

# BHP Billiton – Building Long Term Relationships with China

ABARE Conference – China's Resource and Manufacturing Future

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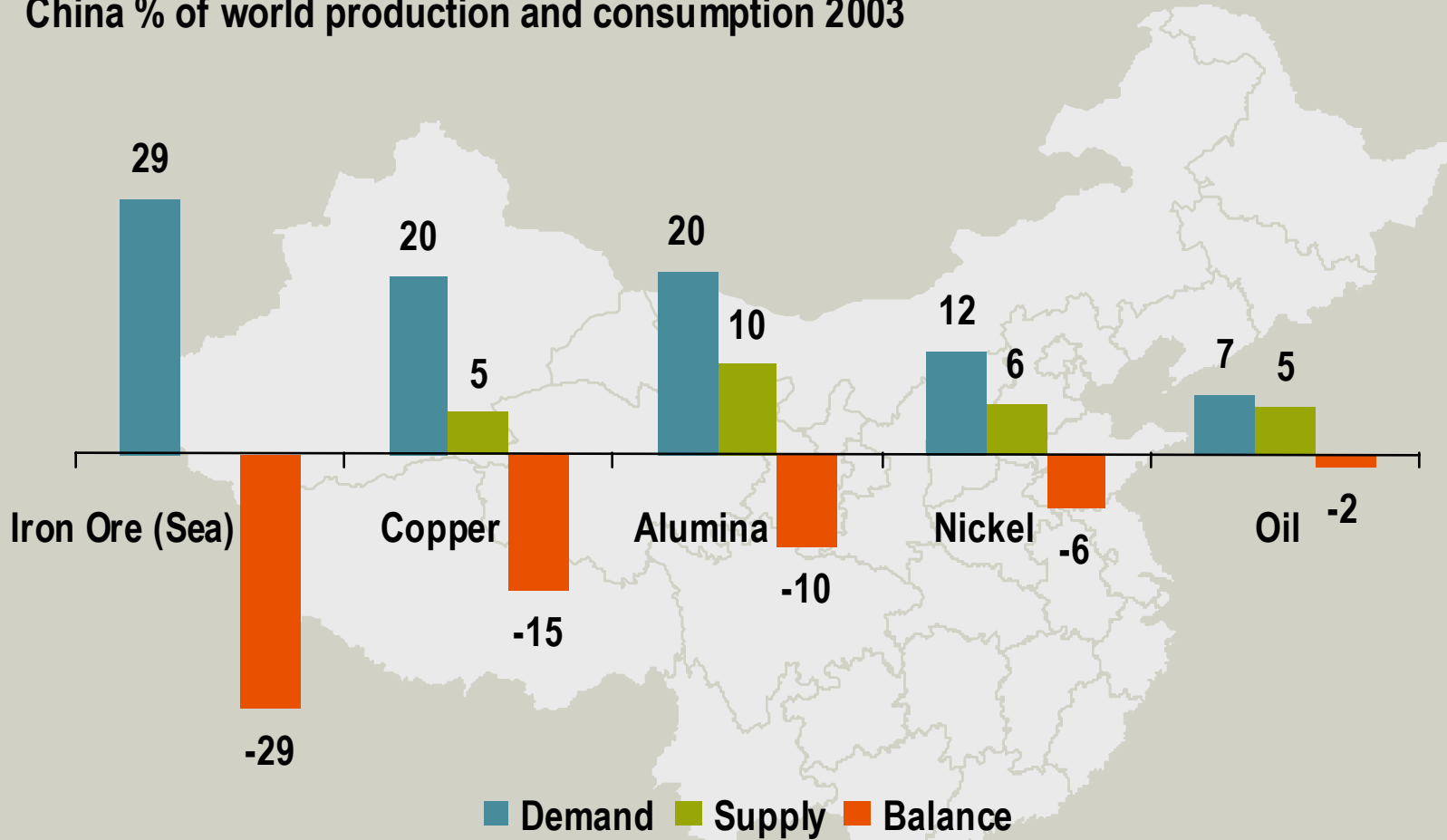


# China – Driving global raw materials growth

- We expect China to be a large, sustainable, consumer of imported raw materials
- Consumption, as % of world total doubles each decade
- Urbanisation and associated infrastructure is the key driver
- The growth is not a short term phenomenon
- While short term spikes may exist, we expect supply to meet demand

# China is a large consumer but short of resources

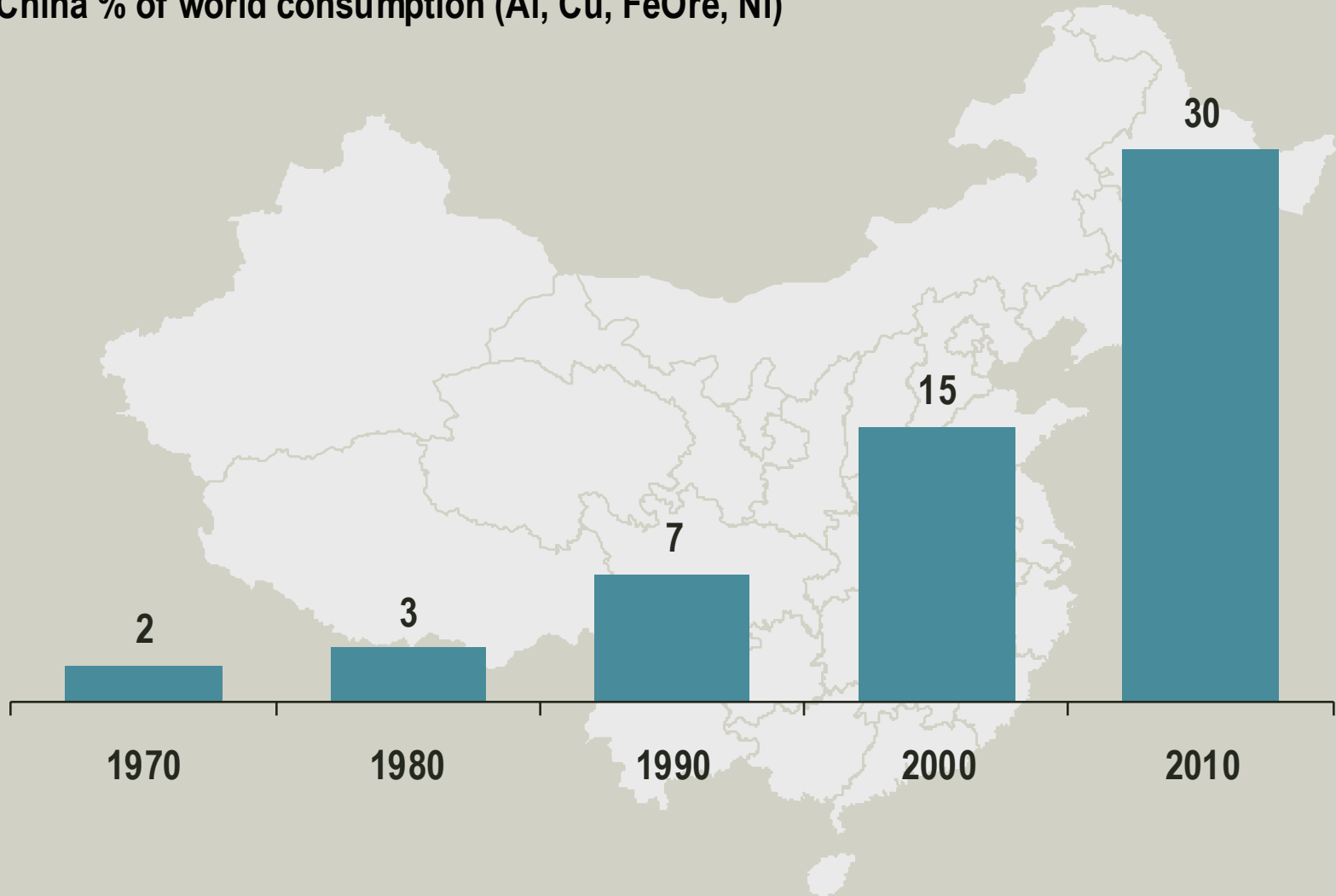
## China % of world production and consumption 2003



Source: CRU, IEA, BHP Billiton

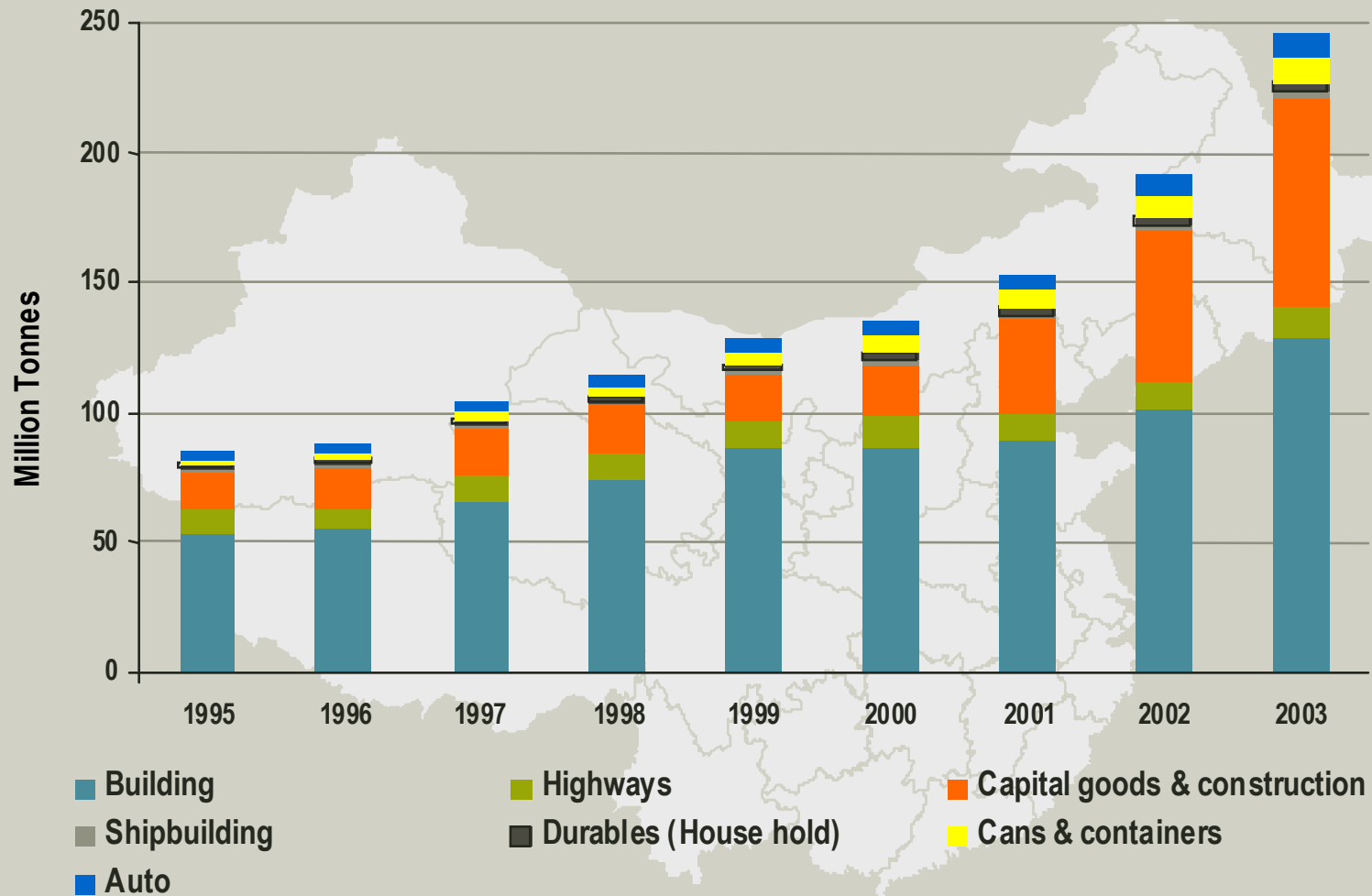
# Consumption, as % of world total doubles each decade

## China % of world consumption (Al, Cu, FeOre, Ni)

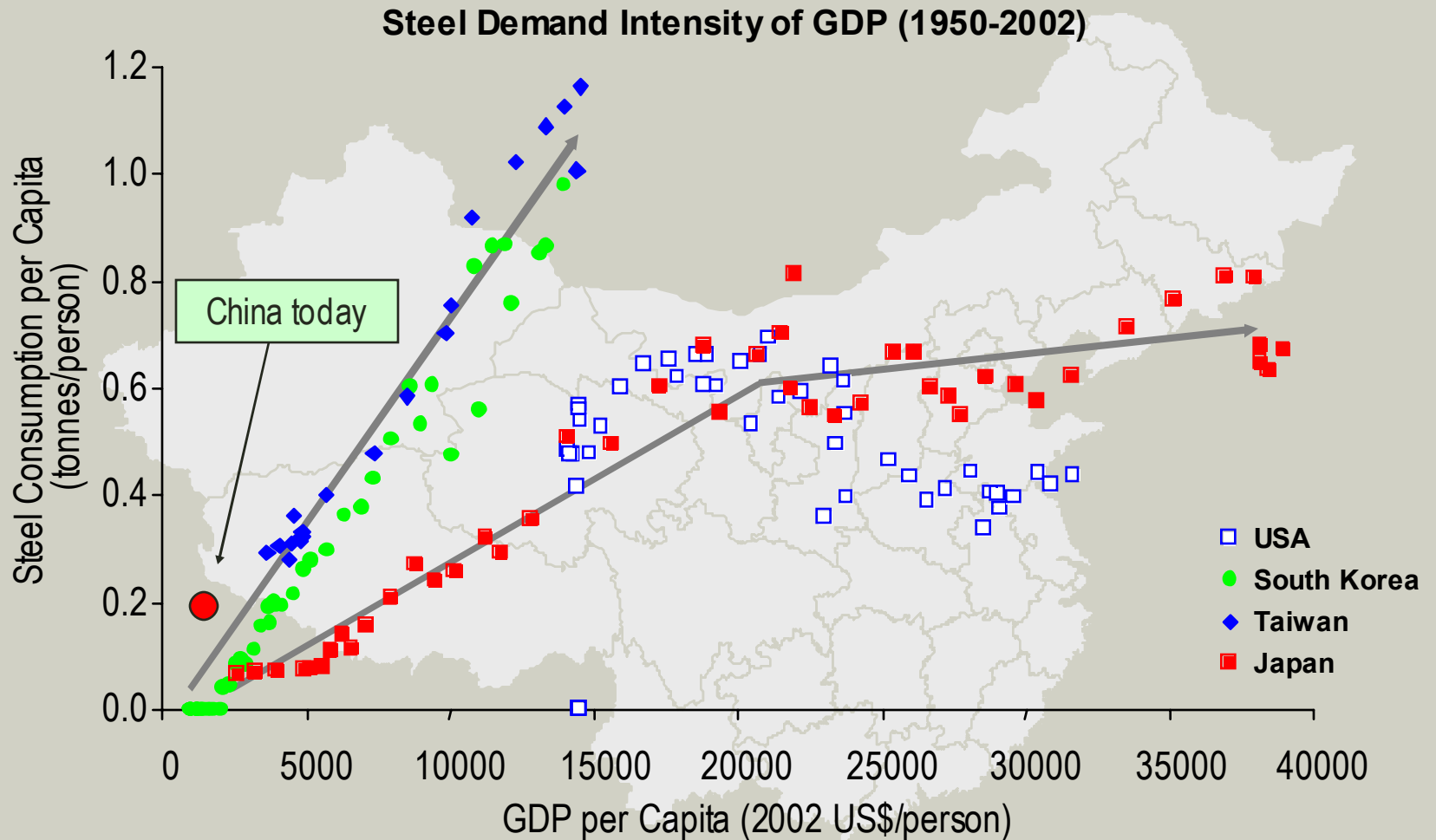


Source: Macquarie Research

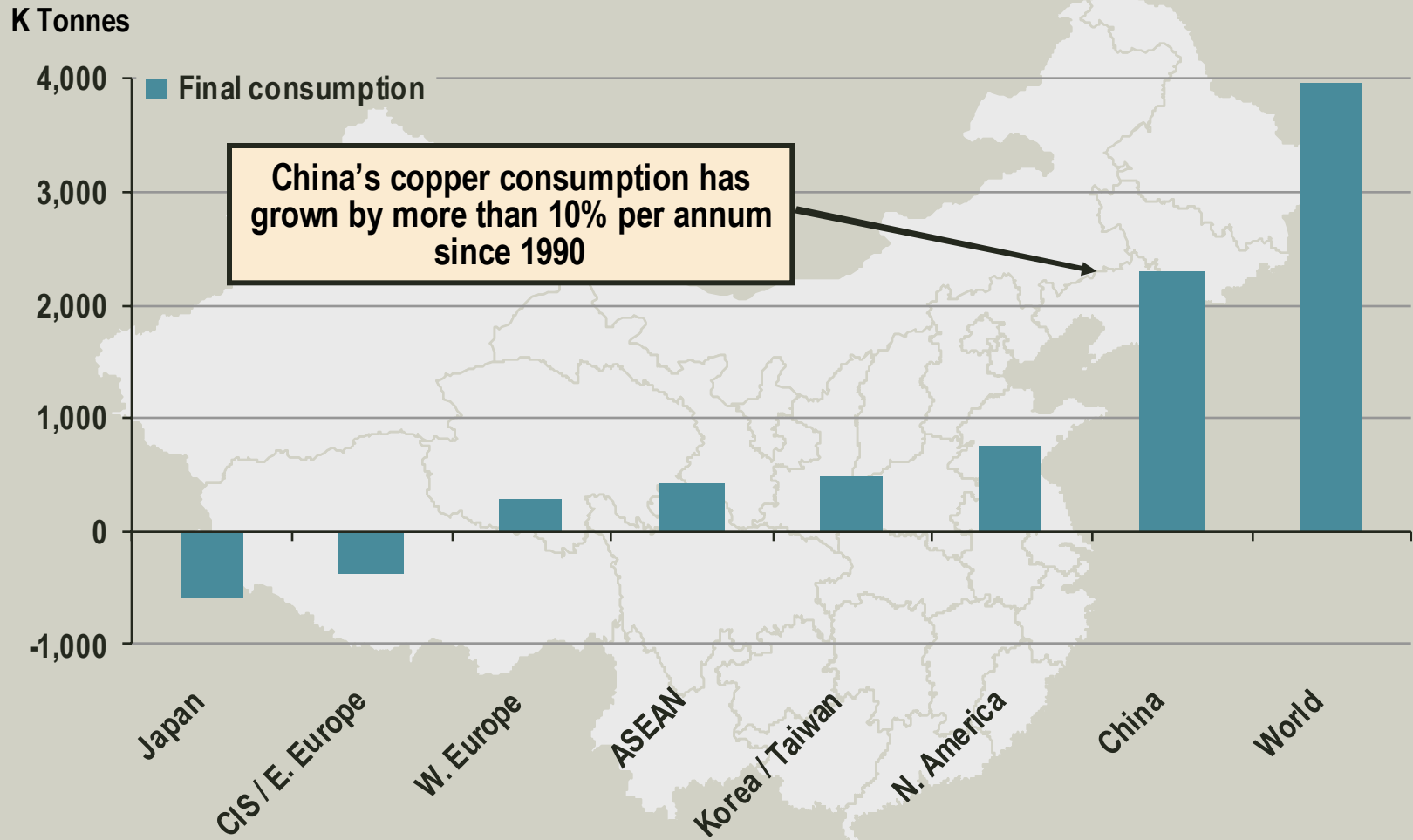
# China – steel consumption by sectors



# China is still only in the early stages of modernisation. Steel demand – which path will China take?

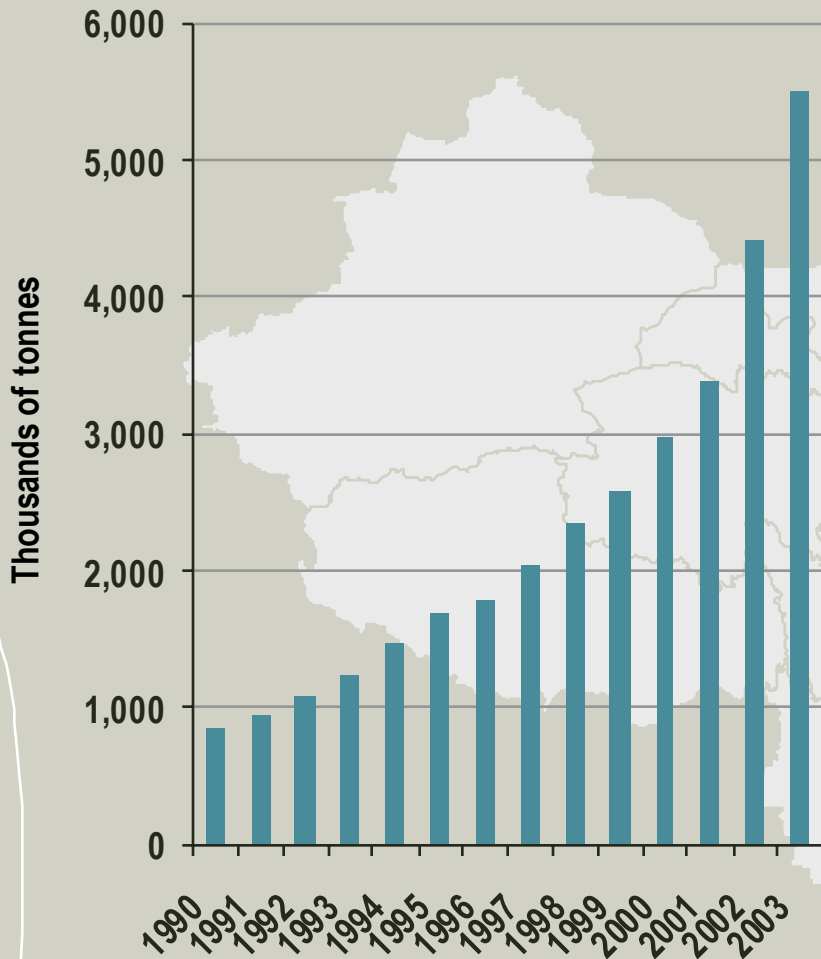


# China's copper demand growth from 1990 to 2002

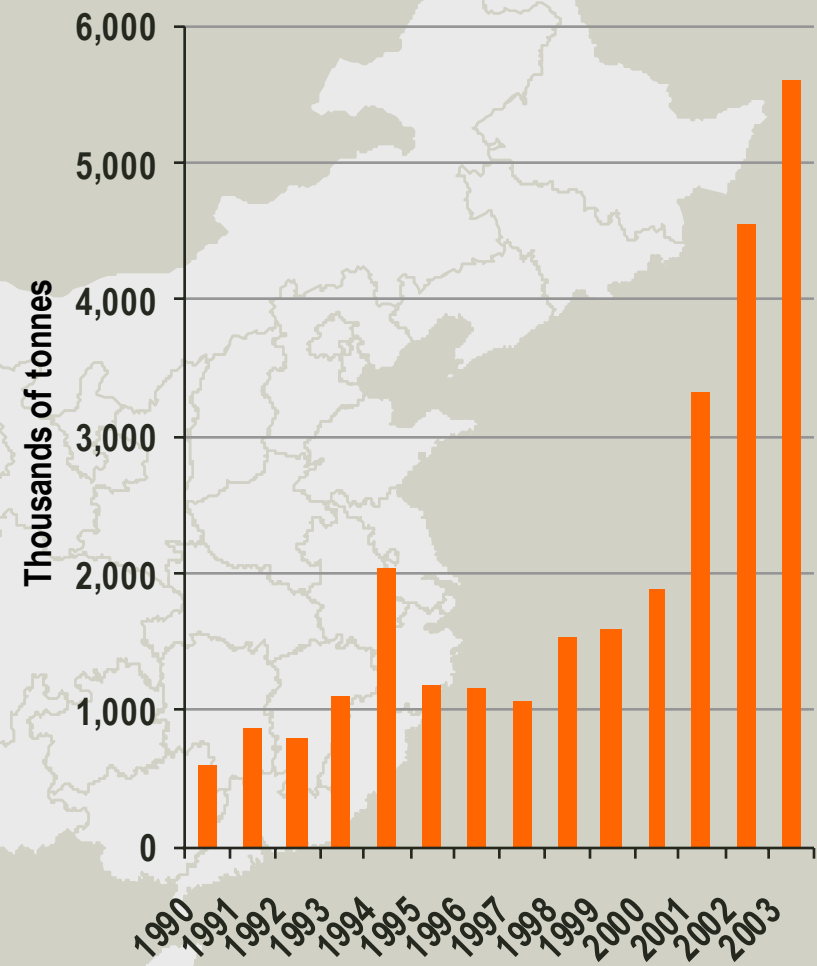


# Chinese aluminium production vs. alumina imports

## Aluminium Production



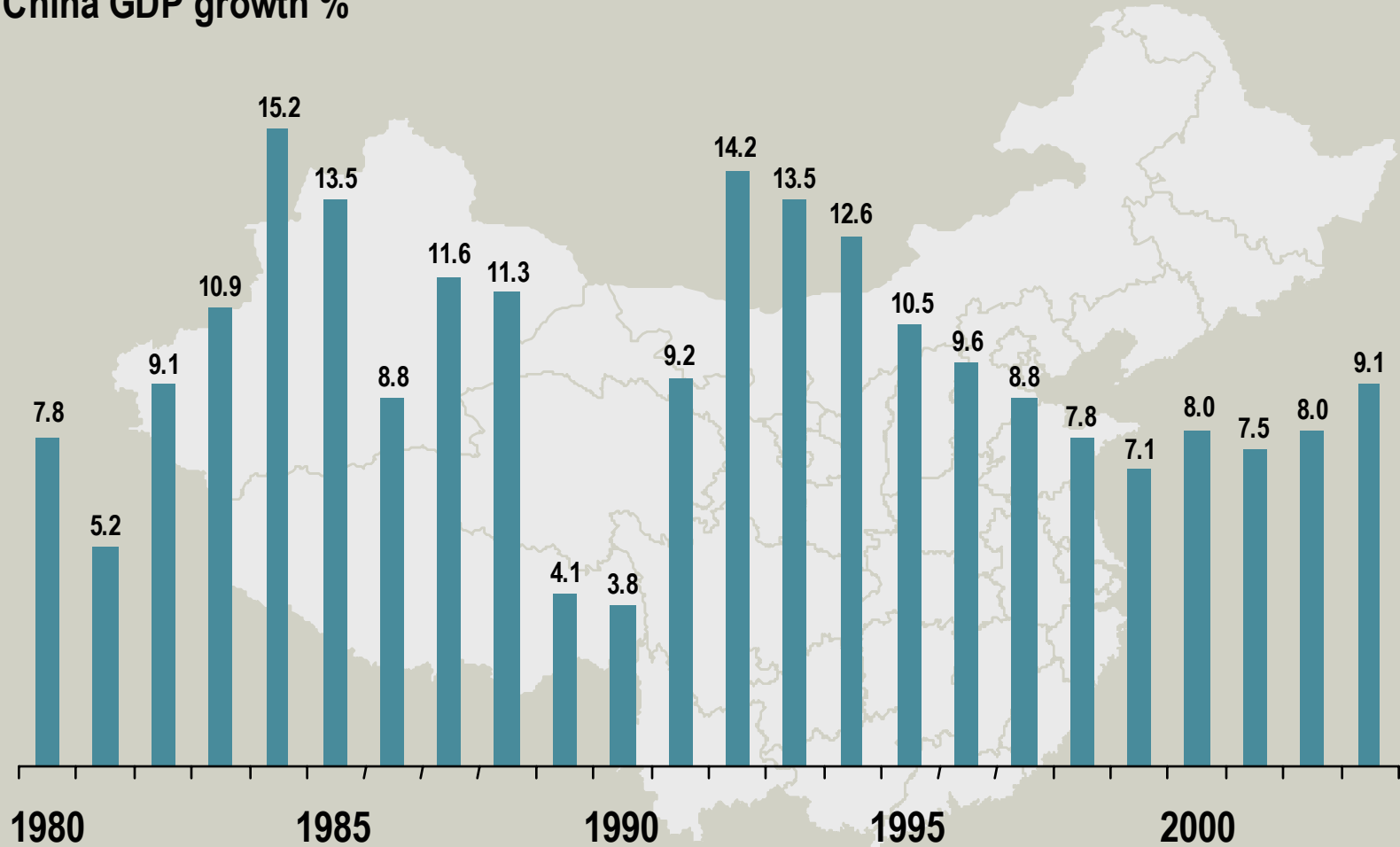
## Alumina Imports





# The growth is not a short term phenomenon

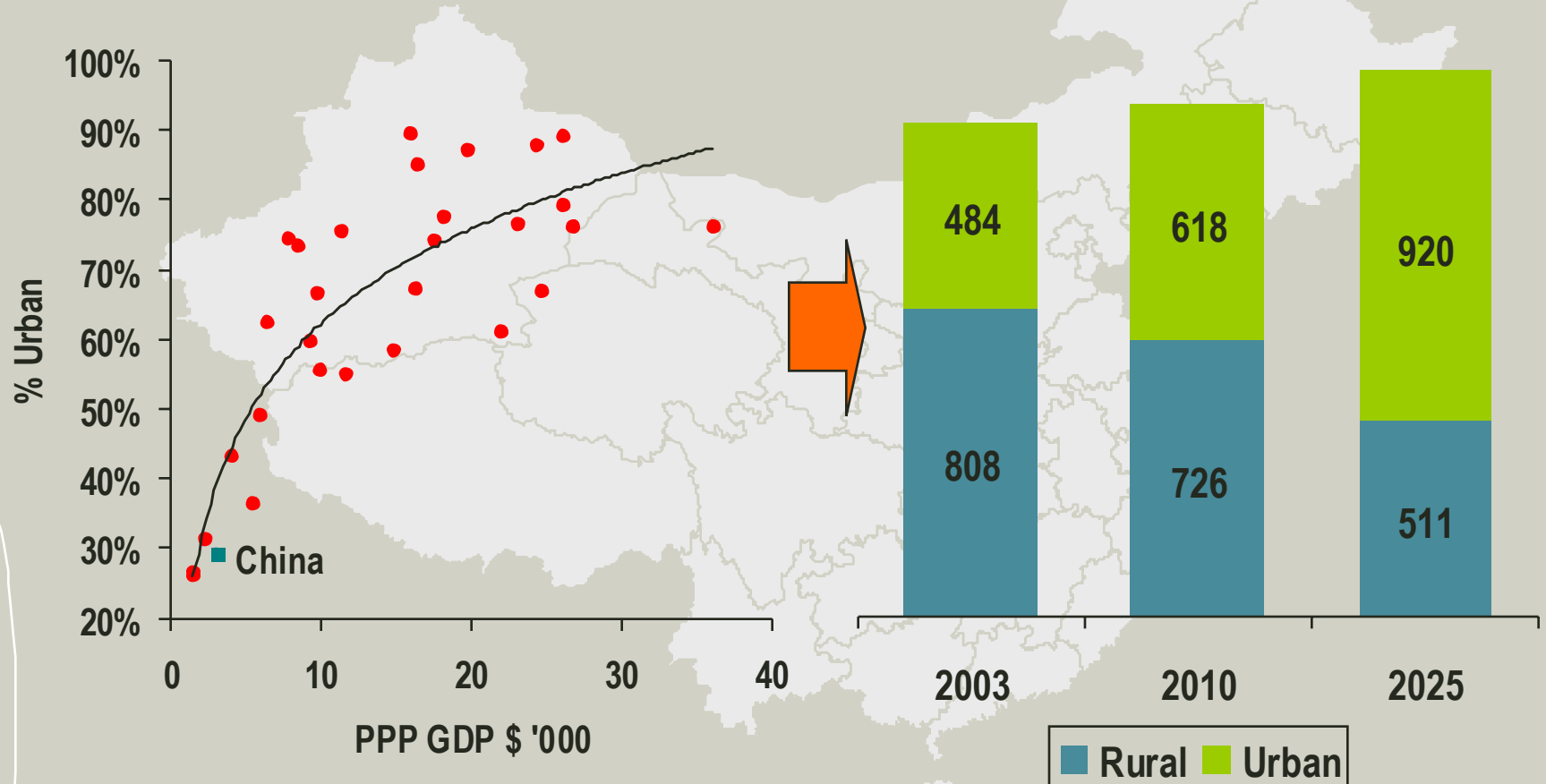
## China GDP growth %



Source: Global Insight

# Urbanisation and associated infrastructure is the key driver

## China urbanisation - %; population in millions



Source: China Statistics Year Book, BHP Billiton

# China's growth model is sustainable & becoming stronger

China's economic resilience is attributable to:

- An exceptionally high domestic savings rate
- Rapid urbanisation & devt of cities away from the coast
- Strong domestic investment
- A sustained govt commitment to achieving at least 7% growth p.a.
- "Overheating" confined to narrow range of industries and regions

China's sustainability is underpinned by:

- Huge productivity improvements
- Significant factor cost advantages
- Rapid improvements in infrastructure
- Not dependent on exports – China is not an Asian tiger economy

# China's growth model is sustainable & becoming stronger (cont'd)

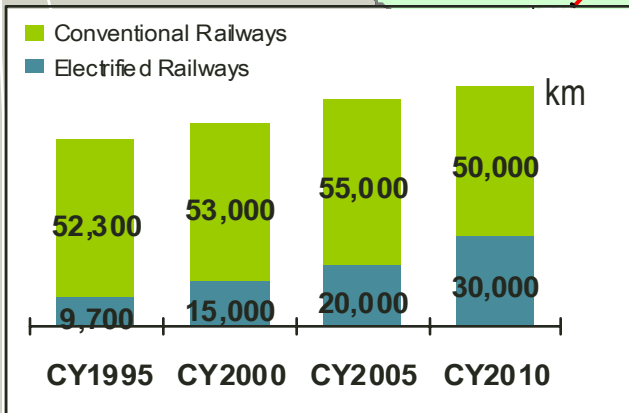
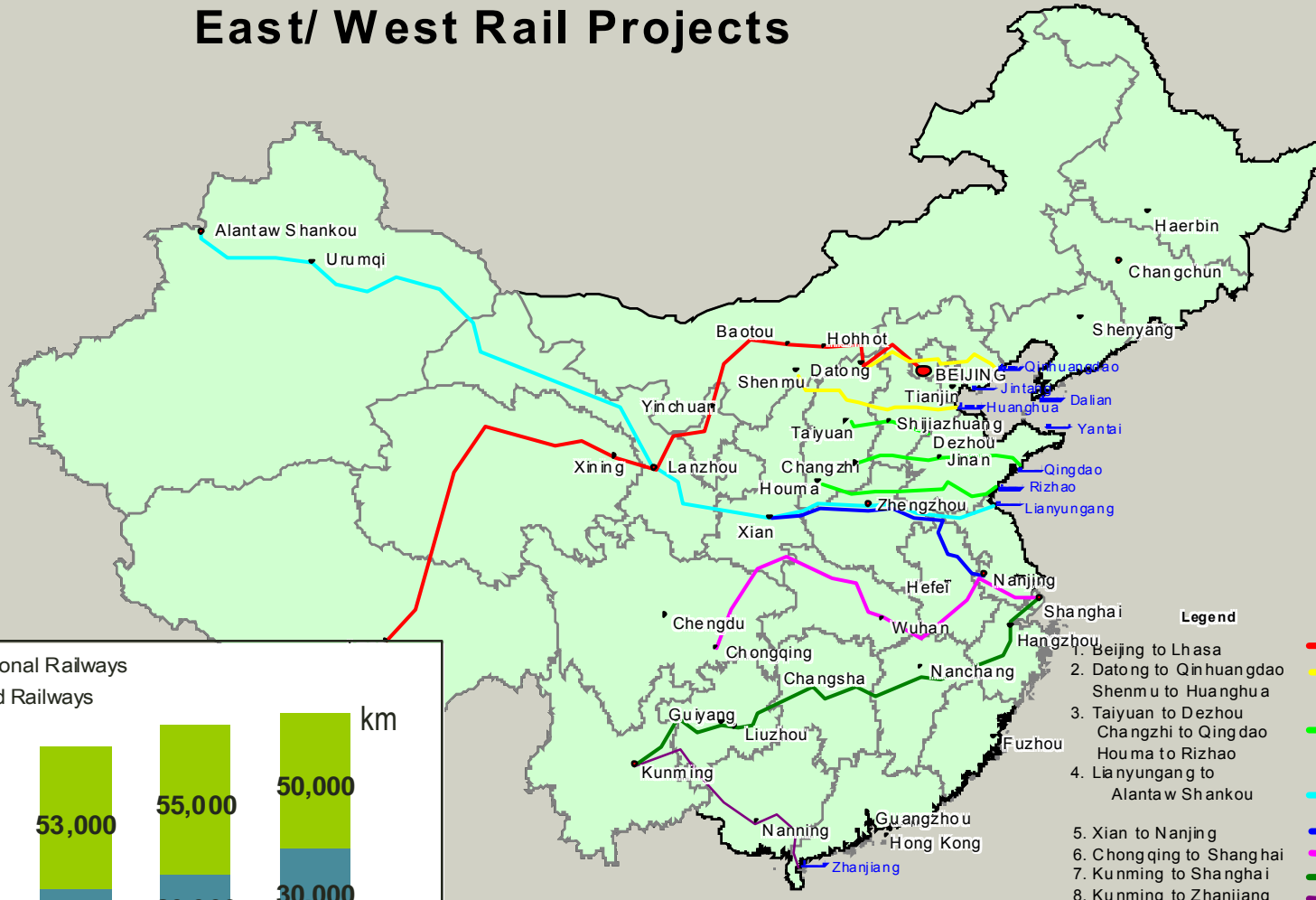
These shifts are being driven by:

- An increasingly commercial mindset in Chinese companies
- The changing structure of the economy from state-owned to non-State-owned
- Improved business performance even in State-owned companies

The reform process has irreversible momentum

# Clear investment planning has led to a rapid improvement in infrastructure...east-west rail linked to major ports

## East/ West Rail Projects

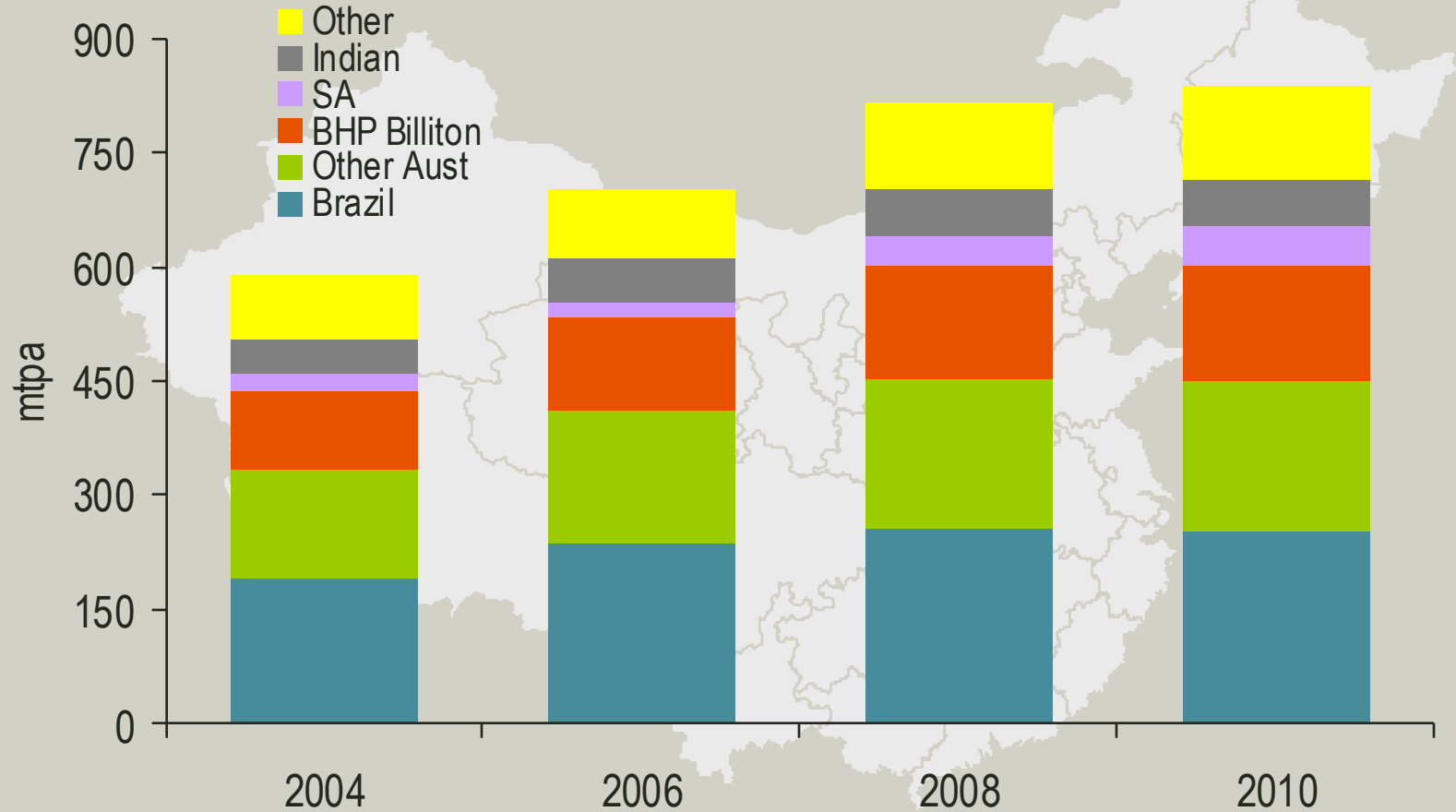


# Rapid urbanisation & development of cities away from the coast - Chongqing skyline, June 2004



# The gap between supply and demand can be filled

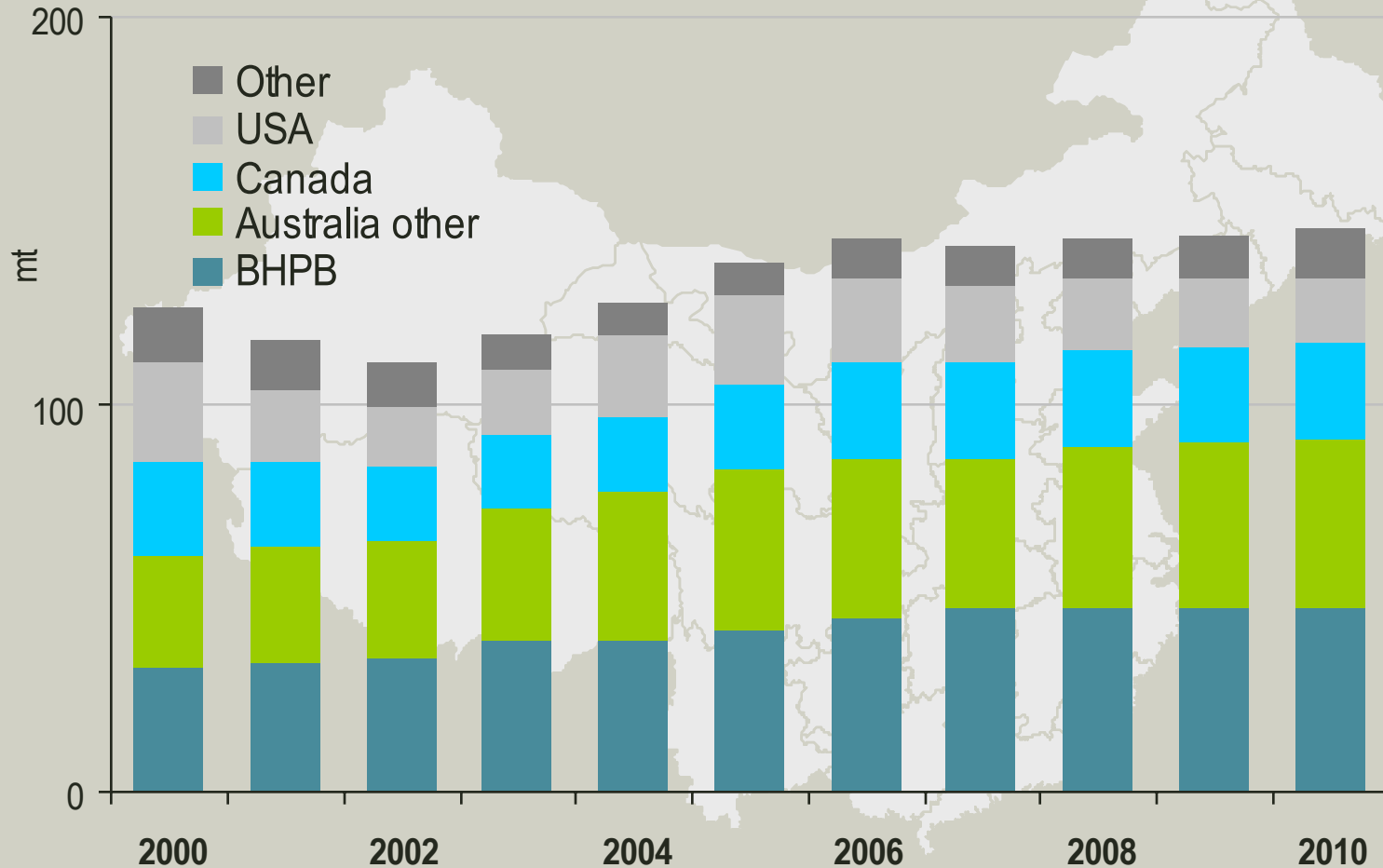
## Seaborne Iron Ore



Source: BHP Billiton, Public Announcements

# The gap between supply and demand can be filled

## Seaborne Met Coal



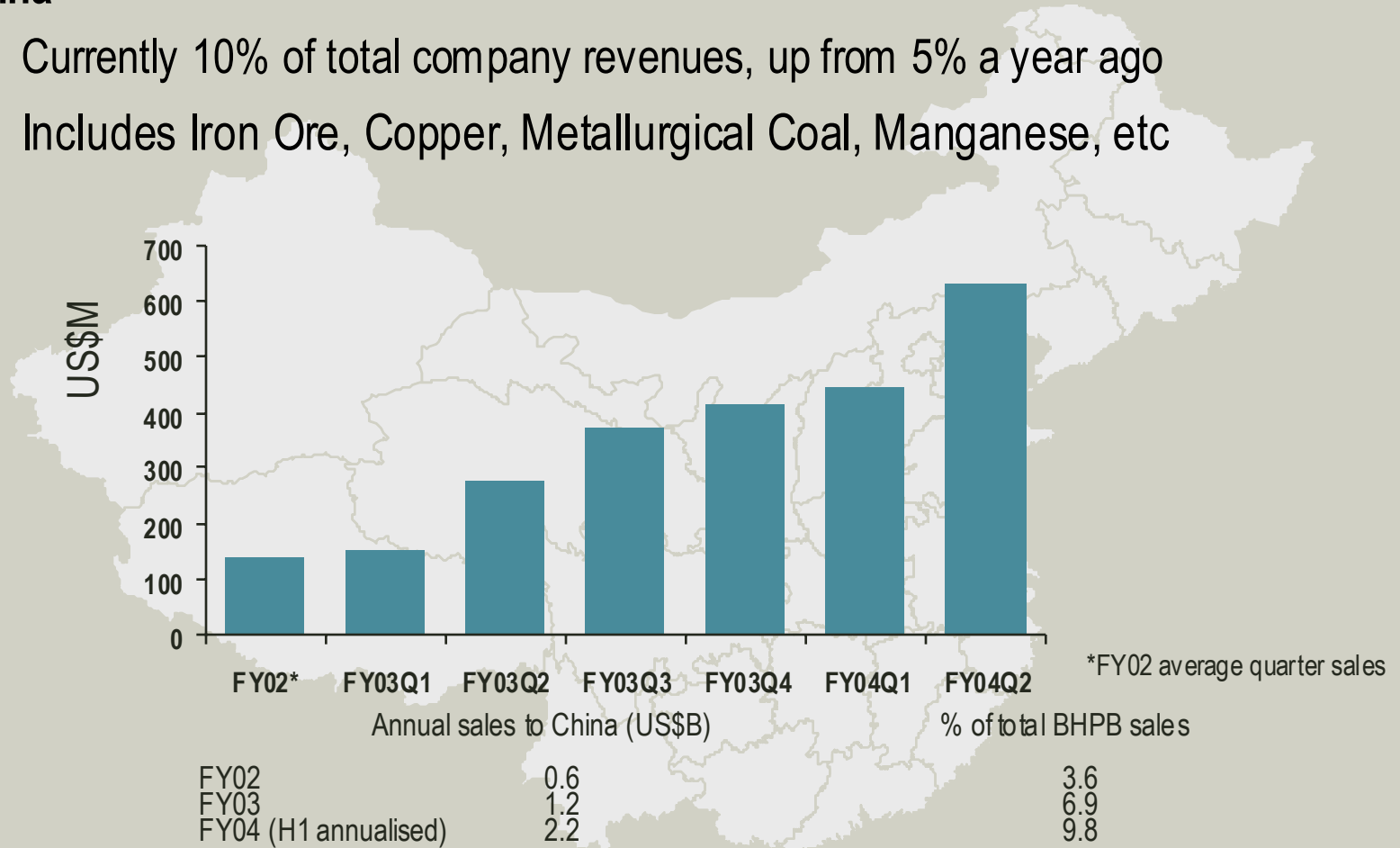
Source: BHP Billiton, Public Announcements



# Chinese growth translates to opportunity for BHP Billiton

- **China**

- Currently 10% of total company revenues, up from 5% a year ago
- Includes Iron Ore, Copper, Metallurgical Coal, Manganese, etc



- But it will have 'ups and downs'

# Forging closer ties with China to maximise opportunity

- BHP Billiton is actively forging closer links with China through the creation of joint venture partnerships, ie: Wheelarra JV, new LNG contracts, etc.
- Increasing focus on sourcing from China
- BHP Billiton is continually reviewing other trade and investment opportunities in China
- Supporting our commercial activities, the strengthening of trade and economic relations is vitally important as China continues to grow and prosper, eg:
  - Importance of China's WTO accession in developing market-based business practices
  - Support for joint study into the feasibility of an Australia/China FTA. BHP Billiton providing input

# Conclusion

- Chinese growth is not a short-term phenomenon but rather has strong structural underpinnings with so called “over-heating” confined to certain parts of industry sectors and regions
- We expect China to continue to be a large, sustainable, consumer of imported raw materials
- Supply expansions are already underway to match this increased demand
- We welcome any moves to strengthen trade and economic relations between Australia and China



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