaps and bounds. As a result, in terms of yearly investment, the three years (1997, 1999 and 1994) that Australians invested most in Taiwan all appeared in the 1990s. 1997 is the year in which Australians invested most in Taiwan. In that year alone, Australians poured US\$596 million into Taiwan. Basic metals and metal products was the sector receiving the lion's share (US\$582 million) of total investment.⁶⁰ In all probability, it was the result of the merger of Taiwan steel giant An Feng Steel Co. with Australia's Kingstream Resources in August 1997.⁶¹ In the ensuing year, total investment from Australia was US\$17 million. Trade (US\$6 million) as well as banking and insurance (US\$19.5 million) were the two sectors receiving most of the Australian investment in the year. In 1999, Australia's investment in Taiwan totaled US\$39 million. Trade (US\$19 million) and services (US\$17 million) were the two sectors that kept the lion's share of the investment. In 2000, Australia's investment in Taiwan totaled US\$46 million. The lion's share of the investment went to paper products and printing (US\$40 million).

On the other hand, up to July 2004, based on approved cases, Taiwan's accumulated investment in Australia totaled US\$126 million of 50 cases. Most of Taiwanese investment went to manufacturing,

⁵⁴ http://www1.chinadaily.com.cn/en/doc/2003-10/28/content_276104.htm

⁵⁵ The China Post, October 21, 2004, p. 6.

⁵⁶ http://www.chinadaily.com.cn/english/doc/2004-07/07/content_346330.htm

⁵⁷ http://www.dfat.gov.au/geo/china/cb_index.html

⁵⁸ http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html#bilateral

⁵⁹ http://www.dfat.gov.au/geo/taiwan/taiwan_trade.html

⁶⁰ Statistics on Overseas Chinese & Foreign Investment, Investment Commission, Ministry of Economic Affairs, Republic of China, December 1997, p. 39.

⁶¹ China News, August 11, 1997, p. 7.

real estate, agricultural and fishing sectors.⁶² For example, in 1996, about 54 percent of the yearly Taiwanese investment (US\$14.7 million) injected into mining industry in Australia, followed by agriculture and forestry (US\$2.6 million). Likewise, more than three fourths of total Taiwanese investment (US\$23 million) in 1997 zeroed in on mining industry (US\$17 million) in Australia. In 1999, Taiwanese invested US\$21 million in Australia. Ninety percent of the investment went to electronic and electric appliances (US\$19 million). In 1998, Taiwanese businessmen invested US\$2.2 million in Australia. Over sixty percent (US\$ 1.3 million) of the year's investment went to agriculture and forestry, followed by transport equipment (US\$0.5 million) and chemicals (US\$0.35). Major examples are Taiwan Salt Corporation's investment in West Australia to produce salt for industrial usage; Taiwan Power Company's investment in coal mining in New South Wales and Acer, one of the Taiwanese computer giants, in communication, software and multimedia industries.⁶³ However, in 2000, chemicals (US\$6.7 million) emerged as the sector that Taiwanese invested most in Australia. Total investment of the year was US\$10 million. A remarkable example of Taiwanese investment in Australia is Acer Computer Australia's strong presence in the education market. It provided over 20,000 Veriton PCs to Victorian government schools in 2002. In June 2001 the company also successfully implemented the Notebooks for Teachers program for the Department of Education, Employment and Training in Victoria (DEET VIC). In addition, other bids that Acer won include the 'Notebooks for Teachers' program in western Australia, independent education with John Paul College in Queensland, Methodist Ladies' College in Victoria, Melbourne Grammar, and the Glennie School in Queensland.⁶⁴ Since Taiwan has to honor its promises to open markets, including agricultural sector, with its admission to the WTO, Australia is great location for Taiwanese overseas investment in

⁶² <http://ekm92.trade.gov.tw/BOFT/OpenFileService2>

⁶³ The China Times, May 4, 1999, p. 6.

⁶⁴ http://global.acer.com/about/acer_wins.htm

agriculture and husbandry industry.⁶⁵

TABLE II Australia's Direct Investment in the Republic of China
(Unit: U.S.\$1000)

Country	Australia's Direct Investment in Taiwan	
	Year	Cases
1952-1988	18	123,233
1989	5	6,881
1990	1	810
1991	3	5,372
1992	3	6,362
1993	4	19,620
1994	3	24,532
1995	2	4,505
1996	4	9,594
1997	3	596,197
1998	13	17,129
1999	20	39,890
2000	4	46,090
2001	10	7,399
2002	10	9,043
2003	8	15,407
Total	111	932,064

SOURCES: Statistics on Outward Investment, Investment Commission, Ministry of Economic Affairs, Republic of China, December 31, 2003.

2001:<http://www.moeaic.gov.tw/Upload/News/9012.xls>

TABLE III Republic of China's Direct Investment in Australia
(Unit: U.S.\$1000)

Country	Taiwan's Direct Investment in Australia	
	Year	Cases
1952-1989	4	7,532

⁶⁵ <http://ekm92.trade.gov.tw/BOFT/OpenFileService2>

1990	1	1,397
1991	1	2,440
1992	5	5,426
1993	1	63
1994	3	23,598
1995	2	314
1996	3	14,792
1997	6	23,200
1998	4	2,292
1999	3	21,004
2000	6	10,429
2001	2	2,064
2002	6	6,327
2003	3	5,388
Total	50	126,26

Notes: During the periods of 1952-1971 and 1973-1988, no Taiwanese direct investment was made in Canada.

SOURCES: Statistics on Outward Investment, Investment Commission, Ministry of Economic Affairs, Republic of China, December 31, 2003.

2001:<http://www.moeaic.gov.tw/Upload/News/9012.xls>

China

With regard to Sino-Australia's two-way investment, based on Chinese figures, until the end of 2002, Australia's investment in China has accumulated up to US\$2.8 billion in terms of actual investment. In the same time, Chinese enterprises have invested US\$1.57 billion in Australia.⁶⁶ Nevertheless, if based upon Australian sources, what worth noting is even though China is a developing country, Chinese investment in Australia is almost two times larger than Australia's investment in China. As in the end of June 2003, Australia's

⁶⁶ <http://www.fmprc.gov.cn/chn/wjb/zjjg/bmdyys/gjlb/1918/default.htm>

investment in China totaled A\$1.2 billion. This made China Australia's 18th largest investment destination. The investment centers on manufacturing, mineral exploration, legal, banking and education services. Alternatively, by the same time China's investment in Australia reached A\$2.2 billion. China thus became Australia's 14th largest foreign investor. Chinese investment tends to focus on resources and property sectors.⁶⁷ By June 2001 Chinese firms poured A\$3.3 billion into Australia. This makes Australia the largest recipient of China's outbound investment. According to the UN Conference on Trade and Development (UNCTAD), China's direct investment abroad in 2003 exceeded US\$35 billion. A survey conducted by UNCTAD among the countries investing abroad indicated that the United States ranks first in terms of investment volume, followed by Germany, Britain, France, China and Japan. China is, for the first time, among the top five in this field.⁶⁸

On the other hand, with a total investment of A\$1.8 billion, Australia was the 14th largest investor in China, while China was the 12th largest investor in Australia. As a consequence, at June 2002, China was Australia's 17th largest investment destination (\$1.524 billion). Australian investment focuses on manufacturing, mineral exploration, legal, banking and education services. Alternatively, China was the 13th largest investor in Australia (\$2.929 billion). Chinese investment tends to center on resources and property sectors.⁶⁹

At June 2003, Chinese investment in Australia amounted to A\$2.2 billion, making China the 14th largest investor in Australia. This investment largely is concentrated in resources developments,

⁶⁷ http://www.dfat.gov.au/geo/china/proc_bilat_fs.html

⁶⁸ Lan Xinzhen, "Investing Abroad: China Goes into High Gear to Speed up Overseas Investment," *Beijing Review*, Vol. 47, No. 32, August 12, 2004. [http://www.bjreview.com.cn/200432/Business-200432\(A\).htm](http://www.bjreview.com.cn/200432/Business-200432(A).htm)

⁶⁹ http://www.dfat.gov.au/geo/china/proc_bilat_fs.html

minerals processing, real estate and agriculture sectors. Australian investment in China amounted to A\$1.2 billion, making it our 18th largest destination.⁷⁰

During his visit to China in April this year, Mr Vaile witnessed the signing of two important investment Memorandums of Understanding with key Chinese Government Ministries which will promote and accelerate two-way investment in key sectors of mutual interest. "The level of two-way investment does not match the strong performance of bilateral merchandise and services trade and I am sure the new arrangements will provide a strong platform to facilitate greater investment," Mr Vaile said.⁷¹

Conclusion

Comparatively, Sino-Australian economic interactions are much larger than those between Taiwan and Australia. In terms of merchandise trade, the total volume of Sino-Australian bilateral trade in 2003 (A\$23.3 billion) was 3.3 times larger than that of bilateral trade between Taiwan and Australia (A\$7 billion). Australia had a trade deficit of A\$5.1 billion with China, while a trade surplus of A\$397 million with Taiwan. Regarding mutual investment, the total amount of Australia's investment in China (US\$2.8 billion) on the accumulative basis up to the end of 2002 is more than three times larger than Australia's investment in Taiwan (US\$910 million). In the same period, the total amount of China's accumulated investment in Australia (US\$1.57 billion) is approximately fifteen times larger than Taiwan's investment in Australia (US\$121 million). Moreover, the total amount of Australia's investment in Taiwan on the accumulative basis up to the end of July 2004 (US\$934 million) was

nine times larger than that of Taiwan's investment in Australia (US\$126 million). Alternatively, until June 2003 the total amount of China's accumulated investment in Australia (A\$2.2 billion) is almost a double of that of Australia's investment in China (A\$1.2 billion).

In 1993, Taiwan ranked Australia's seventh largest export market, while China ninth, two notches behind Taiwan.⁷² A decade later, China has emerged as Australia's third most important trading partner with a total bilateral merchandise trade volume of A\$25.2 billion in 2003-04, accounted for 10.5%, an increase of 1.9% from 2002, of Australia's global trade. Moreover, China currently is Australia's 2nd largest export market, an increase of two notches from 2002 and comprises 9.1% of the country's total exports. In addition, China is Australia's third largest source of imports with a total volume of A\$15.3 billion, accounting for 11.7% of Australia's total import.⁷³ Major factors contributing to Sino-Australian trade boom since the early 2000s are China's rapid economic expansion and its accession to WTO in late 2001. China's WTO commitments (to open and liberalize its regime for better integration into the world economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules) has created favorable milieu for Australian exporters of goods and services.⁷⁴ With the exploration of Sino-Australia FTA's gathering momentum at an extraordinary pace and Beijing 2008 Olympic Games offering considerable business opportunities, their bilateral economic interactions are expected to grow on a large scale. On the other hand, for Australia, Taiwan has dropped to its 9th largest trading partner, 8th largest export market and

⁷² Gareth Evans and Bruce Grant, *Australia's Foreign Relations in the World of the 1990s*, 2nd edition, Melbourne University Press, 1995, p. 239.

⁷³ http://www.dfat.gov.au/geo/china/proc_bilat_fs.html;
<http://www.dfat.gov.au/geo/fs/chin.pdf>

⁷⁴ http://www.dfat.gov.au/geo/china/cb_index.html

⁷⁰ http://www.dfat.gov.au/geo/china/cb_index.html

⁷¹ <http://www.australia-online.net.cn/servlet/Display;jsessionid=A7C5DD02A01F3A6178A2E881FBCE4CD1?Locale=en&Id=234>

14th largest import source.⁷⁵

Since China's relative importance to Australia has increased at an enormous pace, while Taiwan's importance to Australia on the decrease. This has put Taiwan in an unfavorable position in the triangular relationship. Australia's political stance on cross-strait affairs could further tilt toward China. Recent remarks by Australian Foreign Minister Downer in Beijing can be regarded as an example of this tendency. He openly stated that independence for Taiwan would be a "grave mistake".⁷⁶ The ANZUS treaty did not oblige Australia to support the US in a military conflict over Taiwan.⁷⁷ Obviously Mr. Downer is attempting to generate more space and flexibility in Australian policy to accommodate the rise of China. Nevertheless, this signals that Australia's position may shift as its national interest depends more on China's growth and Chinese huge market.⁷⁸

Nevertheless, as economic interactions between China and Taiwan have increased in a big way after their accession to the WTO, this provides a good chance for Australia to strengthen economic relations with both sides of Taiwan Straits. In particular, Australian enterprises and Taiwanese investors can jointly venture in China. Taiwan is China's 5th largest trading partner in 2001 and China is Taiwan's 6th largest trading partner, 3rd if Hong Kong is included (1st – USA \$59 billion, 2nd – Japan at \$55 billion, 3rd – Hong Kong/PRC at \$43.9 billion).⁷⁹ What worth noting is that China has replaced the

U.S. as Taiwan's number one export market since 2002. Cross straits trade volume now comprises 22.6 percent of Taiwan's total trade volume. Trade between Taiwan and China in 2003 totaled US\$ 62.4 billion, a rise of 23.2 percent from the previous year and 17.1 percent of Taiwan's foreign trade, with a trade surplus of US\$37.1 billion favourable to Taiwan. Total amount of Taiwan's exports to China was US\$49.8 billion, 34 percent of Taiwan's total exports. Additionally, more than 100,000 Taiwanese firms have made more than US\$100 billion in China.⁸⁰ Last year alone, Taiwanese invested US\$4.59 billion, a 19 percent increase from 2002.⁸¹ As a result, Taiwan is China's 4th largest foreign investor after Hong Kong, the U.S. and Japan.⁸²

⁷⁵ <http://www.dfat.gov.au/geo/fs/taiw.pdf>

⁷⁶ Australia Backs 'One-China' Policy on Taiwan, http://www.chinadaily.com.cn/english/doc/2004-08/16/content_365946.htm

⁷⁷ Taiwan's Chinese future, Editorial, August 24, 2004, <http://www.smh.com.au/articles/2004/08/23/1093246439008.html?from=storylhs>

⁷⁸ Paul Kelly, "Balancing Act Required for Beijing," August 25, 2004, http://www.theaustralian.news.com.au/common/story_page/0,5744,10556622%255E12250,00.html

⁷⁹ http://www.dfat.gov.au/geo/taiwan/taiwan_trade.html

⁸⁰ "Mapping out Economic Development Strategy from Identifying a Role in Global Village," Editorial, China Times, February 12, 2004, <http://news.chinatimes.com/Chinatimes/newslist/newslist-content/0,3546,110514+112004021200201,00.html>

⁸¹ "Taiwanese businesses investing in China become political force in Taiwan," the China Post, February 8, 2004, <http://www.chinapost.com.tw/detail.asp?onNews=1&GRP=A&id=22746>

⁸² <http://news.chinatimes.com/Chinatimes/newslist/newslist-content/0,3546,110505+112002041500067,00.html>