



Is Australia's economy too dependent on China?



CIBEL Lunch Seminar

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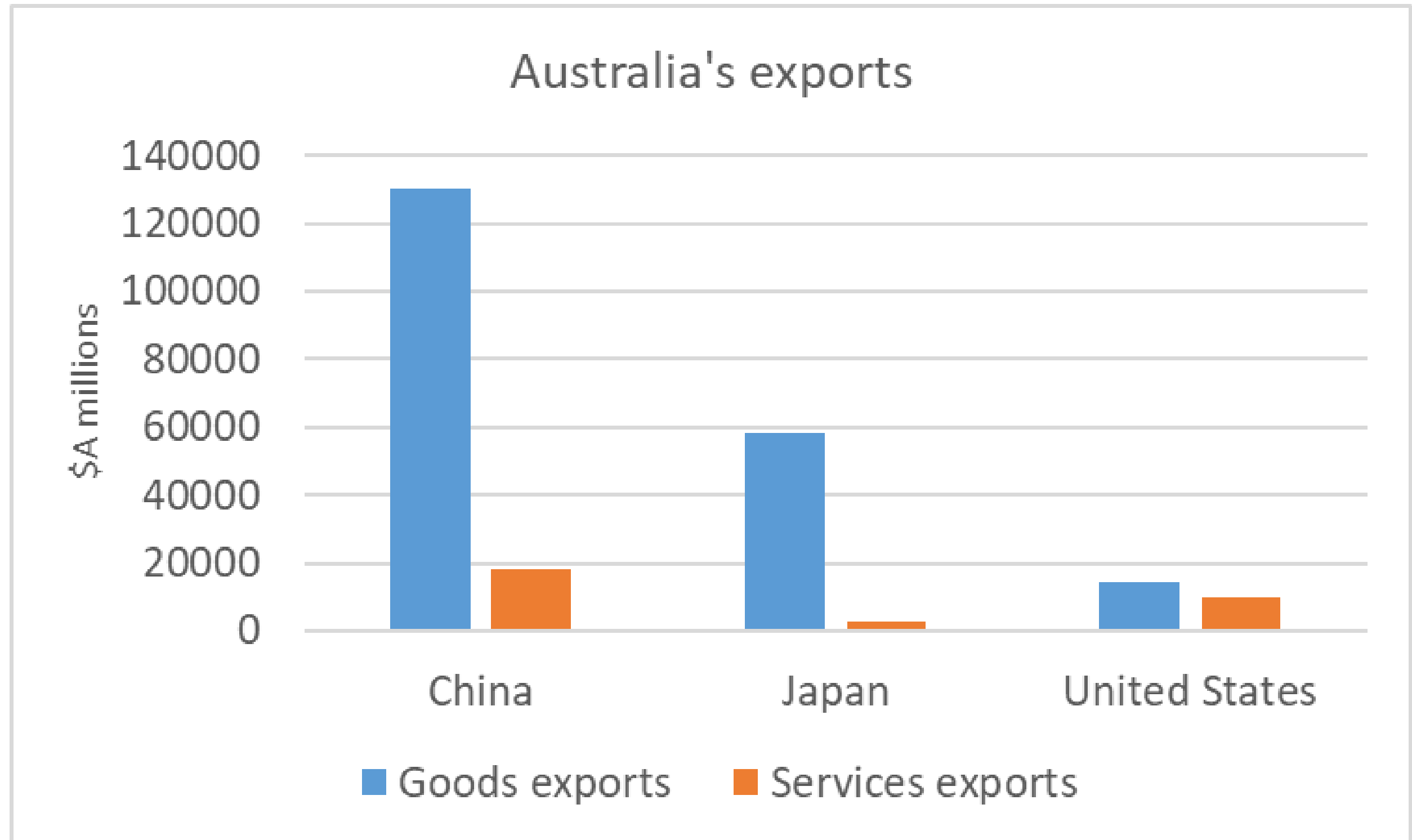
UTS

FEAR OF ABANDONMENT

AUSTRALIA IN THE WORLD SINCE 1942

ALLAN GYNGELL





“It’s a mistake whether you are a country, or a company or an individual to put...all your eggs in the one basket.”



“What to do about this? As with any area of risk, the simplest response is to diversify. That’s why Australia must look to fast-growing markets such as India and Indonesia.”



“I’m sure we’d love to export vast quantities of iron ore to the United States but they’ve never shown any enthusiasm in buying them.”







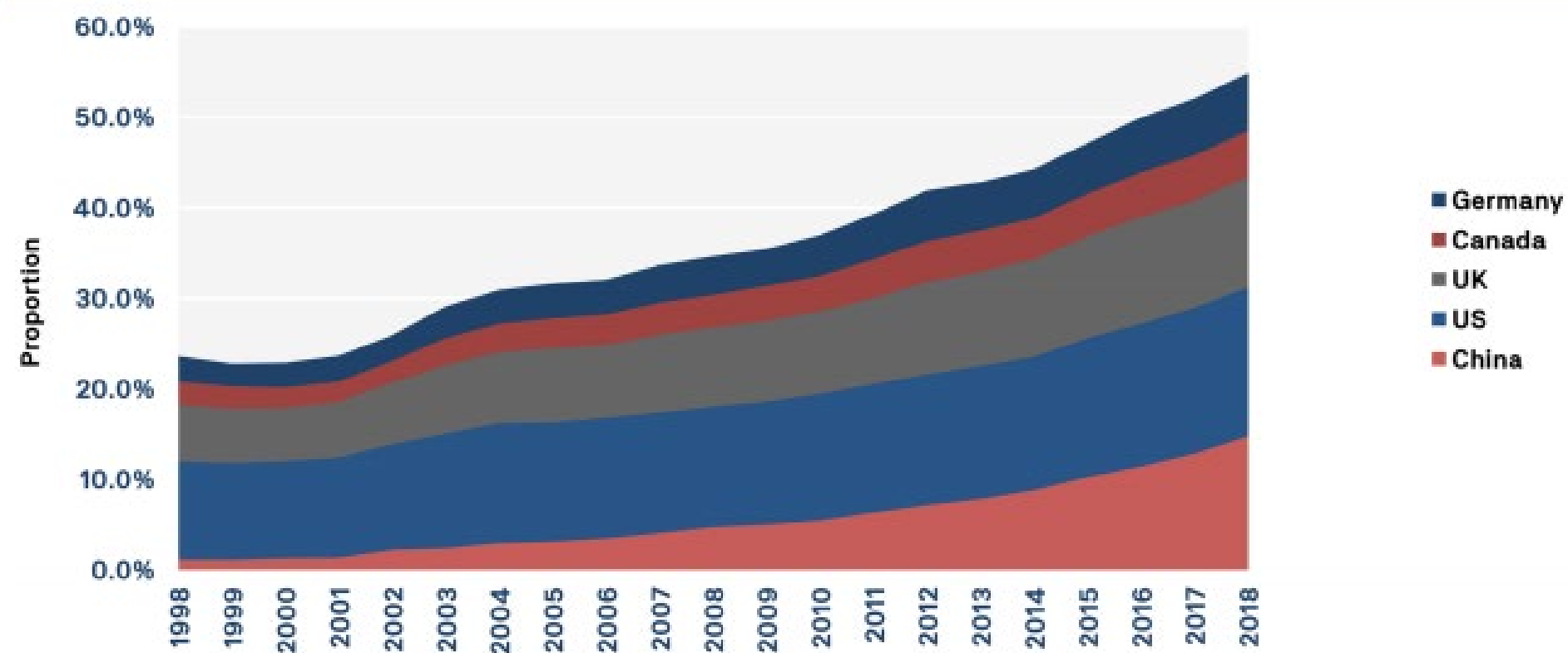
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Working paper

Partners in knowledge creation:
trends in Australia-China research
collaboration and future challenges

James Laurenceson and Michael Zhou
July 2019

Figure 2. Number of articles with collaborating country (proportion of Australian total per year)



Source: Scopus (2019)

New purchasing power added to China's economy

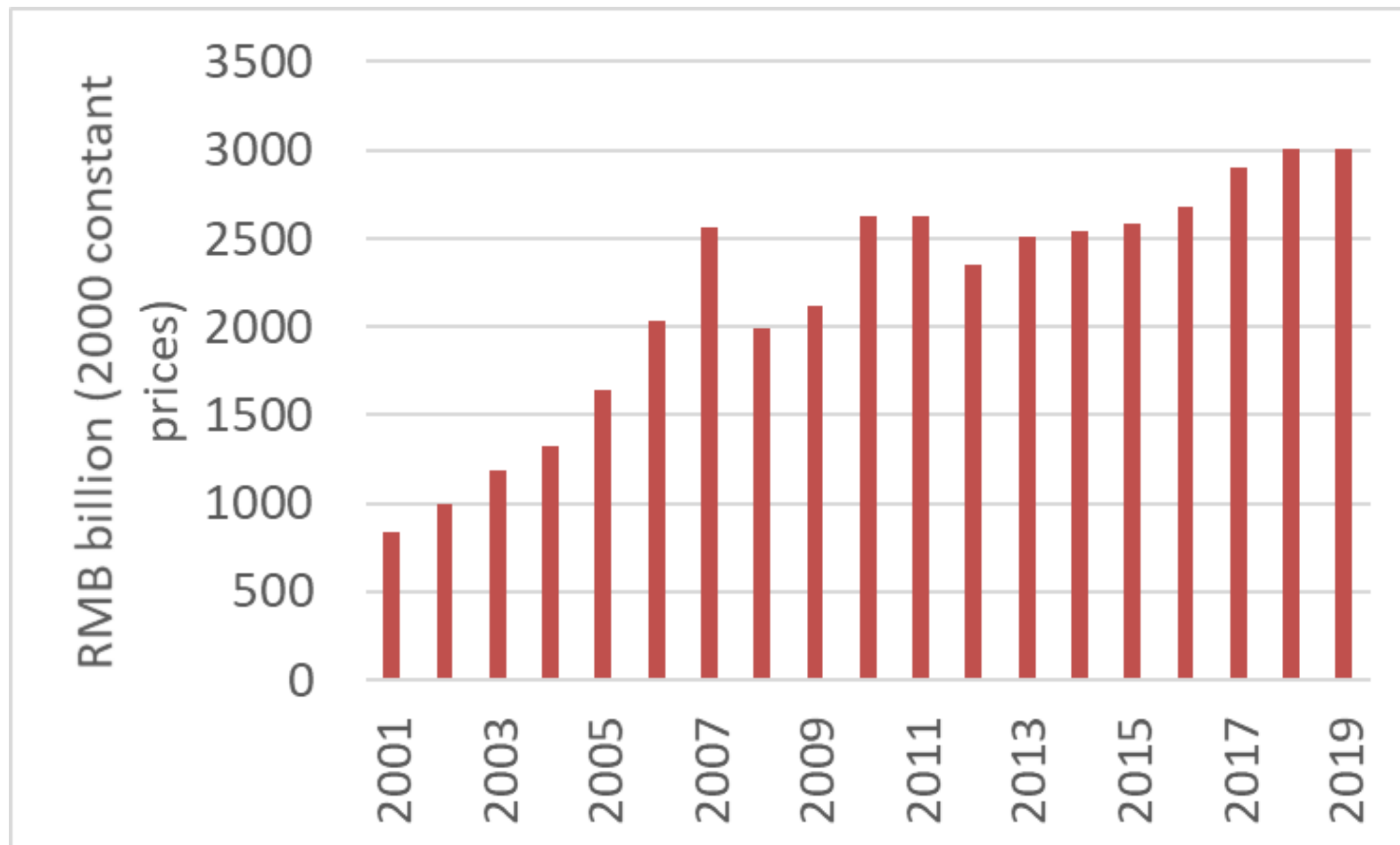
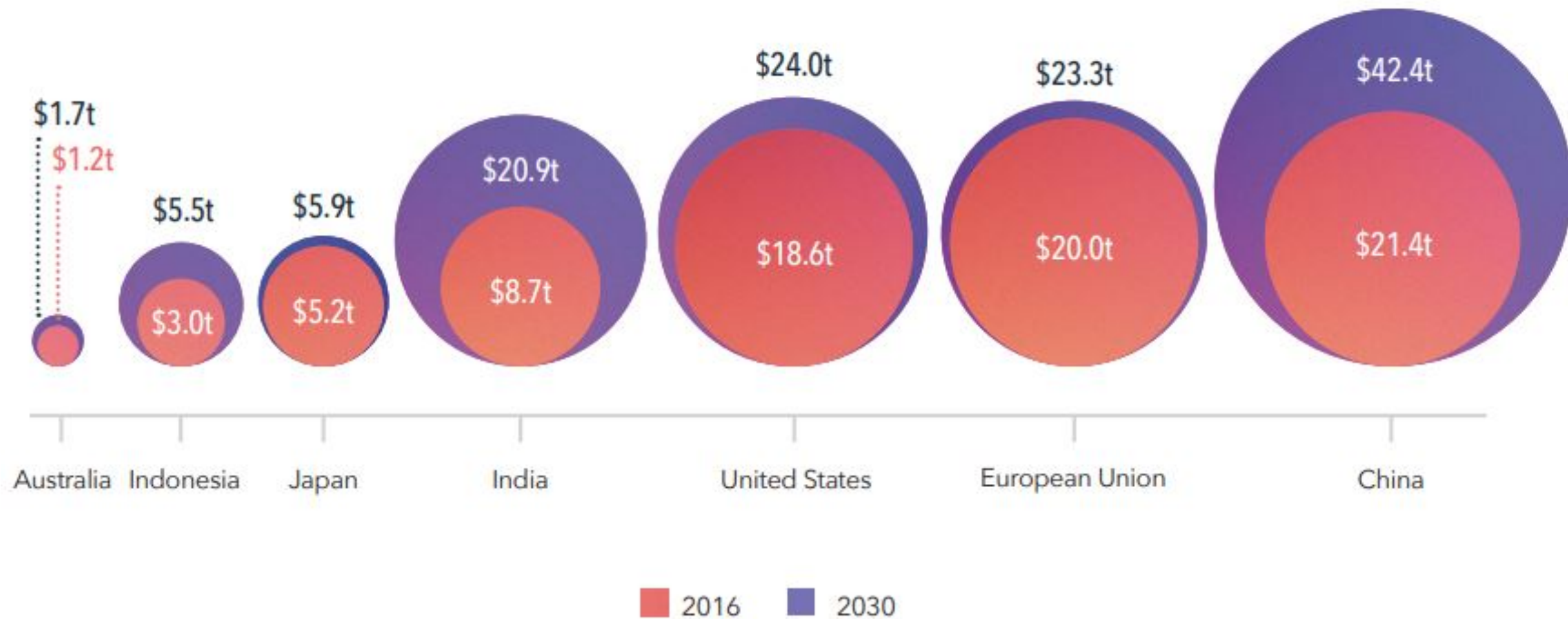


Figure 2.4 GDP forecasts to 2030



Source: Treasury (Australian projections consistent with the 2015 Intergenerational Report)

Note: Figures are in 2016 US\$ trillion, converted on a PPP basis; Australian forecasts are for 2015-16 and 2029-30

“...it’s only the Federal Government which is able to explain [to States, businesses and universities] why there should be limits to building economic dependence on an authoritarian state focussed on being a dominant military power.”

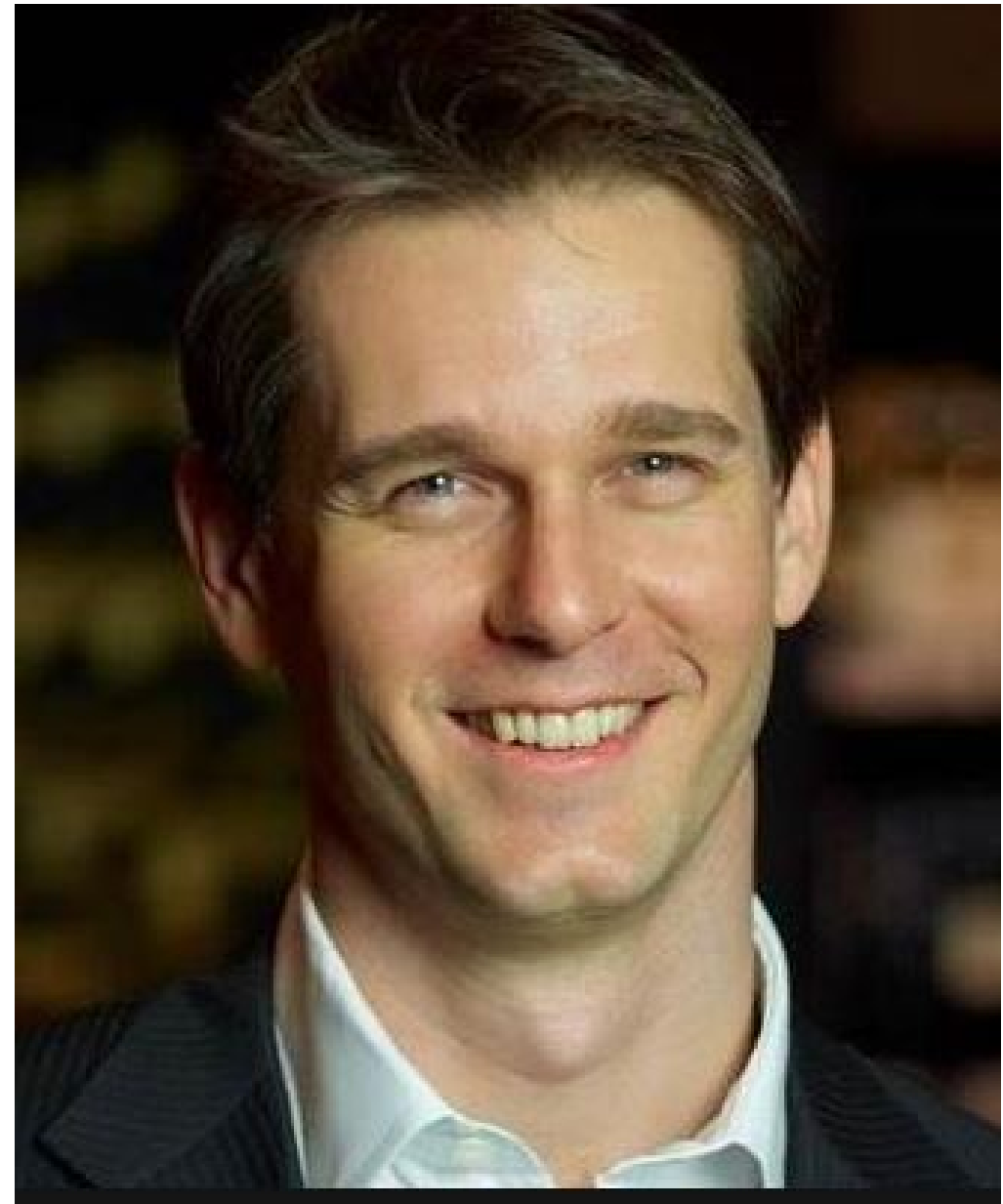


“As the economic relationship between our two countries deepens, developments in China are having a material impact on more and more Australian industries.”



Never forget; if China goes down hard, there's a good chance Australia will too” – Jacob Greber

“The one thing everyone agrees on – including the Chinese themselves – is that the investment-led growth model cannot continue. This is the critical point for Australia. Whichever path China takes, the resources-intensive investment boom will slow down, with consequences for our exports”.



“We’ve never had a greater dependency with any country...The risk that creates for us is if Beijing wants to adopt politically coercive policies, it’s in a fairly strong position to do so with us because of that level of trade dependence.” — Peter Jennings



“China is not the only power that seeks to exert influence through economic engagement. But as an authoritarian state, it is different in notable ways...China also tends to link its commercial and political demands on other countries...” — Rory Medcalf

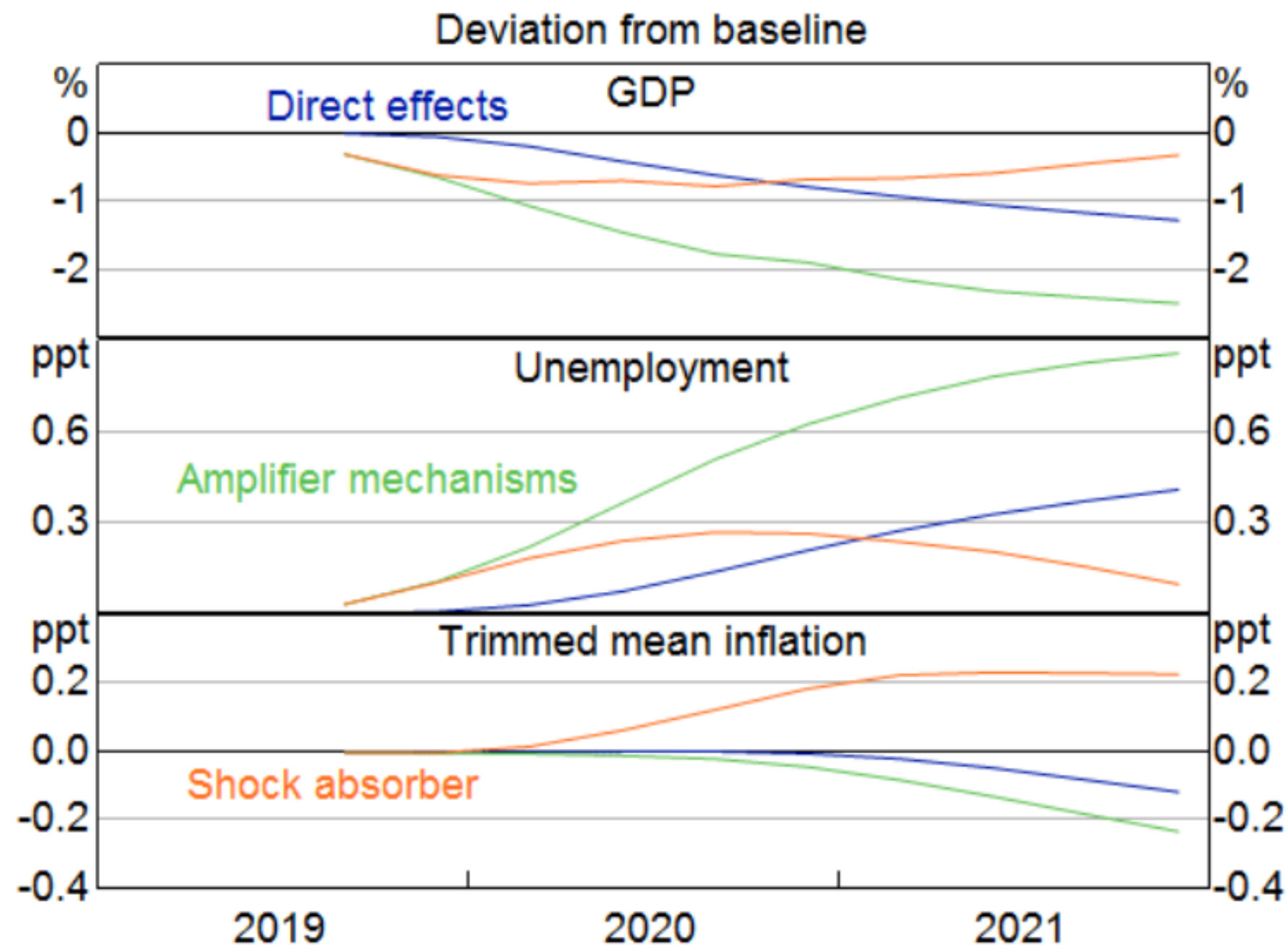
Table 1. Literature summary: the impact of a Chinese economic slowdown on Australia

Chinese shock	Study	Australian response	
		Short-run	Long-run
A fall in China's GDP by one per-cent...	Cashin, et al. (2016) Dizoli, et al. (2016) Karam and Muir (2018)	Fall by 0.1 percent Fall by 0.2 percent Fall by 0.1 percent	n/a n/a Fall by 0.04 percent
A fall in China's GDP growth by one percentage point (pp)...	Inoue, et al. (2018) Groenewold (2018)	Fall by 0.06 pp Fall by 0.05-0.08 pp	Fall by 0.045 pp Fall by .14-.19 pp

“While not trivial, given Australia’s current growth rate, these estimates are hardly enough to justify prophecies of doom.” – Nicolaas Groenewold

Graph 14

Australian Domestic Effects – China Slowdown Scenarios



Source: RBA

**Figure 34: Relative Impact of Chinese Rebalancing
on Trading Partners**

Share of exporter's gross value added

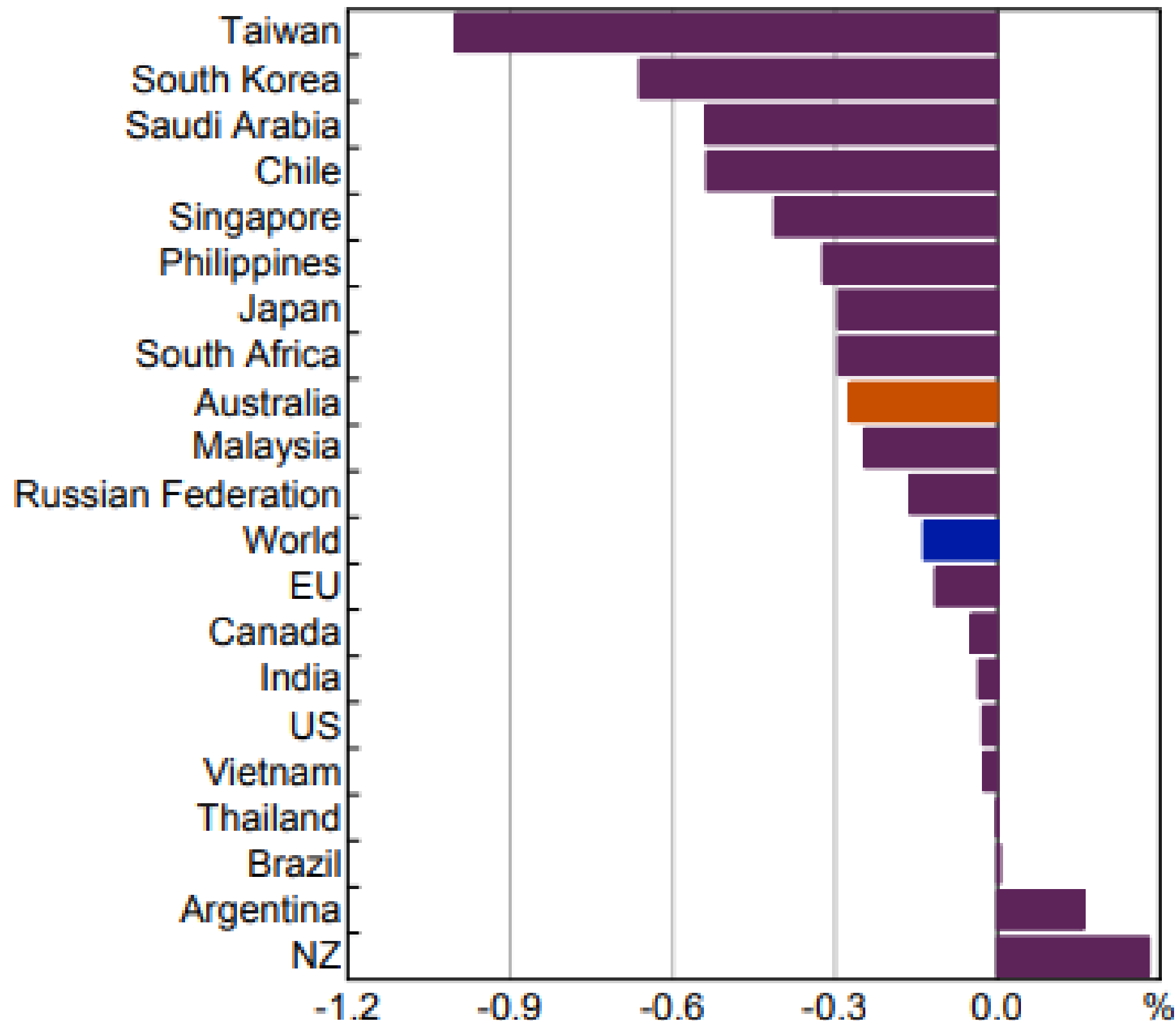


Table 1. Key trade indicators						
	Latest available figure	Percent change one month ago (annualised in brackets)	Percent change six months ago	Percent change one year ago	Percent change three years ago	Percent change five years ago
Total goods exports (\$ billion) ³	138.3	3.2 (46.4)	15.9	29.3	85.1	52.4
Mining (\$ billion) ⁴	89.5	4.5 (70.1)	19.9	25.4	77.8	25.1
Non-mining (\$ billion) ⁵	27.6	1.2 (15.1)	3.9	22.8	42.9	90.4
Confidential/not classified (\$ billion) ⁶	21.2	0.6 (7.2)	16.7	61.8	317.3	352.6
Iron ore (\$ billion) ⁷	66.8	5.7 (94.9)	28.8	33.5	71.1	17.2
Iron ore (kilo tonnes) ⁸	655,221	-0.3 (-3.9)	-2.6	-4.2	5.4	32.7
Coal (\$ billion) ⁹	14.5	2.4 (33.6)	-0.2	9.0	156.2	59.5
Liquefied gas (\$US billion) ¹⁰	13.9	2.0 (27.0)	18.8	66.2	480.8	2066.0
Food, live animals, beverages (\$ billion) ¹¹	9.0	3.5 (50.4)	21.2	30.9	104.8	188.6
Services exports (\$ billion) ¹²	17.9	-	-	13.1	62.7	139.0
Tourist arrivals (million) ¹³	1.43	-0.2 (-2.6)	-1.9	0.3	22.2	82.4
Commencing students ¹⁴	68,888	-	-	-1.2	24.4	60.9
Chinese stock of direct investment in Australia (\$ billion) ¹⁵	40.1			4.5	12.3	71.7
Total good imports (\$ billion) ¹⁶	78.5	0.7 (9.0)	3.3	14.2	29.4	56.2
Services imports (\$ billion) ¹⁷	3.4			16.5	31.9	46.9
Australian stock of direct investment in China (\$ billions) ¹⁸	13.5			1.9	-2.5	-

“Coercive economic measures have been a longstanding tool of American foreign policy, dating back to the early 19th century...

Coercive economic measures are now a central tool of U.S. foreign policy.”

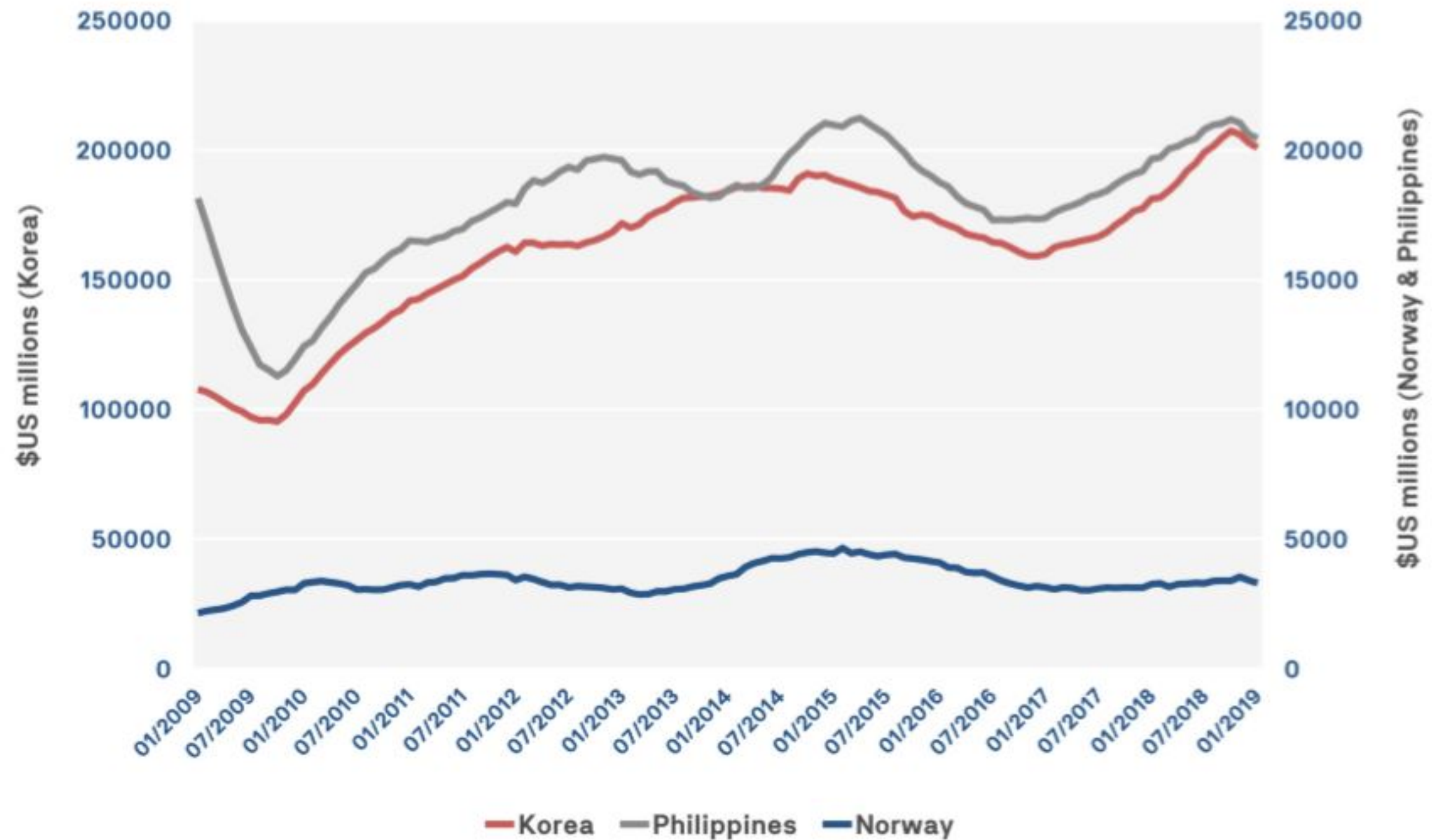


**Economic Dominance,
Financial Technology, and the
Future of U.S. Economic Coercion**

Peter E. Harrell and Elizabeth Rosenberg

With David S. Cohen, Dr. Gary M. Shiffman,
Daleep Singh, and Adam Szubin

Figure 5. China's merchandise imports, selected countries



Source: CEIC Data (2019)

“...while egregious, the possibility of [being targeted] is essentially a sovereign risk, a contingency familiar to all Australian companies with international operations. If an Australian company chooses to avoid dealing with China based on their risk evaluation, then it is ultimately China that loses...”



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