Submission No 4

Inquiry into Australia's Relationship with the Republic of Korea; and Developments on the Korean Peninsula

Organisation: **Australian Electrical and Electronic Manufacturers' Association Limited**

Contact Person: **Angus M Robinson**
Chief Executive

Address: **GPO Box 1966**
Canberra ACT 2601

Joint Standing Committee on Foreign Affairs, Defence and Trade

25 May 2005

Mr John Carter
Committee Secretary
Foreign Affairs Sub-Committee
Parliament House
CANBERRA ACT 2600

Dear Mr Carter

RE: SUBMISSION – AUSTRALIA'S RELATIONSHIP WITH THE REPUBLIC OF KOREA; AND DEVELOPMENTS ON THE KOREAN PENINSULA

Attached for consideration by the Foreign Affairs Sub-Committee is an AEEMA submission on Australia's relationship with the Republic of Korea; and developments on the Korean Peninsula.

The submission specifically focuses on economic issues relating to the mutual development of trade and investment in the electronics and the ICT industries between Australia and the Republic of Korea.

AEEMA is of the view that consistent with the objectives of the industry-led, government supported Electronics Industry Action Agenda (which has identified the China Region and the USA) as two key markets, a holistic strategic framework relationship should be developed between Australia and the Republic of Korea with five key pillars – R&D Collaboration, ICT Manufacture, Strategic Alliances, Investment Attraction and Trade Facilitation. South Korea's IT 8-3-9 (i.e. eight key technologies, three ICT infrastructures, and nine engines of growth) strategy is predicated on building a close relationship between the China Region and the USA.

AEEMA already enjoys a MOU with ICAKorea and our Australian IT Security Forum also enjoys a MOU with the Korea Information Security Association (KISA) and is collaborating with the Korea Industrial Technology Foundation.

AEEMA is an active participant of the Korea Australia New Zealand Broadband Summit to be held in Seoul on 9-10 June 2005, and to be attended by the Minister for Communications, IT and the Arts, Senator The Hon Helen Coonan.

The submission notes that government funding programs such as 'Backing Australia's Ability' need to contain elements that will enable effective ongoing collaborative activity between Australia and other priority economies including the Republic of Korea.

Should additional information be required, I can be contacted at 6247 4655.

Yours sincerely

Angus M Robinson
Chief Executive
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Committed to Australia's ICT, electronics
and electrical manufacturing industries

SUBMISSION – AUSTRALIA'S RELATIONSHIP WITH THE REPUBLIC OF KOREA; AND DEVELOPMENTS ON THE KOREAN PENINSULA

AEEMA

The Australian Electrical and Electronic Manufacturers' Association Ltd (AEEMA) is the peak national, industry body in Australia representing some 400 infrastructure providers for Australia's ICT, electronics, and electrical manufacturing industries. AEEMA is organised in three principal divisions (electrical, electronics and 'ICT Australia®'); member companies belong to some 17 industry forums and provides secretariat services for three other associations, the Armed Forces Communications and Electronics Association, IES The Lighting Society, and the Consumer Electronics Suppliers' Association. AEEMA also supports industry-led clusters linked to national strategic development.

AEEMA is leading a national strategic plan aimed at developing further excellent Australian capabilities in contract electronics manufacturing of complex products, integrated systems for home networking and telematics, medical electronics and devices, defence electronics systems, and photonics and opto-electronics.

AEEMA is closely linked with the principal R&D institutions throughout Australia that specialise in ICT technologies (electronics, microelectronics and photonics) and nanotechnology.

AEEMA has its head office in the national capital, Canberra, and enjoys strong links with the Australian Government and regional government agencies. AEEMA's innovative Industry Cluster-Queensland is breaking new ground in collaborative activity for regional, technology-based small to medium-sized enterprises (SMEs).

AEEMA is pro-active in developing strategic alliances with overseas kindred associations including the Republic of Korea as an innovative means of building commercial partnerships for its members with the members of these industry associations.
http://www.aeema.asn.au/ArticleDocuments/27/Strategic%20Alliances.pdf

Further information: www.aeema.asn.au

AEEMA'S RELATIONSHIP WITH ICA KOREA

As a consequence of a business mission to Korea led by the Chairman of AEEMA's Australian Photonics Forum, the Hon Tony Staley, a Memorandum of Understanding (MOU) was executed on the 14th day of August, 2003 between

AEEMA and the International Cooperation Agency for Korea IT of Korea (ICA Korea).

For the purpose of promoting further growth and development of the ICT (including telecommunications) industries of Australia and of Korea, AEEMA and ICA Korea agreed to sign a MOU to engage in a variety of cooperative activities including:

Exchange of Information

AEEMA and ICA Korea would maintain a regular exchange of key publications, newsletters and other information to ensure each is informed of the other's key concerns and activities;

Exchange of Visits and Views

Through various means including programmes supported by the Australia-Korea Foundation, AEEMA and ICA Korea would exchange visits and views between the two organisations in order to promote market access and trade between Australia and the Republic of Korea and the further development of the ICT industries in both countries;

ICT Exhibitions & Buyer-Seller Meets

AEEMA and ICA Korea would encourage companies in either of the two countries to participate in relevant ICT industry fairs and exhibitions and provide requisite assistance for this purpose. Both organisations may also jointly undertake to organize Buyer-Seller Meets as well as ICT industry fairs and exhibitions for the benefit of Korean and Australian companies;

Small & Medium Enterprises in IT Sector

AEEMA and ICA Korea would facilitate interface between dynamic small and medium enterprises (SMEs) of the two countries for developing mutually beneficial and long-term business relationships;

Creation of Business Opportunity

AEEMA and ICA Korea would cooperate for business development and export of ICT products and services to new global markets, collaborating where feasible in areas of technical know-how, design and R&D.

Extension of Cooperation to Private Sector

AEEMA and ICA Korea would cooperate to promote and support overall ICT related business interaction between the private sectors of the two countries through continuous exchange of dialogue;

Introduction of Training Program

AEEMA and ICA Korea would make efforts to jointly organise training programs and management development programs on contemporary business issues for capacity building in favor of the ICT industry executives of the two countries;

Organization of Conferences

Where feasible, AEEMA and ICA Korea would jointly organise, and participate in, seminars, conferences and workshops in the area of IT, communications and other related services;

Academic Activity

Through collaborative programmes, AEEMA and ICA Korea would attempt to undertake joint study and research in mutually beneficial areas of ICT, communications and other related services;

Consultations and Discussions

AEEMA and ICA Korea would stimulate consultations and discussions by and between the two organisations with regard to possible cooperative activities;

Strategic Alliances & Collaborations

AEEMA and ICA Korea would cooperate to promote strategic alliances, joint venture activities and technical collaborations in the relevant areas between the interested companies of the two countries; and

Other Activities

AEEMA and ICA Korea would pursue such other cooperative activities as may be necessary and appropriate.

On 12th December 2003, this agreement was extended to include a relationship with the National ICT Industry Alliance (an unincorporated alliance of some 15 ICT industry organisations) to generally embrace activities broadly consistent with the activities covered under the AEEMA/ICA Korea agreement, and include specific collaborative activities such as the Broadband Summit and other relevant activities that may involve kindred ICT focused organisations

Since the execution of this agreement with ICA Korea, AEEMA has exchanged information and has worked with the Korea Industrial Technology Foundation on specific 'business matching' seminar activities in Australia. AEEMA has also worked hard to ensure that Australia commits to a further broadband summit in Korea.

AUSTRALIAN AND KOREAN ELECTRONICS/ICT INDUSTRIES

During the May 2003 Australia-Korea Broadband Summit (Gold Coast, Australia), Korea's Minister for Communication, Dr Daeje Chin, highlighted that there was scope for bilateral industry cooperation. He cited particularly the compatibility of Korea's strengths in broadband internet, CDMA technologies and IT product with Australia's strengths in application software, system software and IT services.

It is recognised that the Australian and Korean electronics and ICT industries have different characteristics. For example, the Republic of Korea is a major exporter of ICT products, whereas Australia has strengths in ICT services and innovation activities. Accordingly, the two industries could complement each other in a variety of ways, including R&D collaboration for commercialisation purposes, joint entry into third markets, and other business development activities.

For this to happen, the development of relationships at several levels would be an important factor to achieve both short- and long-term objectives. This is especially important in a Korean cultural context, where good relationships can play a key role in facilitating successful business transactions.

The technological focus and activities of the Australian and Korean ICT industries also differ, which would suggest that there could be scope for bilateral cooperation to leverage off strengths and collaboration where both countries could benefit.

According to the OECD's Science, Technology and Industry Scorecard 2003, Australia and the Republic of Korea were ranked at opposite ends of the spectrum when it came to country comparisons for a variety of technology and industry factors such as:

- high and medium high technology manufactures (Korea 2nd, Australia 25th)
- broadband penetration (Korea 1st, Australia 17th);
- trade to GDP ratios (Korea 11th, Australia 27th);
- knowledge intensive 'market' services (Australia 4th, Korea 21st); and
- breadth of international scientific collaboration (Australia 8th, Korea 19th).

Australia and Korea's ICT industries are further differentiated by other characteristics such as:

- Size – there are some 210,000 ICT companies in Republic of Korea compared to some 22,700 companies in Australia;
- Employment – there are some 670,000 people directly employed in the Korean ICT industry compared to some 241,000 in the Australian ICT industry;

- Although Australia does not have the same scale and variety of ICT product manufacturing as Korea, its strengths in application and system software and IT services have been recognised. Australia can be considered a leader in application service provision in the Asia Pacific area. According to the April 2002 Accenture report, E- Government Leadership – Realising the Vision, Australia was placed fourth behind Canada, Singapore and the US in this area. Australia's capabilities in e-health and e-learning also make it a leader in the region for these sectors.

Australian ICT companies are now realising that they could participate in Korea's 'IT 8.3.9' strategy through effective collaboration. In particular, AEEMA has given priority to projects and forum activities in the areas of telematics and home networking. AEEMA's Australian Photonics Forum is also mapping industry capabilities across a wide range of photonics and opto-electronics. These include SensorNet technologies (the ability to monitor infrastructure using smart sensors) and CDMA on fibre (the ability to use the bipolar coding systems of wireless CDMA in optical networks to deliver at least 150 Mb/s to the customer).

It is hoped that high level conferences such as the forthcoming Korea Australia New Zealand Broadband Summit to be held in Seoul on 9-10 June 2005, and to be attended by the Minister for Communications, IT and the Arts, Senator The Hon Helen Coonan, will provide additional stimulus to these collaborative opportunities.

THE NEED TO DEVELOP A MORE STRATEGIC RELATIONSHIP BETWEEN AUSTRALIA AND THE REPUBLIC OF KOREA

As an excellent example of the approach being adopted under the Action Agenda supported framework, in October 2004, as a result of combined teamwork (Victorian Government funding, AEEMA leadership, and Austrade field support), AEEMA successfully managed a major electronics/ICT industry capability mission to Taiwan, Hong Kong and Thailand. This mission comprising both companies and research institutions has resulted in the establishment of a holistic Strategic Framework Agreement between AEEMA (on behalf of the Electronics Industry Action Agenda Implementation Group) and Taiwan's Institute of Information Industry. The Framework Agreement is underpinned by five inter-related pillars:

1. Research and Product Development collaboration.
2. High Value ICT Manufacture.
3. Strategic Alliances.
4. Trade Facilitation.
5. Investment Attraction.

The Framework Agreement is aimed at facilitating the mutual development of the electronics/ICT industries of Australia and Taiwan and will be monitored by the Bilateral Economic Committee (BEC) arrangements that exist between both countries.

Australia's trade relationship with the Republic of Korea has striking similarities to Australia's relationship with Taiwan in that Australia is a major exporter of 'low value' raw materials to both countries and a major importer of 'high value' manufactures.

AEEMA submits that Australia should apply the same holistic concept of a strategic framework agreement to its relationship with the Republic of Korea.

However, consideration must be given to ensuring that government funding programs such as 'Backing Australia's Ability' contain elements that enable effective collaborative activity between Australia and other priority economies such as the Republic of Korea.