Global and Chinese slump slashes prices for Australian mineral exports

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Since mid-2021, global prices for Australia's biggest export, iron ore, have plummeted from a peak of $US215 per metric ton to $97 as of this July 31. The prices are predicted to keep falling, perhaps to as low as the $60s.

This precipitous drop, mirrored by the prices of key critical minerals, has serious implications for the Australian economy and government revenues, which depend heavily on these exports, especially to China, the country's largest market by far, and the world's biggest mineral importer.

The price crashes are, above all, a barometer of the mounting impact of the global downturn and the plunge in China's economic growth rate, which has been exacerbated by US tariffs, sanctions and other increasingly aggressive economic warfare measures.

These measures, taken by successive US administrations, are part of a broader drive to cut off Chinese access to hi-tech industrial development and cripple its economy. This offensive is intensifying as Washington prepares for what would be a catastrophic war against China, which it has identified as the primary threat to American power worldwide.

The US moves include ending, as soon as possible, China's current alleged dominance over the processing of many rare earths and other critical minerals that are essential for war, as well as for super-computers, AI, batteries and industrial and vehicle electrification.

Over the past year alone, world iron ore prices have fallen 26 percent. With nearly 80 percent of Australia's iron ore exports (and 35 percent of its total exports) going to China, that signals an end to the super-profits derived from China's economic growth over the past two decades.

By the end of July, Australia's biggest iron ore exporters had already suffered sharp share price falls. BHP Group, Rio Tinto and Fortescue had experienced year-to-date share price declines of 18 percent, 16 percent and 36 percent, respectively, wiping billions off their valuations.

Over the past 17 years, Chinese economic growth has decelerated from an approximate average annual 10 percent to below 5 percent, whilst the Shanghai Composite Index has halved to under 2,900 points. The US-led economic warfare has compounded the crisis in the Chinese residential property market and the economy more broadly.

The Biden-Harris administration has kept most of President Donald Trump's China tariffs and intensified the focus on the high-tech sector—particularly electric vehicles and batteries. Regardless of who wins November's US presidential election, this offensive will accelerate in an effort to halt the relative decline of American capitalism over the past four decades.

For his second presidential run, Trump has already proposed a 10 percent tariff on every import, a 60 percent tariff on all Chinese imports, and a 100 percent tariff on all cars made outside the United States.

There clearly will be a further impact on iron ore prices and the value of Australia's exports. The latest Australian government *Resources and energy quarterly (*REQ) report, published in July, forecast iron ore at US$77/tonne in 2026. The Commonwealth Bank of Australia predicts a long-term price of $68. Macquarie Bank expects the price to drop to the $70s or even $60s before the end of the 2020s.

Iron ore revenues are not the only casualty. Prices for Australian-mined lithium, nickel, copper and other strategic minerals are plummeting as well. Copper prices have declined 20 percent from $5.11/lb. to $4.08/lb. over the past two months. China is the largest consumer of refined copper, with over 50 percent global market share.

Prices of lithium—Australia's largest commodity in committed capital expenditure through to 2030, greater than even iron ore—have collapsed over the past 12 months.

Lithium had previously surpassed liquefied natural gas as Australian capitalism's second biggest export to China behind iron ore, with sales soaring to $A7.4 billion between January and June last year, from only $300 million in the same period of 2021.

Since early 2022, the price of another key rare earth, an oxide of neodymium and praseodymium, crucial for making powerful magnets, has dived from $145 a kilogram to $47. Nickel prices have fallen by more than two-thirds, from a high of $US50,000 per metric ton in 2022 to about $16,500 recently.

Mine workers' jobs are being eliminated. The Finniss lithium mine in the Northern Territory suspended operations in January, followed by more closures. In the latest cutback, up to 300 jobs are to be axed at US-based lithium giant Albemarle's Kemerton plant near Bunbury in Western Australia (WA), adding to the thousands destroyed in the mining industry since the beginning of the year.

BHP has written off its Nickel West division in WA as worthless and is preparing to suspend operations. Iron ore billionaire Andrew Forrest, who controls Fortescue, is shutting down his WA nickel mines.

These developments are also slashing tax intakes for the already debt-ridden Australian federal and state governments. According to estimates, for every $US10 fall in the price of iron ore, Australia's gross domestic product falls by $A6.5 billion and government tax receipts by $A1.3 billion.

The mining reversal is occurring despite the Albanese Labor government spending billions of dollars in subsidies and corporate aid to bolster critical minerals output, supposedly to make Australia a mining superpower.

Labor's May budget allocated $22.7 billion over 10 years for the government's Made in Australia package, primarily through corporate tax incentives, including $13 billion in production tax credits for critical mineral extraction and clean hydrogen production. That was on top of nearly $4 billion already handed out this year in largely unspecified subsidies, grants, cheap loans and other forms of support for similar ventures.

For example, the Albanese government advanced a $1.05 billion non-recourse loan through its Critical Minerals Facility to Iluka Resources to build a rare-earths processing plant at its mineral sands operation at Eneabba in WA.

The project was budgeted in 2022 to have a total cost of $1.2 billion, but in February the company revealed the cost had blown out to between $1.7 billion and $1.8 billion. It has been in talks with the government about further support, but at current prices the venture looks doubtful.

These handouts are bound up with matching the United States, Canada, Japan and the European powers in subsidising industries to undercut China and develop war economies. At the same time, the government is seeking to assist US efforts to reduce reliance on supplies and refining in China, as part of the preparations for war against China.

The critical mineral supply issue is of paramount importance to the AUKUS military pact between the US, UK and Australia to provide long-range, nuclear-powered attack submarines, hypersonic missiles and other cutting-edge weaponry to be based in Australia.

A report by the government-sponsored Australian Strategic Policy Institute (ASPI) last year noted: "Some 3,300 items of US military equipment depend on rare earths, which have few known or potential substitutes. They include almost every weapon being used by combatants in Ukraine as well as every fighter jet, navy vessel and nuclear weapon on Earth."

While cutting spending in real terms on public health, education, housing and other vital social services, and handing out pittances for cost-of-living relief, Albanese and his ministers are allocating hundreds of billions of dollars for AUKUS and other war plans.

The May budget confirmed soaring military spending. It featured $330 billion for new weapon systems, including long-range missiles, over the decade and the near doubling of annual spending from $53 billion this financial year to $100 billion by 2033–34, or 2.4 percent of the gross domestic product.

Workers and young people in Australia are increasingly paying a heavy price for this program of war and austerity, and much worse is to come as the economic fallout deepens from the US-led confrontation with China.