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Background

Exports to China of targeted goods fell by \$12.4 billion year on year in Jan-Sept 2021 compared to Jan-Sept 2020, but exports of those same goods to the rest of the world rose by \$16.4 billion over the same period. Australia's agile and resilient economy has been able to quickly respond to past instances of economic coercion s 22

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Talking points on recent FOI request (FOI 3001)

Generic TPs

- China has imposed several trade restriction measures since May 2020 that have disrupted Australian exports, particularly for coal and agricultural exports.
- China is our top trading partner, accounting for over 30 per cent of our trade (\$246 billion in two way trade) in 2020, and will remain important to Australia's economic future.
- Overall, Australia's flexible, open and dynamic economy is highly resilient and has continued to grow strongly.
- While the ongoing trade restrictions from China have had significant impacts on specific businesses and regions, many goods targeted by the restrictions have so far been successfully re directed to other export markets, with limited impacts on Australia's overall economic recovery.

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Responding to trade restrictions

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Australian exports to China of targeted goods fell by

A\$12.4 billion

year on year in Jan-Sept 2021 compared to Jan-Sept 2020.



But exports to the rest of the world rose by

A\$16.4 billion

year on year in Jan-Sept 2021 compared to Jan-Sept 2020.

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~~UNTIL 2021-22 MTEFO FORMALLY RELEASED, THEN CLASSIFIED OFFICIAL~~

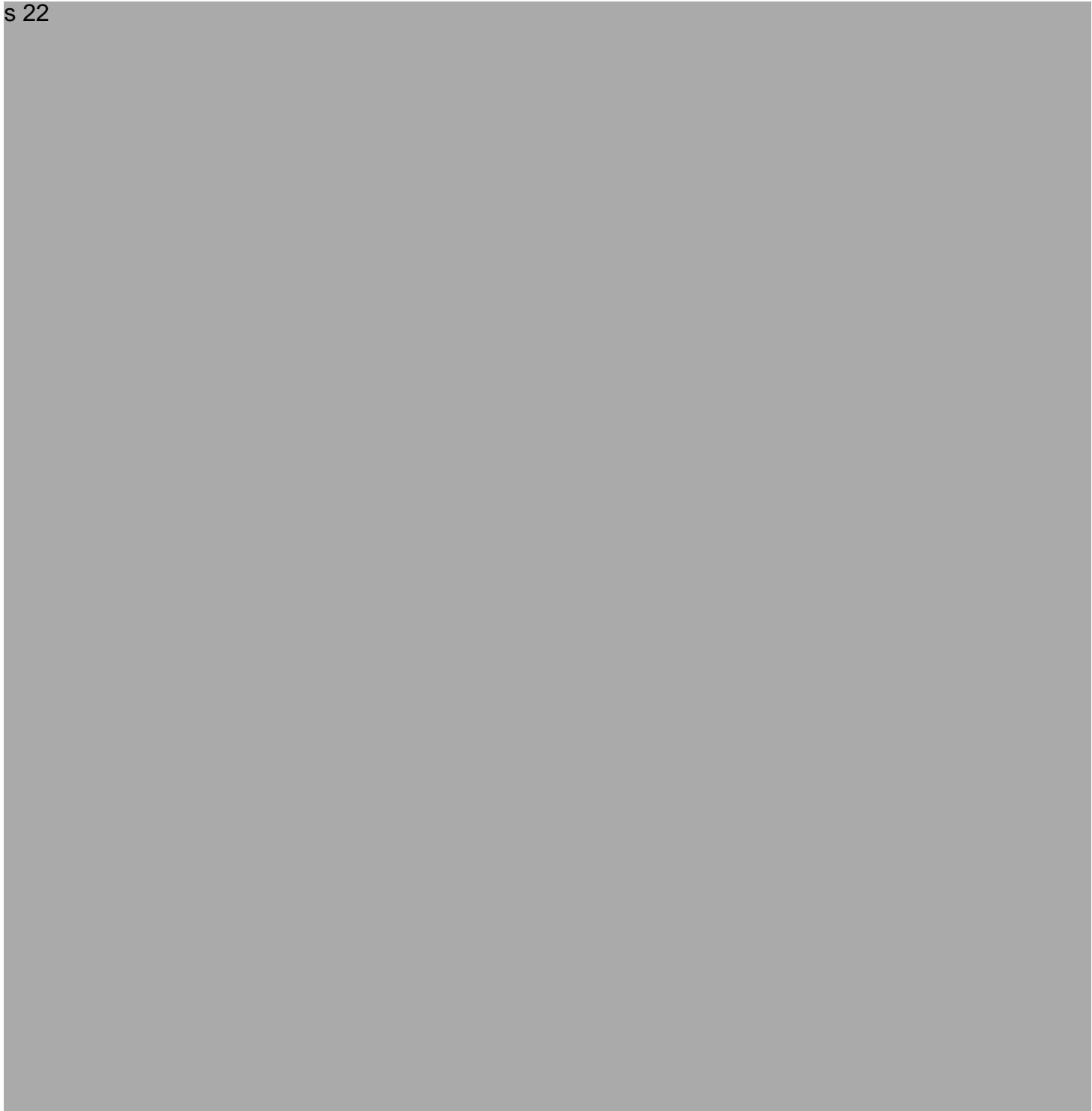
2021-22 Mid-Year Economic and Fiscal Outlook Issues Brief no. 12

COMMODITY PRICES AND TERMS OF TRADE¹

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Trade Tensions

- The 2021–22 MYEFO forecasts take into account import restrictions by China on coal, barley and wine. While these restrictions have not had a material impact on the forecasts for real GDP, they have affected specific businesses and regions. Most goods targeted by the restrictions have been successfully re-directed to other export markets, though often at lower prices.

- Where exported products are highly commoditised and global supply chains have been able to reconfigure, such as for coal and barley, exporters have been more successful in adjusting to China’s actions.
- Where exported products are more differentiated and attracted a price premium, such as for wine, exporters have faced greater challenges in adjusting to China’s actions.
- The value of exports of targeted goods to China was \$12.4 billion lower in January to September 2021 compared to the same period in 2020. However, over January to September 2021 period, the value of exports of these goods to the rest of the world grew by \$16.4 billion. This increase was largely driven by higher coal prices.
 - If coal exports are excluded, the value of exports of targeted goods to China over January to September 2021 was around \$4.0 billion lower and exports to the rest of the world were around \$4.5 billion higher.
- China remains Australia’s top trading partner, accounting for over 30 per cent of our trade (\$246 billion in two-way trade) in 2020, and will remain important to Australia’s economic future.

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