

2009 EXPLORATION GROUP FORUM



China's Role in Australia's Resources Sector

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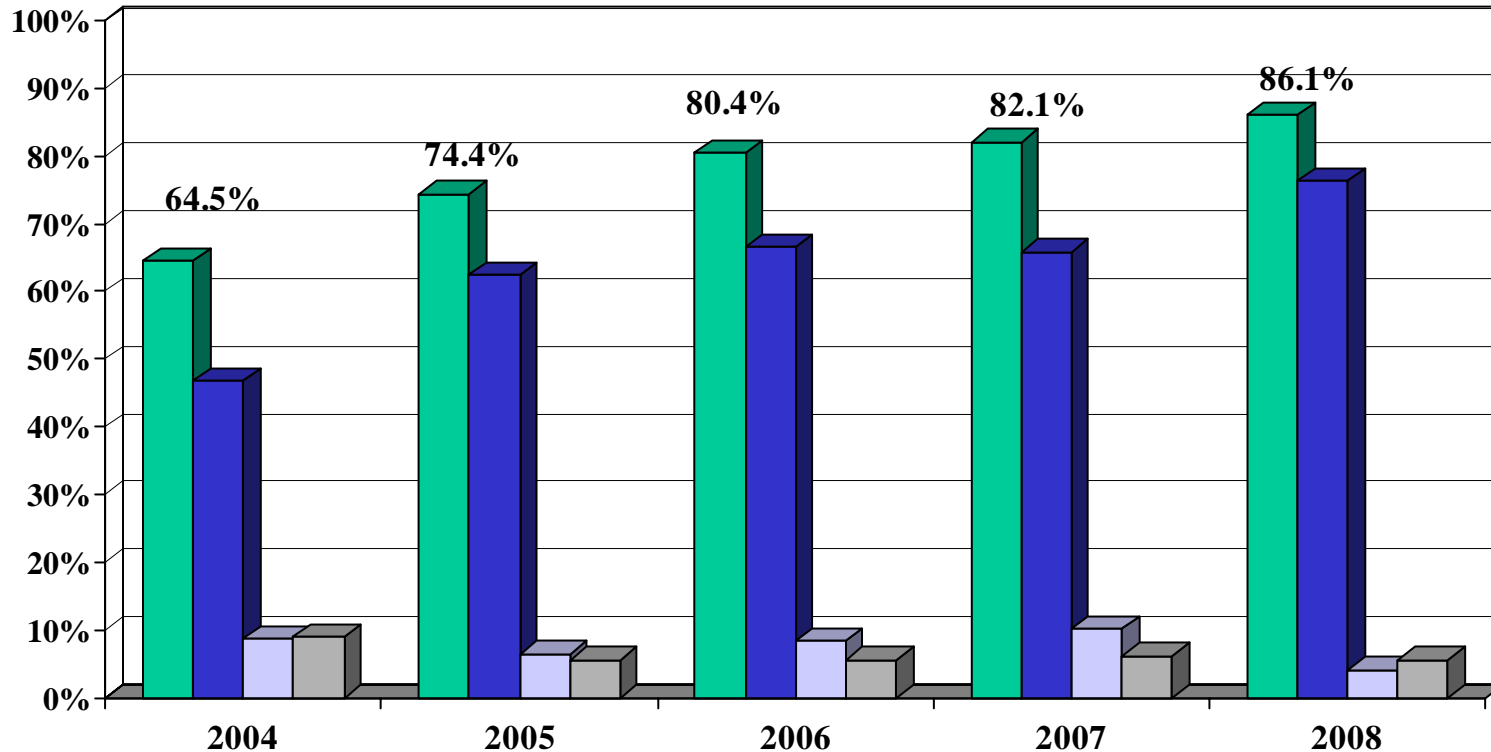
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Natural Economic Partners:

- China's economic growth demands Australia's products
- Our trade and economic relationship is interdependent
- As China grows; we grow
- Resources trade lies at the heart of the relationship



Minerals and fuels account for over 80% of Australia's merchandise exports to China



■ Resources share of merchandise exports to China ■ Minerals ■ Metals ■ Fuels

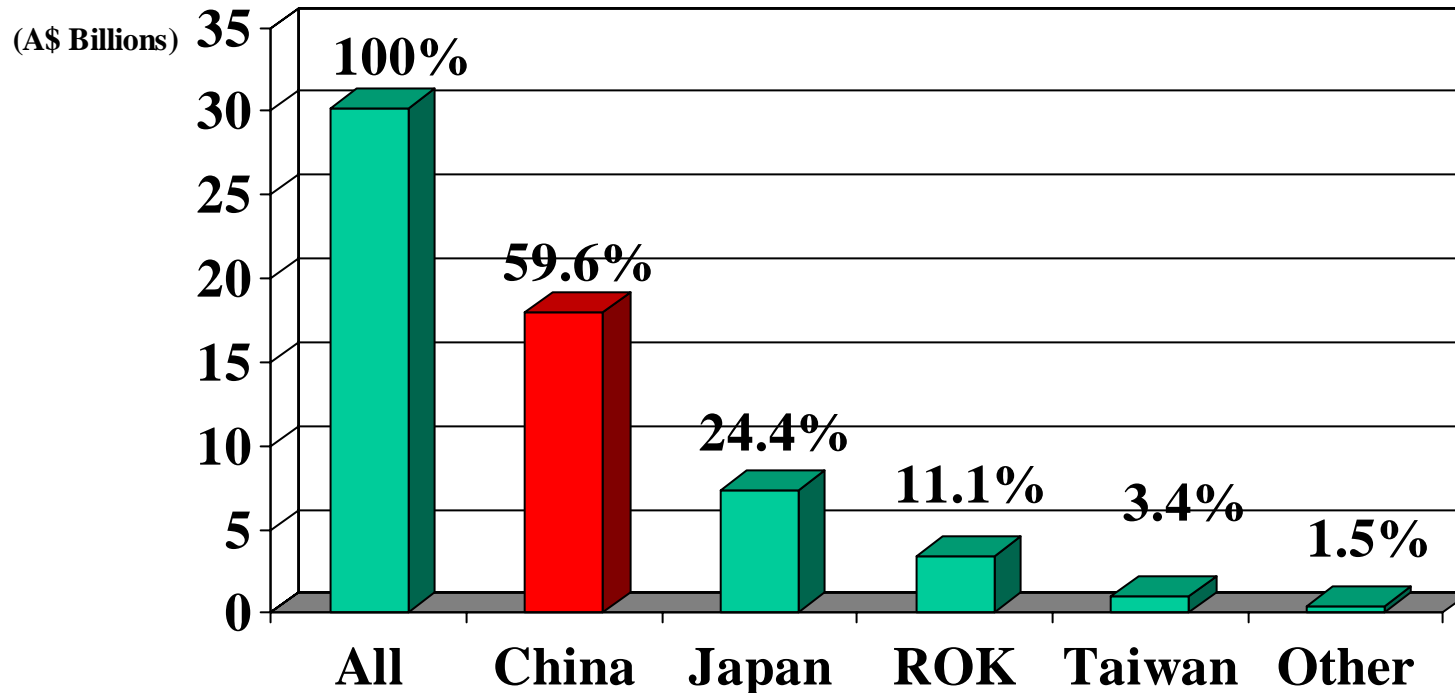
Source: DFAT STARS Database; consistent with ABS Cat No 5368.0, January 2009 data. Minerals includes iron ore and other others. Fuels includes coal, oil and other energy. Metals includes non-ferrous metals, iron and steel.



China is our largest single iron ore market...



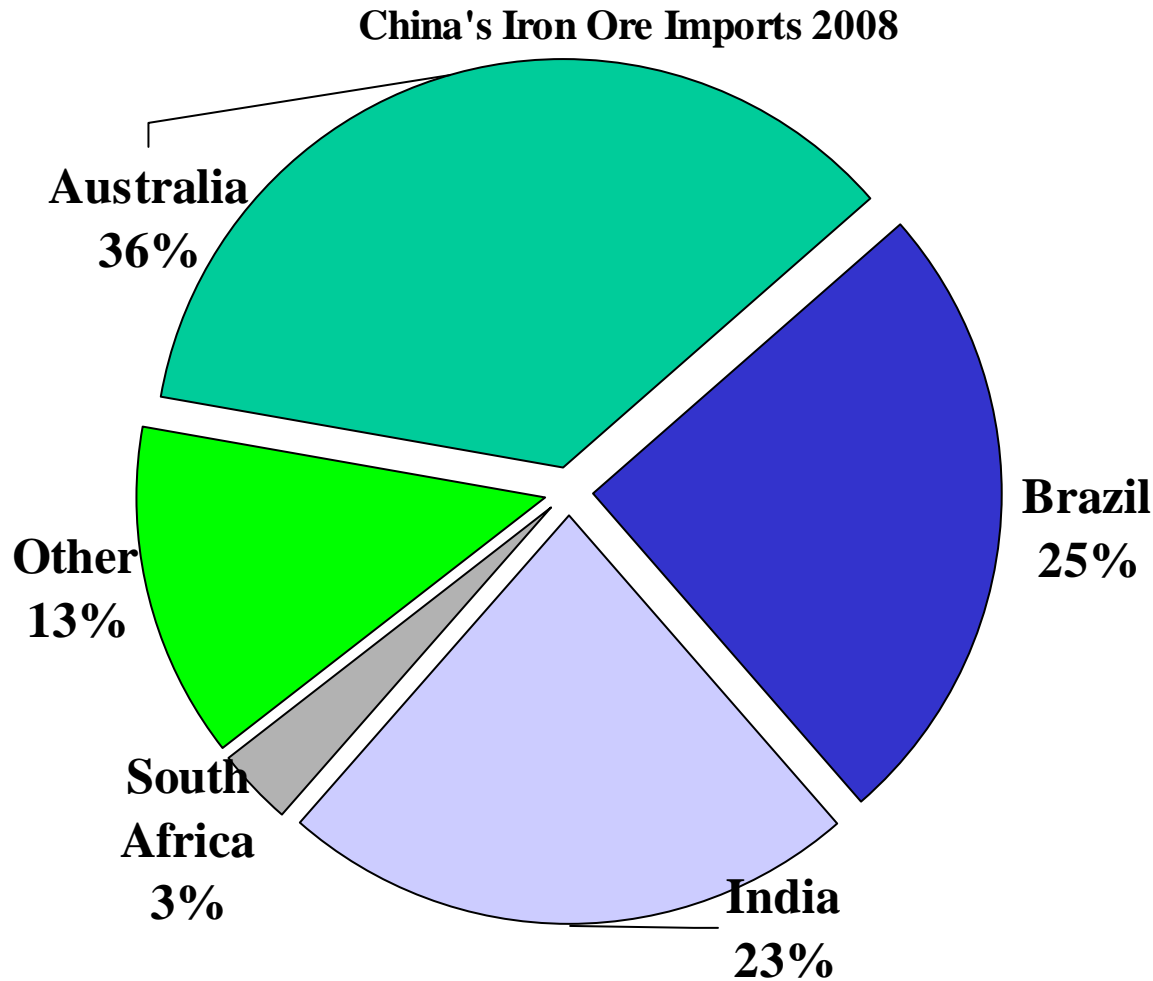
Australian Iron Ore Exports 2008



Source: DFAT STARS Database; consistent with ABS Cat No 5368.0, January 2009 data



... and Australia is China's largest supplier of iron ore



Source: China Customs data on the GTIS World Trade Atlas database.



China's Economy:

- Q1 2009 growth of 6.1 % (y-o-y) – lowest since 1992
- Early impact on the Australian economy - November merchandise exports plunged 26.4 per cent
- But exports have regained upward momentum
 - China purchased one fifth of Australia's total exports in March
 - a record \$4.4 billion
 - increase of 23.3 per cent over February's \$3.5 billion, itself a record
 - total exports to China in the year to March 2009 = \$37 billion, an increase of 47.8 per cent



China's Economy:

- Tentative signs of economic recovery
 - Chinese economy grew by 5-7 per cent (q-o-q) in Q1 2009
 - March Purchasing Managers' Index (PMI) figure 52.4
 - industrial production grew 8.3 per cent in March (y-o-y)
 - car sales and real estate transactions strengthening
 - sharp increase in FAI, up 28.8 per cent y-o-y in Q1 2009
 - Chinese banks disbursed US\$278 billion in March
- Infrastructure-heavy November stimulus package has begun to take effect





... but downside risks remain

- Continued slowdown in global demand would hurt China's exports and industrial sector
- Heavy reliance on infrastructure investment and loan growth
 - risk of rising non-performing loans and entrenching existing overcapacities
- China needs a strong rebound in external demand and a rebalancing of economic activity towards domestic consumption for a sustainable recovery



Future Prospects:

- Medium-term prospects for Chinese economy remain positive
- Urbanisation and industrialisation will drive new infrastructure
 - roads, railways ports and power stations
 - generating demand for key resources and energy
- Per capita steel consumption
 - USA and EU = 400 kg/year
 - South Korea = 1,000 kg/year
 - China = 270 kg/year
- China has some way to go to height of industrialisation



Chinese Investment:

- Mature trading relationships also involve investment partnerships
- The Australian Government welcomes foreign investment consistent with our national interest
- Foreign investment has helped Australia develop and profit from its natural resources
- And made a significant contribution towards Australia's economic prosperity





Australian Government Role

- Succession of Ministerial visits to China demonstrates Australian Government's commitment to the relationship
- Australian Government committed to pursuing an FTA with China
 - but no FTA without a deal on agriculture, services and investment
- But our engagement with China not just about concluding an FTA
- Pursuing a multifaceted approach, including direct engagement at the provincial level
 - China's rapidly developing inland regions are economic powerhouses in their own right



Shanghai World Expo 2010



- Set to be the largest in history, with 185 countries and ~80m visitors
- Australian World Expo 2010 pavilion
 - project value \$83m – largest ever at a world expo
 - platform to bolster trade and investment; strengthen bilateral ties; and project positive images of contemporary Australia
- Pavilion will host a comprehensive business program
 - companies trading with China should try to leverage of this great government investment
- For further info, contact DFAT





Thank you

