



Australia Taiwan Business Council

Development of Northern Australia

Submission by Australia Taiwan Business Council

February 17, 2014



Australia – Taiwan Business Council

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Dr W Pender
Committee Secretary
Joint Select Committee on Northern Australia
PO Box 6021 Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Dr. Pender,

Taiwan began to develop interests in Northern Australia at least two decades ago. Our submission includes a brief section on the history of Taiwan's interest and involvement in Australia north of the Tropic of Capricorn. It may be of interest and even of relevance to the Inquiry that Taiwan is bisected by the Tropic of Cancer. The main points in our submission are:

- For a variety of reasons, Australian governments and business have not fully appreciated Taiwan's potential to become as a strong, strategic, reliable trading partner; and, a source of investment; a source of technology and of students, tourists and entrepreneurial migrants.
- Taiwan has already pursued a variety of interests in Northern Australia; were Australian governments and business to actively and skilfully court Taiwan – its political and business leaders financiers and investors, traders and technologists – Taiwan capital, technology and entrepreneurship could play a strong yet politically benign role in the development of Northern Australia.
- The federal government should actively solicit Taiwan public and private sector participation in commercial and other opportunities identified by the Inquiry. Inviting Taiwan participation is consistent with Australia's one China policy and would serve Australia's strategic as well as commercial interests.
- Taiwan's government and its business organisations are likely to be responsive to a carefully calibrated approach by Australia seeking Taiwan involvement in particular investment or other commercially attractive projects identified as a result of the Select Committee's inquiry.
- The ATBC is interested in working with Australian public and private sector agencies that could be commissioned to develop the White Paper and to assist an appropriate entity in its implementation of an action agenda for Northern Australia.

In formulating this submission, I consulted members of the ATBC National Executive. The Rt Hon Ian Sinclair AC, Immediate Past Chairman, Mr. Ross Maddock, Chairman and Mr Cliff Barker, Senior Advisor, each made valuable contributions.

Sincerely,

Ching-Mei Tuan
Chief Executive Officer
Australia-Taiwan Business Council



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About Us

The Australia-Taiwan Business Council Limited (ATBC) established in 1983 by Sir Charles Court a former Premier of Western Australia has played a continuous role in promoting business between Australia and Taiwan. Over three decades ATBC has developed a deep understanding of Taiwan's economy, business culture and laws, regulations and practices. The ATBC understands the subtleties and complexities of Taiwan's relationship with its neighbour to the west and of the Australian government's 'one China' policy.

The ATBC is not just another bi-lateral business association. In the absence of diplomatic relations between Australia and Taiwan, the ATBC has formed a bridge and a reliable channel of effective communication between the two countries. Besides working to improve the infrastructure for Australia-Taiwan commerce, the policies and programs of the ATBC are designed first and foremost to serve the interests of its members.

ATBC can do this effectively because of the outstanding access and influence its office holders enjoy in Taiwan and because its Taiwan counterpart, the Republic of China-Australia Business Council (ROCABC), deploys substantial resources for goals which the two Councils share.

The ATBC sees itself as part of a team, including Australian governments and Australian officials in Taiwan and Australia. While its views do not always coincide with those of the Australian Government, the ATBC places great importance on teamwork with the Australian public sector and works to foster it.

The Chairman of the ATBC Ross Maddock visits Taiwan frequently each year where he capably represents the interests of ATBC members in meetings with Taiwan's senior economic ministers and the captains of industry.

In Australia, the Chairman has regular access to ministers, with whom he frequently discusses the interests of the ATBC and its members.

With thirty years of success in working to promote Australia-Taiwan business, the ATBC has a deep understanding of Taiwan's economy, business culture and laws, regulations and practices.

The ATBC also understands the subtleties and complexities of Taiwan's relationship with its neighbour to its west and of the Australian government's 'one China policy'.

Former ATBC Chairman Ian Sinclair AC has kindly penned a short note giving his current thoughts on the subject given in **Appendix A: From the Desk of Ian Sinclair**



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Background

In responding to the Select Committee's terms of reference the Australia-Taiwan Business Council emphasises the need to build effective relationships with Taiwan government and business interests as a prospective partner and source of capital as much as its potential as a significant market for commodities and services.

Committee Terms of Reference

The Select Committee is required to consider policies for developing the parts of Australia, which lie north of the Tropic of Capricorn, spanning Western Australia, Northern Territory and Queensland, and in doing so:

- examine the potential for development of the region's mineral, energy, agricultural, tourism, defence and other industries;
- provide recommendations to:
 - enhance trade and other investment links with the Asia-Pacific;
 - establish a conducive regulatory, taxation and economic environment;
 - address impediments to growth; and
 - set conditions for private investment and innovation;
- identify the critical economic and social infrastructure needed to support the long-term growth of the region, and ways to support planning and investment in that infrastructure.

ATBC Submission

In responding to the request this submission sets out to:

- Confirm Taiwan's historical and continuing interest in the region's mineral, energy, agricultural, tourism, education and other industries.
- Describe a number of specific projects, which a variety of Taiwan commercial and industrial entities attempted to bring to fruition in Northern Australia.
- Broadly identify opportunities and challenges encountered which could serve to inform the foreshadowed White Paper.
- Indicate avenues to harness Taiwan interest in investing in Australia's and in particular Northern Australia development
- Describe the ATBC record of achievement in enhancing trade and investment between Australia and Taiwan.

This submission represents a brief overview of the ATBC's current position and the consistent view it has held for some time that development of Northern Australia is imperative whether viewed from Australia's strategic, economic, social, cultural, environmental or political perspectives. Development is only possible if major challenges can be overcome not least of which is the need for a considerable investment, which will inevitably be largely funded from offshore.



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Historical Perspective Opportunities & Challenges

Taiwan's Interest in Developing Northern Australia

Taiwan through its government, corporations and individual entrepreneurs, has displayed over several decades continuing interest in the development of Northern Australia's mineral, energy, agricultural, tourism, education and other industries, in so doing, the proponents encountered many challenges arising partly from a misunderstanding of their intentions, bureaucratic inertia, lack of political will and unfortunate timing.

1996 Lee Teng-hui Former President of Taiwan

In 1996 while Mr. Lee Teng-hui was President of Taiwan, he and officials from the KMT, then the ruling party on the island, discussed with the ATBC some imaginative and detailed ideas about the development of Northern Australia.

In May that year, there were press reports to the effect that Taiwan wanted to invest US\$3.68 billion in various development projects in Northern Australia, including a Darwin to Alice Springs railway.

In summary, President Lee, who has a PhD in Agricultural Economics (Cornell), proposed that Northern Australia, close to Asia, with areas enjoying high rainfall and good soils, could become a food production base for Asia.

He suggested that Taiwan agribusiness enterprises could be encouraged to invest in northern Australia and that Taiwan engineering and construction companies could be involved in providing the necessary infrastructure.

Lee noted that Taiwan had outstanding skills in sub-tropical and tropical horticulture and aquaculture.

One element of his vision was that quite large numbers of agricultural experts and workers would need to come from Taiwan to work in enterprises established in northern Australia by Taiwan firms.

The governments in particular of the Northern Territory and Queensland were attracted to President Lee's suggestions, but at the time there was strong opposition in the Australian community to the import of professional people and workers from foreign countries. There was little publicity in Australia about the President's suggestions and gradually all work on them came to an end.

Note how prescient President Lee was; he was fifteen to twenty years ahead of others. It was only in 2012 and 2013 that the then federal government looked seriously at ideas similar to President Lee's – and chose to conduct a joint study with China into them.



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Mid 1990's An Feng W.A. Steel Mill Proposal

Also in the mid 1990s, a Taiwan company, An Feng, was involved in very detailed feasibility studies and agreements with the Western Australian government aimed at establishing a steel mill in the mid-west region of that state. But the An Feng Kingstream project did not proceed.

Mid 1990's Kaohsiung County / Cairns Regional Relationship

In the mid 90s, the governments of Kaohsiung County in southern Taiwan and the regional organisation of local government authorities around Cairns in North Queensland set up a sister region business development relationship. Taiwan and North Queensland participants in the sister region relationship examined several opportunities, including introducing the cultivation of Taiwan teas and tropical fruit, and the export of North Queensland tropical fruit, seafood and dairy products (Malanda).

The then Governor of Kaohsiung County, Yu Cheng-hsien, visited the Cairns region twice to promote the economic dimensions of the relationship. The Taiwan community in Queensland, led by the Taiwan Australian Business Association (TABA), played a leading role. Jim Sheu (Sheu Ching-ho), then President of TABA, was an enthusiastic proponent.

Mid 1990's Jim Sheu Education Facility Cairns

Jim Sheu and some of his colleagues for a time worked at developing a school or some other educational institution in Cairns into a larger, private sector school for foreign students, including from Taiwan.

Mid 1990's Air Transport Links

At about this time Qantas inaugurated direct flight services between Taipei and Cairns. Subsequently, but briefly, the Qantas subsidiary Australian Airlines took over the route and Ansett may for a short time also have operated Cairns-Taipei flights.

Mid 1990's Prawn Farming

Additionally, Taiwan prawn farming interests were established near Cairns.

2013 Taiwan Invests in Iron Ore in Australia's North West

More recently, in 2013 Taiwan's China Steel Corporation (CSC) took an equity position in Hancock Prospecting's Roy Hill project and Formosa Plastics invested AU\$1 billion in a Fortescue project in north west Western Australia.

2013 LNG

Japan's Inpex has signed a contract to export to Taiwan billions of dollars of LNG from Western Australia, through a pipeline to Darwin.

Students & Working Holiday Travellers from Taiwan

In recent years, more and more young people from Taiwan are coming to Australia, including northern Australia, for extended working holidays.



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Taiwan Can Play a Part in Developing Northern Australia

Taiwan has signed trade pacts with Singapore and New Zealand, leading to an increase in trade between these countries. Taiwan has demonstrated considerable interest in investment in Australia, more specifically Northern Australia. While there are many challenges thus opportunities for innovative solutions facing development of Northern Australia, ATBC believes Taiwan is favorably positioned to play a part in development of the region if methodically pursued.

Demography, Geography & Climate

Taiwan, an island nation of 35,000 sq km only a little over half the size of Tasmania 68,000 sq km, yet has a population of 23,299,000 (July 2013 est.) i.e. about the same as Australia's and an economy about 70% as large.

Taiwan has a low birth rate and a rapidly ageing population with people aged 15-24 years accounting for 13.7% of the population while people aged and 25-54 years 47.7% the median age is 38.7 years.

Bisected by the Tropic of Cancer, most of Taiwan, except for the mountainous areas 1,000-3,950 metres above sea level, has a climate similar to many parts of coastal northern Australia.

Developed economy, complementary with Australia, a large pool of savings

Taiwan is an island Asian country with a developed economy largely complementary to Australia's. Taiwan runs current account surpluses; there is a large pool of savings and yet, on the other hand, opportunities for investing these savings on the island are limited. Taiwan's foreign reserves are the world's fifth largest behind China, Japan, Saudi Arabia and Russia.

In recent years, finance sector links between Australia and Taiwan have developed rapidly. ANZ operates one of the largest foreign banking businesses in Taiwan, far larger and more profitable than its business in China. There are six Taiwan banks in Australia.

Taiwan's key industries are electronics, communications and information technology products, petroleum refining, armaments, chemicals, textiles, iron and steel, machinery, cement, food processing, vehicles, consumer products and pharmaceuticals

Interest in Northern Australia

Almost twenty years ago, on its own initiative Taiwan developed strategies for participation in the economic development of Northern Australia including:

- A 1996 proposal to invest in the construction of an Alice Springs to Darwin railway.
- Tropical agricultural production enterprises for export to Asia.

Details of these strategies are given in *Appendix B: Strategies for Economic Development of Northern Australia*.



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Taiwan's benign attitude to its region

Unlike China, Taiwan:

- Has no ambition to project its power and influence in our region.
- Has a multi-party political system.
- Its government and its political parties have little or no interest – nor the capability – to direct its nationals and former nationals resident in Australia.

Indigenous issues – Taiwan has enlightened policies towards its own aboriginal people

A key issue in the development of Northern Australia is ensuring participants in all development enterprises in whatever form that may take fully understand the attention, which must be paid to the needs and aspirations of our indigenous people. Taiwan has a unique track record in this area.

Before the Dutch brought large numbers of Chinese to Taiwan during the first half of the 17th century the island was inhabited by aboriginal people related to Malaysia's Dyaks and the Maoris of New Zealand.

In recent decades, Taiwan governments have developed policies for the indigenous inhabitants that are progressive, especially when compared with China's policies towards its so-called 'minority peoples'. The difference in mindset is apparent in the term used in Taiwan to describe aboriginal people as "original inhabitants".

This is of relevance should Taiwan become more deeply involved in the development of Northern Australia, where the talents, rights and interests of Australia's aboriginal people will play a significant part in developing plans for the future.

Taiwan's political, economic and strategic incentives for participation in Northern Australia

Because all but a dozen or so countries have a 'one China' policy, Taiwan suffers from diplomatic and other forms of isolation. For example, APEC is the only significant international economic agency in which Taiwan enjoys almost unfettered participation.

Taiwan has great difficulty in entering into negotiations for free trade agreements or regional trading arrangements with its trading partners.

As a result, Taiwan's government has a strong incentive to seek out opportunities for international involvement in economic organisations and projects. Taiwan's political leaders, if approached in the right spirit by the federal government, would see benefit in participation in activities and projects relating to Northern Australia that might be undertaken as a result of the Inquiry.

No conflict with Australia's 'One China' policy

Such involvement, which would bring economic benefits to Australia that our outlined later in this submission, could easily be managed in a way that was totally consistent with Australia's 'One China' policy.

Since the election in 2008 of a KMT President in Taiwan who has managed an amelioration in relations between Taipei and Peking, the scope for unofficial and even semi-official engagements between countries with preponderant interests in China - such as Australia - and Taiwan has increased.



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Taiwan's democratic institutions

Taiwan is a fully functioning democracy where the rule of law and the protection of intellectual property are strongly entrenched. Unlike ethnic Chinese from other parts of Asia, for historical reasons the people of Taiwan have a highly developed attachment to individual liberties and the freedom of expression; perhaps more than other ethnic Chinese, their values and ethics sit easily with ours.

Taiwan's participation in Northern Australia would serve Australia's strategic interests

Encouraging Taiwan's participation in the economic development of Northern Australia also serves Australia's international political and strategic interests: it contributes to the diversification of sources of investment and people; it consolidates relations with a country that shares Australia's democratic values and institutions.

Taiwan has inherent advantages that Australia can leverage

Apart from the scope to invest in development of the region, all development, but especially in Northern Australia, is ultimately dependent upon accessing reliable short-, medium- and long-term markets.

While the Taiwan's market is potentially substantial, scant recognition is paid to the fact that Taiwan represents a strategic opportunity for Australian to expand trade with China.

Taiwan has available both human capital and financial capital. Most importantly, it has corporate infrastructure based throughout China's regions plus the vital intense familiarity with the complex economic, cultural, political characteristics each region in China possesses.

In sum, Taiwan presents Australia with scope to become partners in establishing a conduit to markets for trade with China in commodities, which Northern Australia has in abundance. Planning for development of Northern Australia should place this avenue at the forefront of considerations relating to trade and investment in this area of Australia and more broadly in the Asian region.

Contributions to Australia's prosperity

Taiwan is Australia's sixth largest merchandise goods market and a growing source of investment. Taiwan has strong and growing demand for energy food and services.

A substantial migrant community from Taiwan, mostly entrepreneurial families, is living mainly in South East Queensland, Sydney and Melbourne. Taiwan is Australia's third or fourth largest source of foreign students and an important source of tourists and young working holidaymakers.

Often overlooked by Australian policy makers and Australian business

ATBC holds the view that Taiwan is often overlooked or underestimated as an economic partner for Australia. Its strengths as a nation of entrepreneurs, a source of capital, of technology (IT, tropical and subtropical horticulture, aquaculture), of migrants, students and working holiday makers are little known or appreciated, possibly seen as an appendage rather than as a market equal in scope at least to Australia's domestic market.

Conversely, ATBC counterparts in business and government in Taiwan have already expressed interest in Northern Australia potential in relation to its minerals and energy, tourism, as a place for students to undertake tertiary education, research collaboration, and, as a possible base for expanding its agricultural and fisheries enterprises, for example.



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ATBC has found that Taiwan migrants, investors, traders – even the ones from state-owned or partially state-owned enterprises – are mostly imbued with the trading and entrepreneurial instincts and abilities of ethnic Chinese; but they rate better than their PRC cousins, on many measures:

- They understand better western ideas about democracy, the rule of law, etc.;
- They are, therefore, more likely to abide by Australian law and respect Australian customs and traditions;
- They are far less susceptible than most of their PRC cousins to manipulation by the Communist Party of China, far less likely to engage in industrial or other espionage;
- Their government has neither excessive ambitions nor nefarious designs on our country;
- Many come from business families with a demonstrable history of many generations of business experience, including international business experience.

Air Links With Australia

Taiwan can be termed a near neighbour; direct airline services, inaugurated in the late nineties, connect the capital, Taipei, with Cairns in little more than five hours. Darwin – Taipei flight time is calculated to be a little over six hours.

Scope exists for increased use of regular and specialised airfreight services to expand trade opportunities between Northern Australia and Taiwan. Taiwan should be viewed as a reliable and secure distribution hub.

Taiwan depends on seaborne trade especially for its energy and food delivered through the ports of Chilung (Keelung), Kaohsiung and Taichung.



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Appendix A: From the Desk of Ian Sinclair AC

Whether in consideration of enhancing food production, extraction of minerals including oil, gas and uranium or improving infrastructure, the region is attracting considerable attention for its potential although handicapped by the reality of the harshness of its climate, the great distances involved and its small population.

From ATBC's perspective there are several obvious factors:

- relative proximity to Taiwan and Asia;
- availability of resources Taiwan needs;
- real growth potential of major population centres such as Townsville, Cairns, Mt Isa, Darwin, Port Hedland etc., but with the challenge of moving away from a fly in fly out (FIFO) work force;
- significant fresh water availability in the wet with major water flows in various rivers right across the top end and yet with challenges in economic and efficient use for agriculture even from the magnificent Ord dam (now increasingly irrigating sandalwood plantations) with a similar dam on the Fitzroy talked about but presently seen as economically impractical;
- high risk profiles for investment with exorbitant development and operating costs and volatile market demand illustrated by the forecast closure of the Gove alumina refinery at Nhulunbuy and reflected in cutback in new development expenditure by BHP, Rio and Woodside;
- development needs have to be seen differently from those in southern Australia recognising northern advantages but also the considerable disadvantages; and,
- need to identify a few achievable and practical objectives rather than propose a grand plan that will remain pigeon holed for the next few decades.

An example of the challenges is the question asked me by one of our Taiwan guests at the recent Sydney Joint ATBC - ROCABC Annual Meeting: "Why aren't there more dairy farms in the Northern Territory as it would be much easier to export from there to our markets?" The answer of course is that dairy yields in the tropics are low and the cows are susceptible to multiple tropical diseases.

Hope these thoughts help.

Kind regards,

Ian Sinclair AC



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Appendix B: *Strategies for Economic Development of Northern Australia*

ATBC recommends that Australian Embassies and Representative Offices including that in Taiwan be requested to identify commodities and resources prospectively required in quantity by industry or local consumers in their country of representation particularly where there is a prospect of significant new investment and report these to DFAT for consultation with Australian industry with an emphasis on possible future supply from Northern Australia.

ATBC has limited resources other than the skills, expertise, and dedication of its executive and members; nonetheless it declares its intention to work collaboratively with the agency or agencies directed by the government to develop Northern Australia Development policy and in particular to identify opportunities / development projects with a short- medium- and long-term outlook which are beneficial to Australia and Taiwan.

The ATBC is actively working across a number of key areas of Northern Australia policy development and is prepared to:

1. Consult with Taiwan Government and Corporations to identify opportunities / development projects that are of strategic value to Taiwan and Australia.
2. Identify avenues for possible investment by Taiwan interests in such projects and to encourage participation with Australian and other Asia Pacific partners.
3. Assist in development of solutions to any issues or major risks relating to Taiwan's financial involvement that have the potential to inhibit achievement of such projects.
4. Contribute to exploring the potential for establishment in the Northern Australia Region of a 'Free Zone' within which could be created say Taiwan manufacturing / processing operations to offer opportunities for employment, domestic and international trade.
5. Promote increased exposure of Australian goods and services in the Taiwan and related markets through appropriate temporary or longer-term exhibitions, seminars etc. in collaboration with its opposite body in Taiwan.
6. Participate in the development of a two-way exchange of students from Taiwan and Australia and scope for rebirthing of schemes proposed for establishment of a campus in the Northern Australia Region.
7. Promote a better understanding of Taiwan cultural identity in major population centres in the Northern Australia Region and Australia's cultural identity in Taiwan.
8. Examine scope for expanded trade links by sea and air cargo between the Northern Australia Region and Taiwan and establishment of a distribution hub in the Region.



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Contacts

All correspondence relating to this submission should in the first instance be addressed to the Secretariat Manager Australia-Taiwan Business Council Limited (ATBC)

