

## **China Today and its Relations with Australia**

Fu Ying, Melbourne Mining Club Luncheon

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Melbourne Mining Club Patron Sir Arvi Parbo,  
Members of Parliament,  
The Steering Committee of the Melbourne Mining Club,  
Distinguished members and guests,  
Ladies and Gentlemen,

It is an honour and pleasure for me to be invited to speak to you.

I want to start by mentioning the latest visit by the Australian Governor General and Mrs. Jeffery to China. They were there during 12 to 20<sup>th</sup> October, and toured 5 cities in China. They even had some relaxed moments for a rugby game.

The high light of the visit was meeting in Beijing with the Chinese President Hu Jintao and Premier Wen Jiabao, who expressed high interest in expanding cooperation with Australia in economic, science and other fields.

Mr. Costello was also in China at that time for the G-20 Conference and he was invited to the dinner by President Hu Jintao in honour of Mr. and Mrs. Jeffery. During that occasion, Mr. Costello also had a

conversation with the Chinese President on the G-20 Conference and Doha Round.

It is interesting to note that, during that short period of Mr. and Mrs. Jeffery' s visit to China, many important events occurred.

Just before Their arrival, the mid-term Party Plenary Session drew to a close which adopted the guidelines of the 11<sup>th</sup> 5-year plan for China.

In the morning of the day they arrived, China launched another manned space ship and recovered it during their visit.

On the same evening of their visit to Shanghai, China opened the National Sports Games, the largest sporting event in China which was seen as a rehearsal for managing the 2008 Olympics.

During the day Mr. and Mrs. Jeffery were touring the terracotta warriors in Xian, I saw on newspapers that China completed the railway to Tibet which is the highest and most difficult endeavour. But it will significantly change Tibet' s isolation from the world and offer the Tibetan people an option for modern life.

Again, it was also during the visit, the G-20 conference was held for the first time in China, reflecting the importance the world is giving to China.

The fact that so much has happened in such a short period of time is a good demonstration of the intensity of development in China.

I will not dwell on all the events but focus only on one of them: the guidelines for the 11<sup>th</sup> 5-year plan.

China began to generate the first 5-year plan in 1953. Since we started reform, the five year plans have always been important guidance for economic and social development. They should also be a source of information for those who are interested in working with China.

In the guidelines for this 11<sup>th</sup> 5-year plan, there are some interesting new elements.

The aggregate GDP target is replaced by per capita GDP growth, to reflect the objective of turning prosperity of growth into tangible benefits to the people. The objective is to double the per capita GDP of 2000, from 800 US\$ to 1600 US\$ by 2010. There are even some specific targets such as increasing the housing space by 1 square meters per person per year. It may not sound impressive with Australian standard, but it is not a small number given China' s population.

Rural development was given priority and agricultural tax will be completely removed.

Some hard reform measures will be taken. For example, break through is expected in reforming the long monopolized industrial sectors. Banking reform will head towards share-holding system which will enable the banks to be listed.

There are also specific clauses on building political democracy and a harmonious society. Efforts will be made to introduce more transparency in policy-making and law enforcement.

Strong emphasis is given to environmentally friendly and sustainable growth. For the first time, per unit energy cost has been introduced into the GDP growth target, with a compulsory reduction of 20% per unit energy cost.

Generally speaking, there is keen realization in China about the importance of ensuring the supply of mineral and energy resources while economizing use of resources.

Now, let me spend some time on China's mineral and energy resources.

China's resources are both big and small. When I say they are big, it is because China has both big reserves and big consumption.

There are 171 varieties of minerals discovered in China and 158 of them with proved reserves. Their potential value ranks 3ed in the world, after US and Russia.

China' s output of raw coal, steel, over 10 non-ferrous metals and cement ranks the first in the world.

In terms of consumption, over 92% of the country' s primary energy, 80% of the industrial raw and processed materials are based on mineral resources. China' s consumption of coal, steel, iron ore, copper, aluminium and zinc is the largest in the world and the second for oil and electricity.

When I say small, I mean China has very limited resources in per capita terms, only 58% of the world' s average per capita share.

Take oil, gas, and boxed for example, China' s per capita share is only 4 to 10% of that of the world average.

China produces over 300 million tons of steel, the largest in the world. But in per capita terms, it is only about 230 Kg. The figure for both US and Japan is over 1 ton.

By 2010, only 11 out of the 45 main minerals China needs can be met with domestic supply. In the next 5 to 10 years, China would need to

import more than half of its need for iron ore, copper, nickel, aluminium, zinc and nickel etc.

To secure resources supply, China' strategy is to mainly expand domestic resources development while actively exploring opportunities overseas. Strong emphasis is also given to promoting more effective use of energy and mineral resources.

We have realized that low efficiency and low level of productivity are some of the reasons of high resources consumption. Clearly we need to reverse the pattern and adopt a new approach towards development. That is also why the new 5-year plan pays such special attention to energy saving projects as well as to up-grading productivity by greater technology input.

According to the mineral resource development strategy, we will, first step up resources exploration in China. Foreign investment will be drawn into the resources sector in the western part of China. By 2004, 6.8 billion US\$ had been invested in over 1500 projects in mineral exploration and processing. We expect the figure to grow.

Some of them are from Australia, including SINO Gold Limited, WMC (now Bhp. Billiton), and Michelago etc. in gold, nickel, copper fields.

Second, we will explore opportunities to acquire resources from overseas in the forms of taking equity, entering into joint ventures, and making long-term contract as well as spot purchases.

China already has quite a few successful projects here in Australia. I hope there will be more in the future as I could see that the interest is high.

The third is to explore alternative energy. Take nuclear energy for example, it now takes about 2 % of China' s energy mix and is expected to grow to 4 % by 2020.

Australia is one of the options for China to import uranium for which we would need to first negotiate an agreement on peaceful use of nuclear energy. For realizing such a deal, we also need to have reliable supply and favourable political environment.

Now let me turn to the bilateral relations.

Our political relations are warm as seen from the busy traffic of visitors both at the political level and at the people to people level. From the Australian side, in addition to the visit by Governor General, we had the visit by the Prime Minister last April, and quite a number of Federal Ministers and Shadow Ministers as well as State Premiers and Chief Ministers.

From the Chinese side, the Chairman of the National People' s Congress Mr. Wu Banguo visited Australia. There are also dozens of important delegations from both the central and provincial governments who have visited here. Australia is seen as having good experiences for us to learn from and many delegations come to study your practice and experience in, i.e. managing the macro control and regulating the market. There is also interest from China in Olympic related programs.

Chinese tourists are pouring into Australia. Last year 220 000 Chinese visited Australia. According to Australian Tourism agency, the figure will grow to 1.3 million by 2014.

China has become the largest source of international students for Australia. There are 70 000 students from mainland China which take up 21% of your international students.

Cultural and art exchanges are active. That is also an area I enjoy promoting. In the coming year, we are planning a series of programs under the flag of Chinese Cultural in Australia. They include Raise the Red Lantern by China Central Ballet, China Fouke Music Show etc. Beijing Olympic Exhibition will be opened in April in the Sydney Olympic village and then move to other states.

Science is another area of interest. Many Chinese companies are looking for opportunities to take the research results here into

commercial production in China. The Embassy is serving as a bridge helping to form cooperation relationship.

Recently I have initiated the Grassland Management and Restoration Project, using a successful model from Australia to help control the grassland degradation in China. A working group meeting will be held this week in Canberra and will be followed by a forum in China early next year to work out details of the project.

Of all the exchanges, trade growth is the most robust. We have now grown to your second trading partner. In 2004, the bilateral merchandise trade was 26 billion Au\$. In this year the pace of increase is 36.4% and we expect it to grow to 35 billion Au\$.

Two-way investment is growing fast too. There are already 6700 Australian invested projects in China. All the major banks in Australia are moving into China's financial market, buying shares of Chinese banks.

There are 270 China investment projects here in Australia, mostly in the resources sector. They include the Channar and BaoHi Ranges Iron Ore, Portland Electrolytic Aluminium Plant, HiSmelt in Perth and Southland Coal etc. One of China's biggest private companies Hua Wei, a telecommunications equipment manufacturer, has now set up its office in Melbourne.

Over the past month, I received information about two more major projects: Chemchina' s purchase of Qenos Polythene Company and China Steel' s contact with Midwest Corporation on Iron Ore exploration.

Having said all that, our relations are not without Challenges. We need to manage the rapid expansion and make sure our relations grow in a healthy manner.

One example is the after sale services with dairy cows. China bought 40 000 dairy cows from Australia in 2003 and 70 000 last year. This year it fell to 30 000. I heard a lot of discussion in China about the need for services from Australia.

I understand there are Australian technicians working in China, but I hope the government and industry will consider the possibility of setting up more regular after sale services arrangement.

Iron ore price is another source of concern in China. The steep rise in the negotiated price for this year gave rise to much concern and debate in China both at the government level and among the public.

Now China has become the largest buyer for iron ore and it also takes up major share of the global increase in iron ore demand.

In the first 9 months of this year, China has bought about 82 million tons from Australia, about half of Australia's export.

From my conversation with the Chinese and Australian trading partners, they certainly both want to see the trend moving in their own

favour, but they also realize that a good way to sustain the business is to let both sides take benefit.

Thank you for your attention.