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HD **Big surprise: China puts itself first**
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THERE are two big messages in China's sudden shock move to impose tariffs on its coal imports — our coal exports.

They add up to an overall message: China — and every single other country — will do exactly what it thinks is best for it. And bugger, if necessary, international obligations — certainly in terms of the spirit of those obligations and often in terms even of their letter.

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Importantly, that's not what we think is "best for China". Or indeed, what some economic theory, however elegant or compelling, argues is best for China.

It is quite simply what the Chinese think is best. Further, and critically, it is what Chinese decision-makers think is best — for whatever reason, irrational or rational, or even in their own personal interest. Gasp!

The first specific message is that China wants to keep its own massive — inefficient and (really) dirty — coal industry operating.

We can rail against its inefficiencies; the fact that the mining and use of low-grade coal creates real pollution, to mineworkers and city-dwellers alike; and offer them all our high-quality, "cleaner" coal they need. But if they want to keep a mine open, they will keep that mine open.

Anyone who can't understand that should ask themselves why we were building submarines in Adelaide and cars in Geelong and Port Melbourne, when we could have bought them cheaper, better, from somewhere else.

The second specific message is that China will put economic growth first, second and third, with any noble-sounding promises to cut CO2 emissions by closing down coal-fired power stations sitting at some point behind allowing free elections in Hong Kong.

The climate hysteria, led by The Age and our own Business Spectator, keep shouting that China is: "taking action on climate change".

It's supposed to be taking this action by making massive commitments to wind and solar and aggressively closing down "dirty" coal-fired stations and coal mines — such that our climate change policy will be left embarrassingly and antisocially behind and our coal mines stranded with no customers.

Never mind the facts. That even the most "massive" investment by China in wind and solar will still leave coal-fired power not only overwhelmingly the main source of energy, but a source that will keep increasing over time and all-but literally forever.

That yes, it has been closing down coal-fired stations — but small, inefficient and really dirty ones, the sort that really do spew grits into the air over Beijing and Shanghai and everywhere else, along with the

pure life-enhancing CO2. Closing those ones down, and replacing them with modern, efficient and much bigger, but still **coal**-fired, stations which don't spew the grit, but still pump out — indeed, even more — CO2.

The idiotic and quite simply false claims about **China**'s "climate change credentials" are broadly driven by, on the one-hand, deliberate falsehoods about what **China** is actually doing; and on the other, by the usual misty, mushy, feel-good, rose-coloured naiveté.

The **Chinese** say they are acting to cut CO2 emissions — well, we of course, can and indeed should take them at their word rather than look at their, you know, actual behaviour.

This takes on a special inanity with our leftist intelligentsia's modern-day **China** crush — seeing the **Chinese** leadership as demigods of all-knowing wisdom, selfless good intent, and utterly rational policy decision-making and delivery, as contrasted to our political system's penchant for stupidity and decision-making corruption.

I have previously noted there are almost certainly a higher proportion of **millionaires** — these days, when a **million** is no longer a real **million**, perhaps the cut-off point should be at least \$5 **million** — in the parliament than in the general community. With the interesting additional question of which side, Labor or Coalition, has more. But at least our politicians don't come out of their parliamentary careers as **billionaires**, as so many of the **Chinese** have emerged from their "selfless" leadership sojourns over the years.

The overall lesson to be learned by Australian companies and political leadership alike is to "take" the **Chinese** — and indeed every other nationality — not on what they "say" they do but on what they "do" do.

It's bad enough basing policy and investment decisions on "normal" statements of good intent or the seemingly undeniable logic of rational decision-making. Surely the **Chinese** wouldn't try to force-feed a wine industry in the foothills of the Himalayas? Err, how does that "Everest shiraz" grow in the bottle?

But it gets embarrassingly and disastrously worse when you also put on rose-tinted "climate action" glasses. We "think" they should take action on "climate change", so we'll assume they will.

The single worst investment decision I have ever seen a **company** take was Rio Tinto's \$US40 **billion purchase** of the Alcan aluminium **company**. It "only" paid at least — so far, we are still counting — \$US30 **billion** too much.

A big factor in Rio's logic was that Alcan had access to Canadian — "clean" — hydro power; and that when **China** closed its dirty **coal**-fired power stations because it was committed to "taking action on climate change" it would also close its dirty inefficient aluminium smelters.

Rio would bask in cheap power and high aluminium prices.

Well, surprise, surprise, surprise.

One, it didn't close those smelters. Two, it ain't going to reduce its use of **coal**-fired power. And three, it's even going to (irrationally, ha ha) keep dirty inefficient **coal** mines open. Politicians in Canberra and businesspeople in the capital cities: welcome to reality.

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