

Tasmanian Minerals Conference 2011



The China Story – Implications for Tasmania

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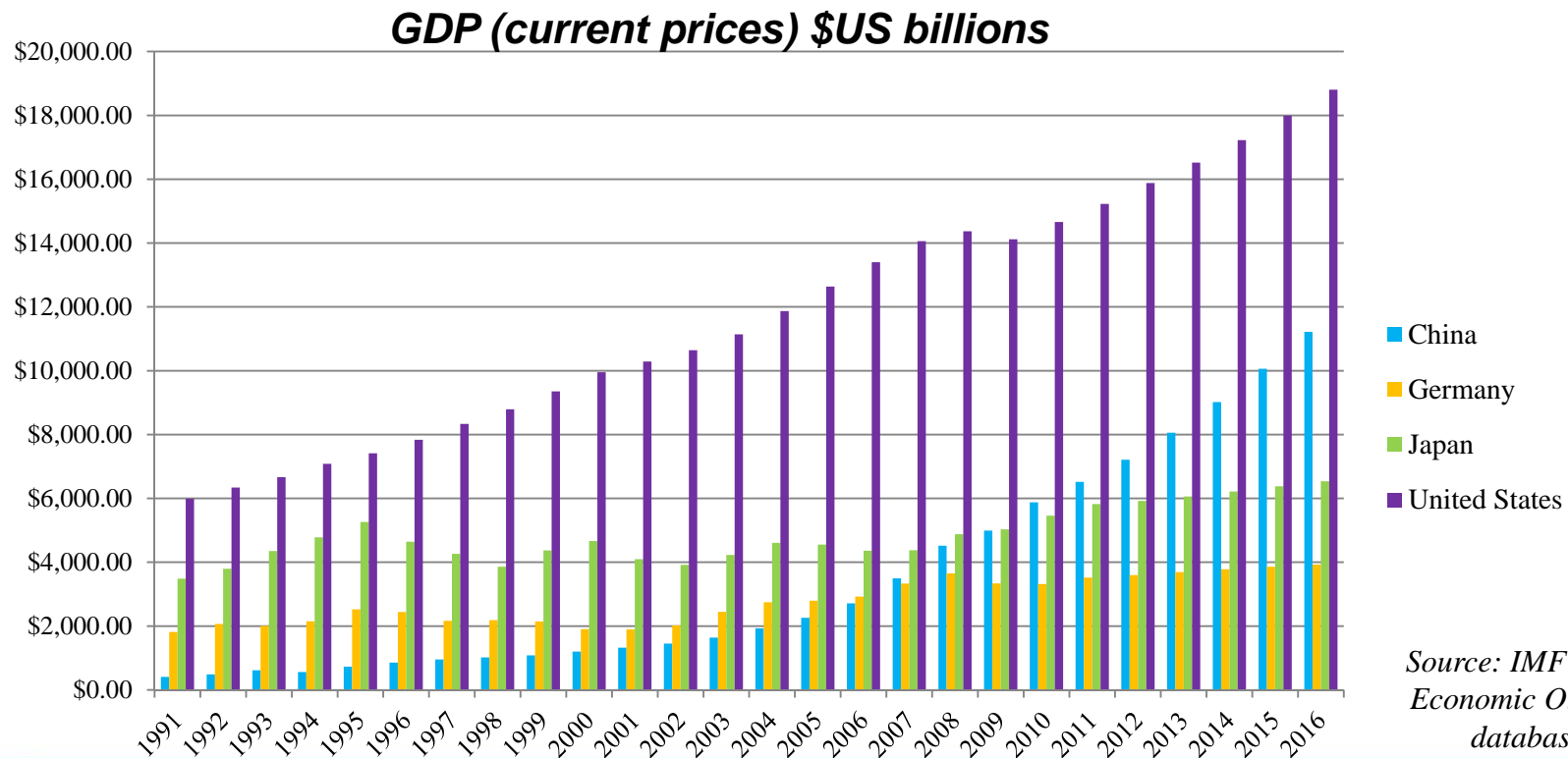
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China: Up and up

- Three decades of growth averaging 10 per cent annually
- Australia's largest two-way trading partner - resources make up 88 per cent of our merchandise exports to China

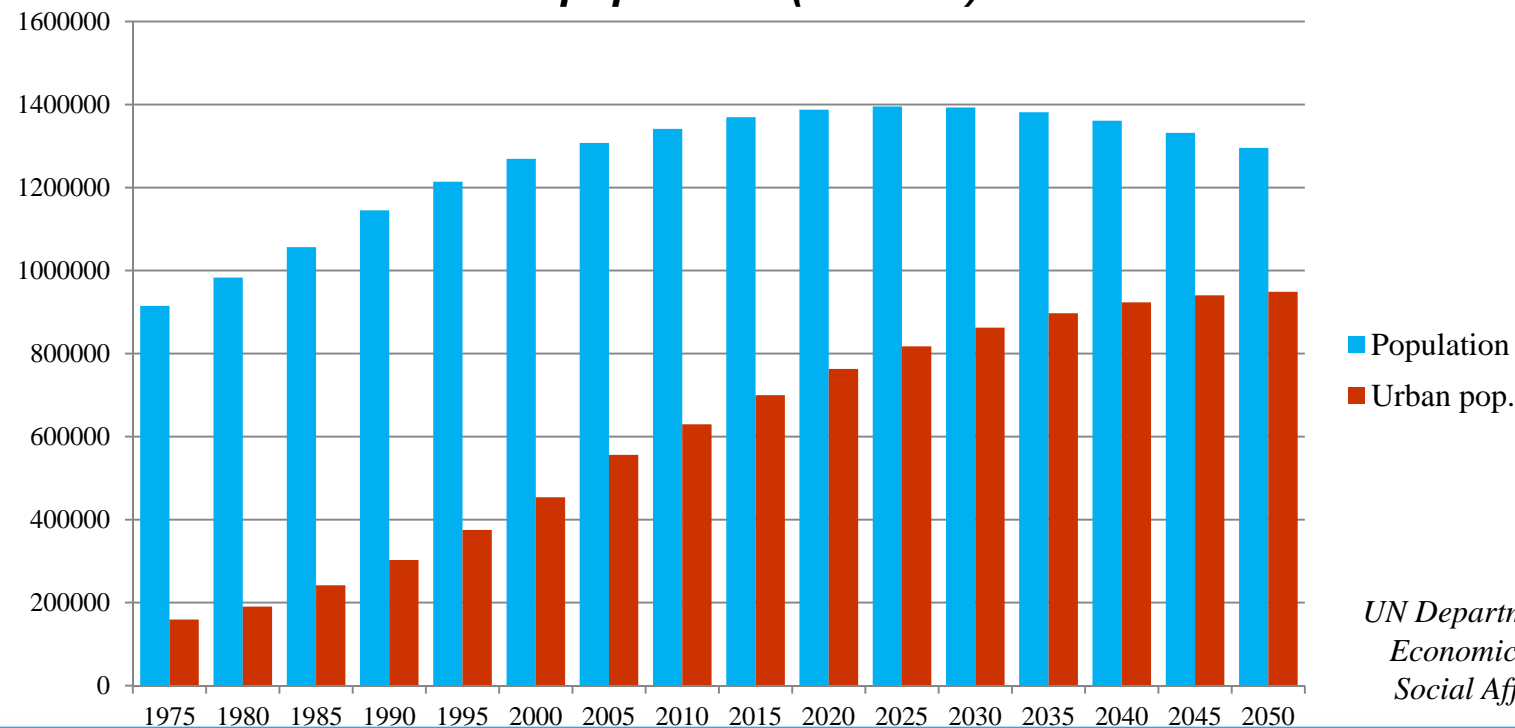


China growth outlook: urbanisation

- 1979: 1 in 5 living in cities. 2015: 1 in 2 living in cities
- 14 million rural residents moving to cities every year
- 315 million additional urban residents in China by 2050



Chinese population (millions)



*UN Department of
Economic and
Social Affairs*



China growth outlook: metal intensive



Source: Peopledaily online



Source: Reuters

- 13.8 million cars sold in China last year (CAAM).
- 120kg of aluminium in each car
- 4 per cent of global aluminium consumption
- China: 50 cars per 1,000 people
- World: 160 cars per 1,000 people
- US: 860 cars per 1,000 people

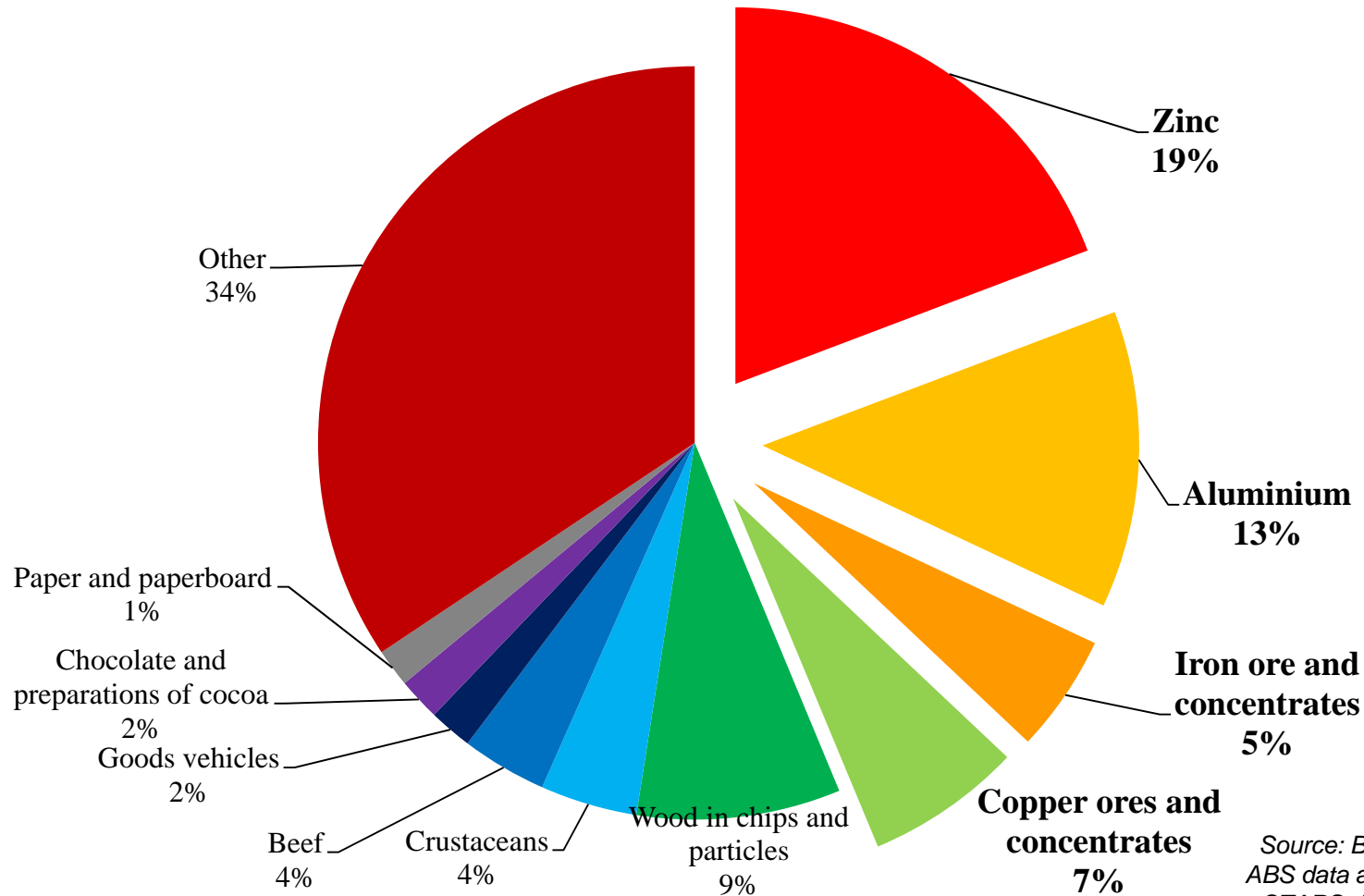
From top: Traffic congestion in Xiamen; and Beijing-Guangzhou high speed rail



Does China matter to Tasmania?



Tasmanian exports of goods (2009-10)



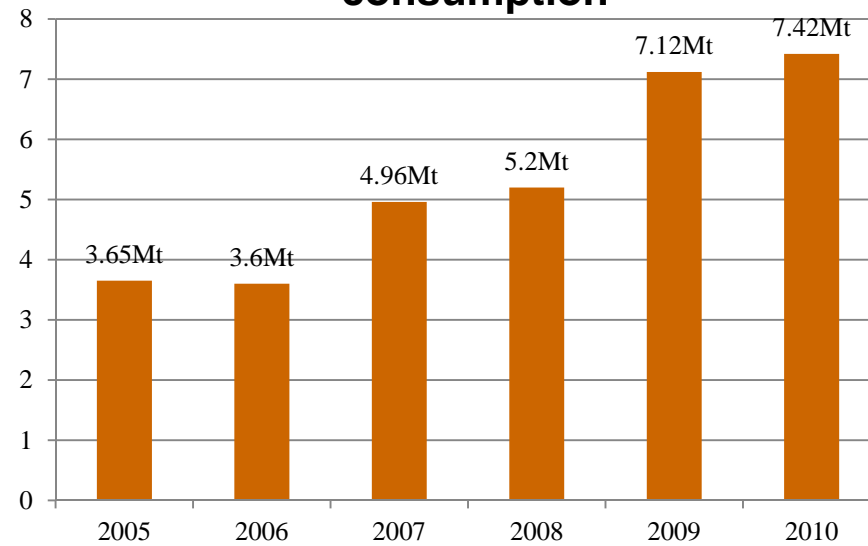
Source: Based on
ABS data and DFAT
STARS database



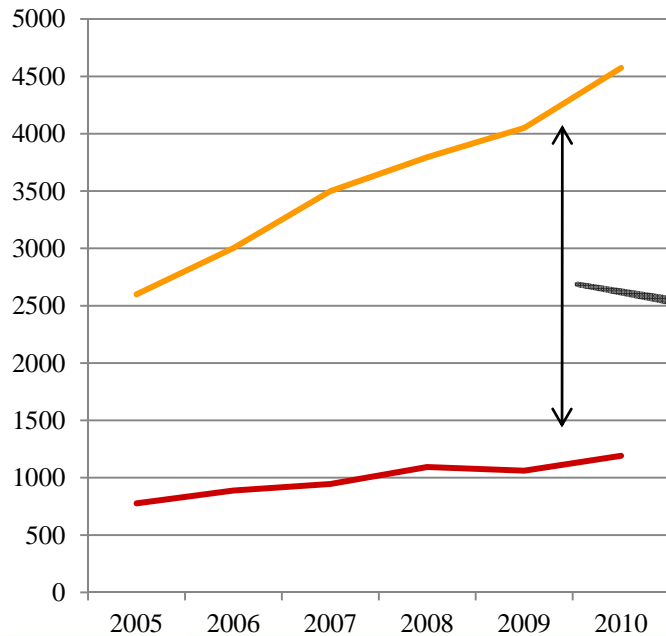
Copper



Apparent Chinese refined copper consumption



Chinese copper production refined and mine



- Chinese refined copper production (thousand tonnes, copper)
- Chinese copper mine production (thousand tonnes, contained copper)

Decreasing self sufficiency in ore

Source: International Copper Study Group



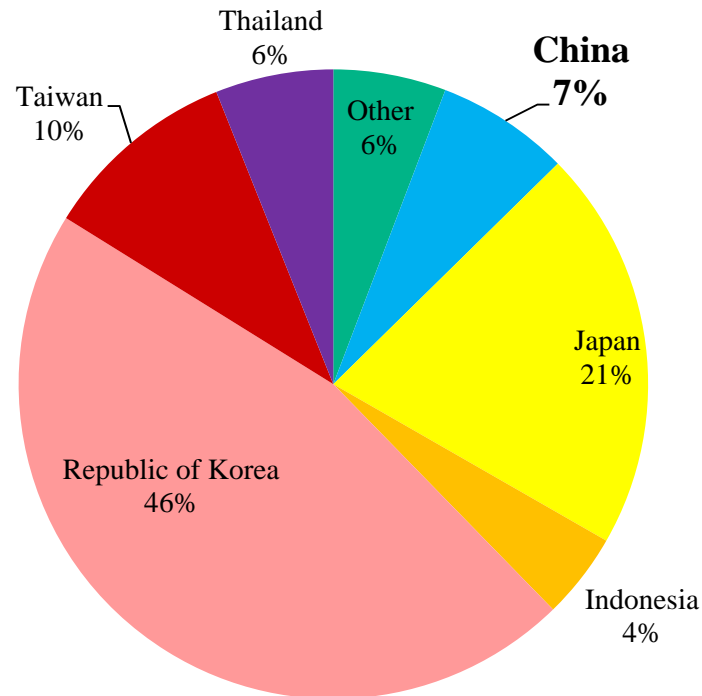


Aluminium



Source: Haier

Markets for Tasmanian aluminium exports



Source: Based on ABS data and DFAT STARS database



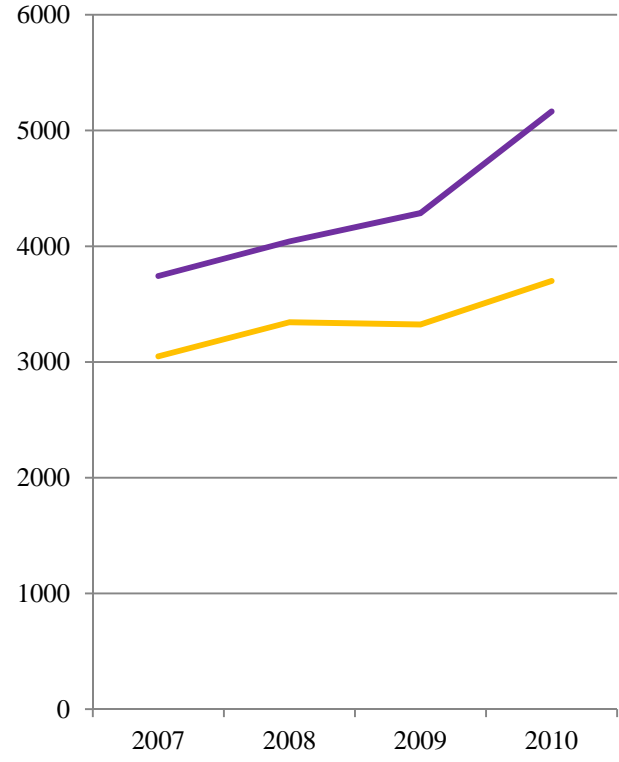
Source: Chery





Zinc

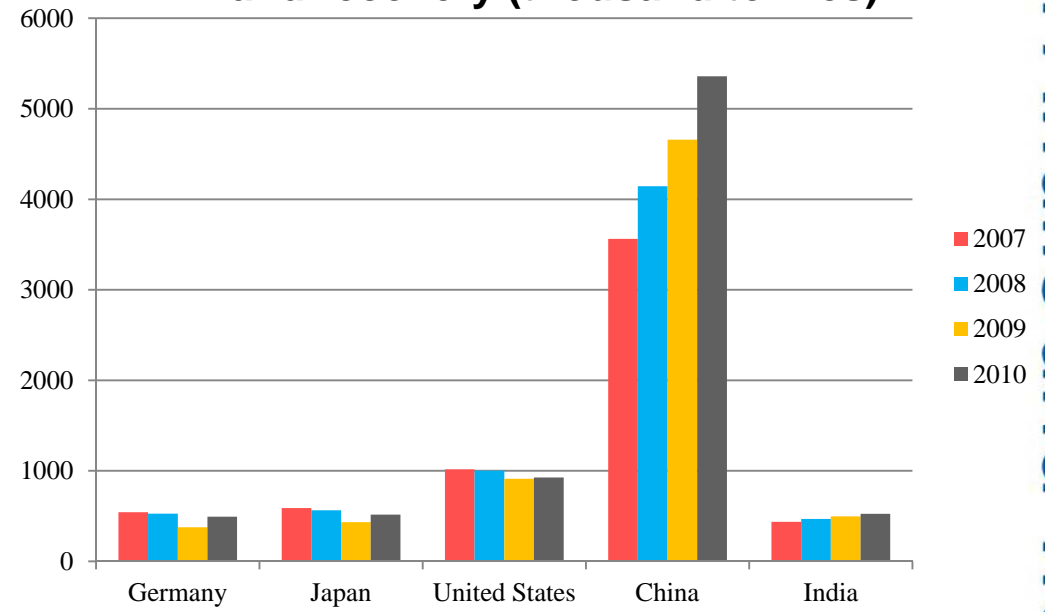
Chinese zinc production refined and mine



— Chinese refined zinc production (thousand tonnes)
— Chinese zinc ores/concentrates production (thousand tonnes contained zinc)

Source: International Lead and Zinc Study Group

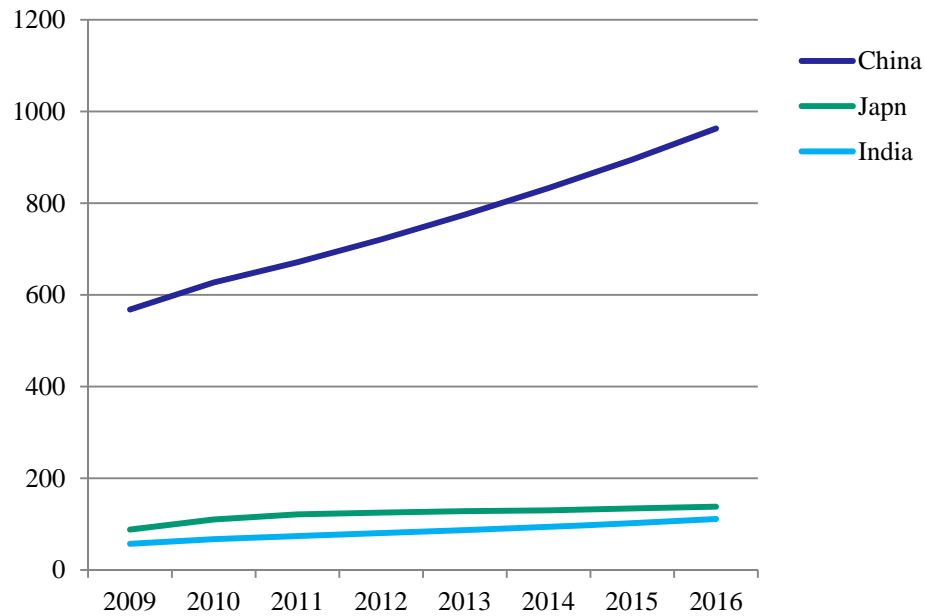
Consumption of refined zinc during GFC and recovery (thousand tonnes)



Iron ore

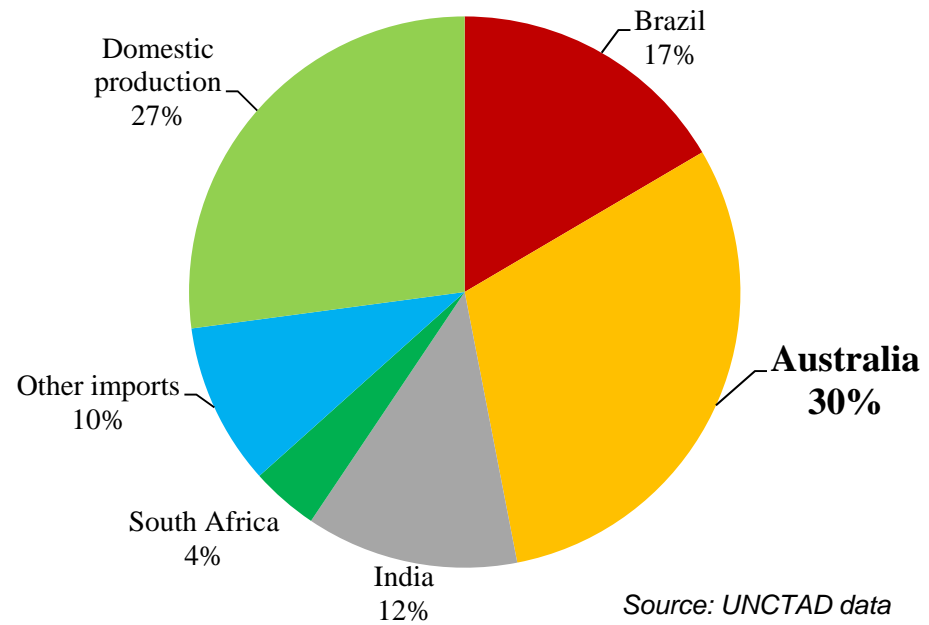


Crude steel consumption forecast (Mt)



Source: ABARES data

Sources of iron ore consumed by China



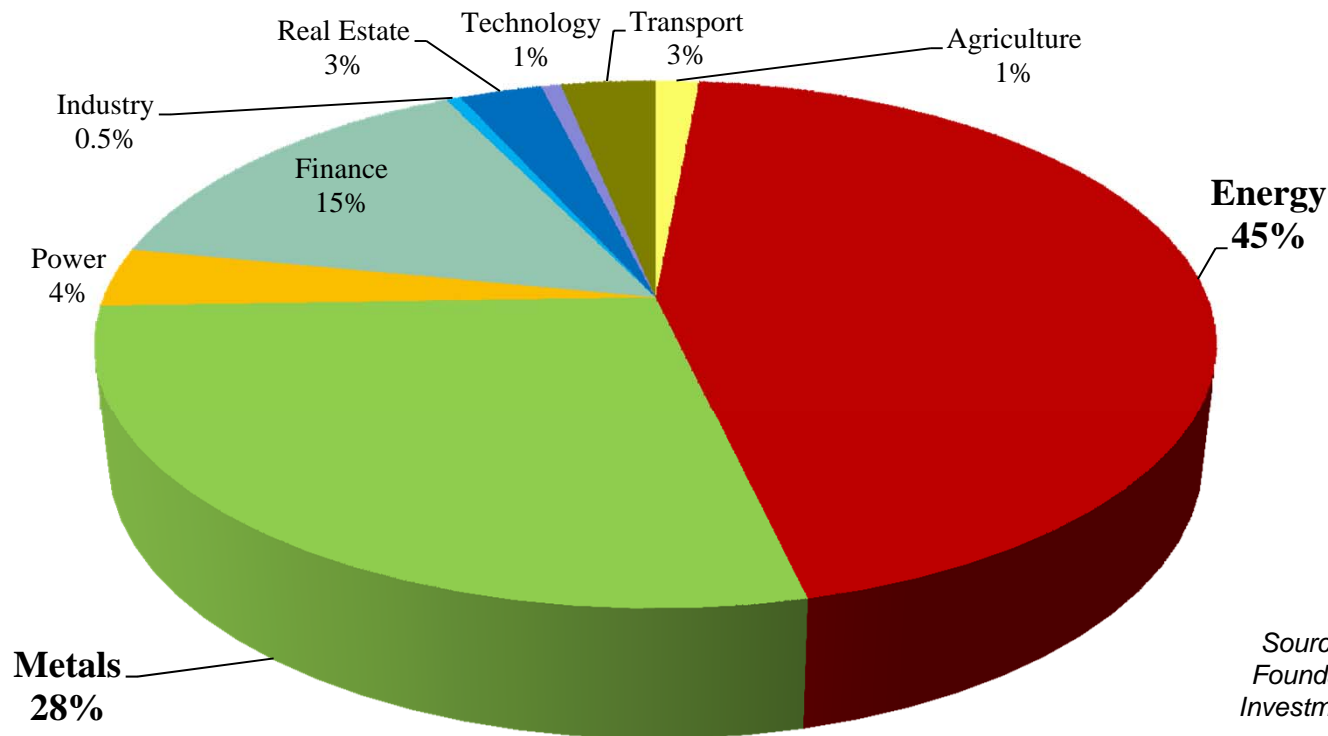
Source: UNCTAD data



Chinese investment – resource security the key driver



Chinese non-bond outward investment (valued at over US\$100m) from 2005-2010



Source: Heritage Foundation (China Investment Tracker)



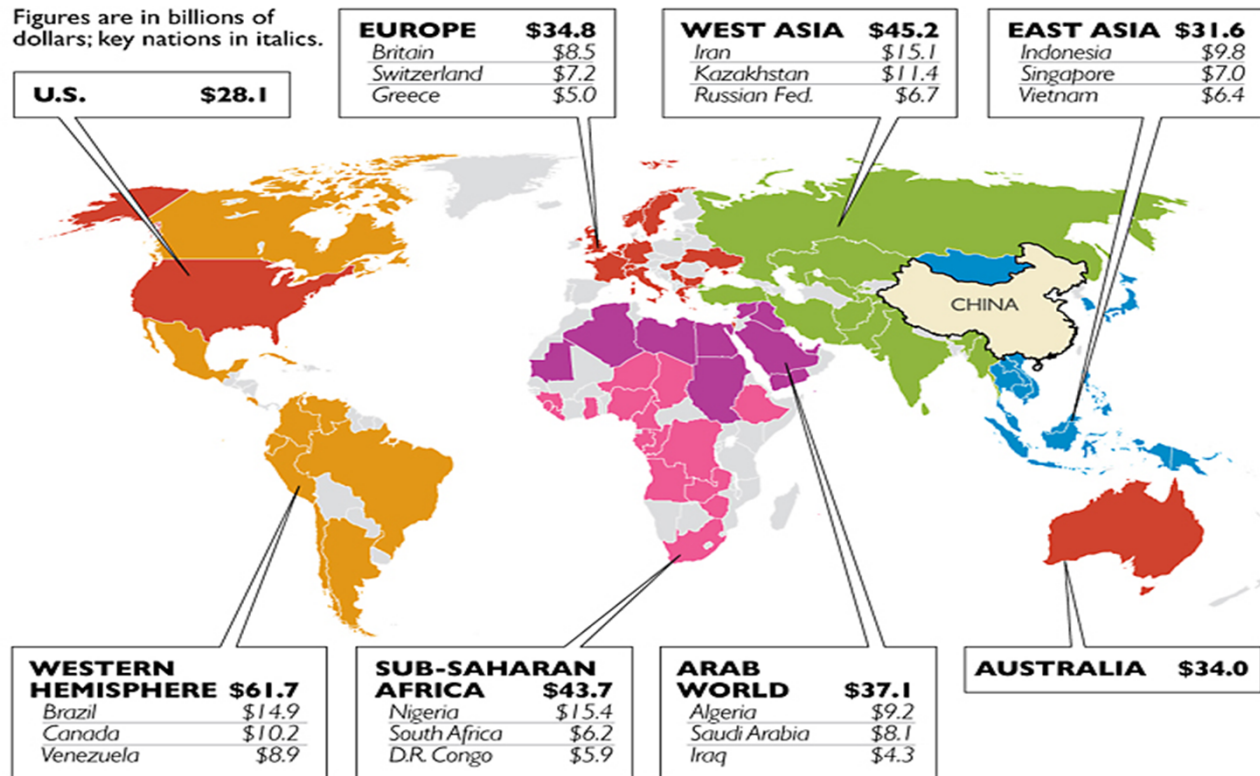
Chinese investment – Australia a prime destination



China's Worldwide Reach

The United States is second to Australia in drawing Chinese non-bond investment.

Figures are in billions of dollars; key nations in italics.



Source: Heritage Foundation dataset, China's Outward Investment: Non-bond Transactions over \$100 million, from January 2005 to December 2010, available upon request from The Heritage Foundation.

Map 1 • China Investment Tracker heritage.org

Source: Heritage Foundation





Risks remain

- Increasingly exposed to shocks from China
- 6.4 per cent of our GDP? (RBS paper)
- China moving towards a more sustainable, domestic consumption led growth model
- Small changes in the Chinese market can have huge implications elsewhere
- Understand the fundamentals and remain clear-sighted





Foreign Affairs and Trade

Thank you



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