Added to this are changes in trading markets. Major banks are leaving the commodity trading business en masse, and new entrants emerge daily. The shift in trading from the West to the East has turned from a trickle to a flood, and if current trends continue, more metals trading will occur in Asia by 2020 than in the West.

Why this conference and this subject matter? Because at no time in the mining and trading of metals have two sides, both with their strengths and weaknesses, needed to understand each other more.

Today's assembly of some of the leading managers and experts from China, in addition to top analysts and executives from the West, aims to deliver a better understanding of how the world of metals is moving and how to best take advantage of this shift.

OVERBUILT CAPACITY, BILLIONS OF DOLLARS IN WRITE-OFFS

Last year, a third of the attendees to “LME Week” were from China, Hong Kong and Singapore. Almost half came from Asia. A strong relationship and understanding of what Asia has to offer the West, and vice versa, is crucial for an efficient, prosperous metals and mining sector.

The West was caught off guard because of its lack of understanding of the East during the last decade. This caused the overbuilding of capacity and the write-offs of hundreds of billions of dollars.

The idea of East meets West is to help a rapidly changing world understand how evolving roles of both Asian and Western metal markets will permanently alter the way metals have been priced and traded. Those who cling to old ideas as to how metal markets work will be lost. Surging Asian metals demand, which now accounts for as much as 70 percent for many metals, has been accompanied by the rise of the trading of those metals in Asian bourses. Western traders are taking notes and are moving their businesses East. Trading in metals and mining commodities and equities continues to predominantly be based in cities such as London, Johannesburg, Chicago, New York and Toronto, though money flows are increasingly coming from Asia. This means a shift of this analytical talent will also start to move East. New trading products in copper, aluminum, zinc and gold show Asia is serious about winning local business.

ASIA MAY SURPASS WESTERN TRADING BY 2020

Based on the past eight years of trading, Asia may surpass the West in metals trading volume by 2020, if not sooner. Trading takes place when volume is present. Therefore, if there is a change in volumes to Asia, the shift may go parabolic and trends may speed up much faster than participants anticipate. In the past 7½ years, the ratio of Western to Asian metal trading volumes has narrowed to 6:1 from 70:1.

The world of metals is becoming dramatically more complicated and interconnected. China is embarking on another transformation of its economy, which has practically ground to a halt as a result. Its domestic steel demand will likely be lower this year than last. Indonesia’s ban on the export of unprocessed metallic ores caused price shocks in nickel and bauxite. Geopolitical risks abound, and bank funding of miners has never returned to pre-financial crisis levels.
New contracts for gold, aluminum, copper and other metals are being launched in Asia. The tide has shifted, and there seems to be little reason why it may shift back. The use of metals is predominantly in the East, which eventually shifts the pricing of that product.

**CHINA CHANGES COURSE; HOW WILL MINERS REACT?**
More and more, the direction of the Chinese government is becoming clear. It seems to be changing the policy of growing for the sake of growing to one of more thoughtful and purposeful growth. This has had a huge impact on the steel industry, where domestic demand is on path to decline in 2014 for the first time since the financial crisis. China will likely still grow, but it will be a different China. It's learning from past mistakes, cleaning up its financial system and making the yuan a global currency. This could lead to more, and likely better, foreign investments.

**MARKETS ARE MADE OF SUPPLY & DEMAND**
While the markets are focused on the slowdown, the longer-term focus will be on supply. While new supply looks strong into 2015 as long-planned projects come on line, many projects into 2016 are still not fully financed and could be put on hold. Capital spending among the top 10 miners has declined by 22 percent in estimated 2015 figures from its peak in 2012.

A continued contraction could lead to much lower supplies of metal, and in turn, sow the seeds for the next increase.

The East has concerns, too. The boom in China seems to have at the very least paused, acquisitions done by many Chinese companies have been questioned, and few mining projects are being funded beyond the next two to three years. Potential sharp shifts in demand along with equally strong supply reactions could lead to market gyrations. Along with the realignment of the Chinese economy, the resource nationalism seen in Indonesia could spread, financed projects may lose financing, and capital spending cuts could delay new mining projects for many years.

**MORE RESOURCE NATIONALISM**
Resource nationalism has taken center stage in 2014. Take nickel markets, for example, where the change in policy by the Indonesian government was behind a 40 percent move in the price in the first half of the year.

Other countries are watching the outcome of Indonesia’s plans, and if they deem Indonesia successful, more policy changes could occur.

— Ken Hoffman, Global Head of Metals and Mining, Bloomberg Intelligence