

Up and Up!

Chinese medicine keeps Australia's economy healthy

The relationship between China and Australia will endure as strongly as ever after the media frenzy surrounding the Beijing Olympics and the current crisis in Tibet die down. It has to, because both countries are so dependent on each other.

Last year, China became Australia's biggest trading partner, overtaking Japan and the USA for the first time. This is extremely important, because both the American and Japanese economies are stagnating, while China's is growing faster than any other country in the world.

A few years ago, China's huge population of 1.3 billion was simply regarded by the developed world as cheap labour. Production shifted from western countries to make China the world's factory for cheap mass produced goods. In effect, the west was exporting jobs and importing commodities. For example, China produces 50% of the world's buttons and more than 50% of America's clothing.

But within a single generation, China has surged ahead into more sophisticated manufacturing and has overtaken the USA to become the world's largest exporter of IT and communications products. It also has its own thriving IT industry, designing new products as well as manufacturing and assembling for international brands.

For Australia, China is our shield against the effects of a world-wide recession that appears to be inevitable in the face of a stagnating US economy. China needs Australian iron ore, coal, wool, copper and crude petroleum to keep on growing. Australia needs low cost Chinese imports to keep consumer prices affordable.

The statistics are fairly mind boggling. In its push for growth and modernisation, China is consuming more than half of the world's concrete and steel and will construct more than half of the world's new buildings over the next decade.



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In its hunger for electrical power, China consumes more coal than Russia, India and the USA combined. In the three years between 2003 – 2006, world coal consumption increased as much as it had in the 23 years beforehand and China was responsible for 90% of this increase.

Will China be affected by a world downturn that reduces demand for its manufactured exports? Possibly, but this could well be offset by increased consumption inside China, which has the world's fastest growing middle class. By 2020, the Chinese middle class will have grown from 100 million to 700 million people. Car ownership will surge by 65% this year, and China's booming population of internet users has already soared to 221 million, tying with the United States for the biggest number of people online.

A growing middle class in China is a real positive for the Australian economy, with Chinese consumers striving to achieve living standards that are the norm in more developed countries. There will be major opportunities for quality Australian food producers and also for our tourism and hospitality industry. China's economic relationship with Australia should continue to be good news for all of us.

These statistics are drawn from 'The Last Empire: Can the world survive China's rush to emulate the American way of life?' Mother Jones, Dec 2007.