

CHINA CONNECTIONS

Linking Australia
with China Business



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COMPANY PROFILE: CHAMBERS & COMPANY INTERNATIONAL LAWYERS

Responses by Robin Chambers

What is the nature of your business?

Our law firm's practice is transaction-based. We specialise in resources and infrastructure projects. Our lawyers have been involved in projects in more than 30 countries around the world. Today China has a special focus.

What link does your company have with China and what is the history of that link?

Our links with China go back to the start of the 1980s when I was general counsel of CRA. At that time the Chinese Government invited me to be an adviser to the State Council's Legislative Centre on its joint venture law. After leaving CRA to set up my firm, I was appointed as legal counsel for the Chinese Ministry of Metallurgical Industry on its A\$420m Channar Iron Ore Joint Venture with Hamersley. That was China's first overseas investment and is regarded as the model joint venture for Chinese investment in Australia. The Chinese make speeches that I was the first foreign lawyer to be hired by the Chinese Government. Last year we acted for four of China's largest steel mills in the joint venture negotiations with BHP Billiton, which is China's largest iron ore project in Australia.

Describe your biggest achievement in terms of your China-related business so far. Why does your company believe it can be successful in the PRC?

The two major Chinese iron ore joint ventures where we were the lawyers for the Chinese side have export contracts in excess of \$20 billion. We regard that as quite an achievement for our boutique law firm. We have acted for a number of Chinese Government organisations in Australia over a 20-year period. We also act for US and Australian corporations on a range of projects in China, often at the leading edge. For example, one joint venture involves a US client transferring its chemical plant from Michigan to China. Another involves a US client transferring manufacturing operations from Mexico to China.

As to our success, we have established a network of contacts at very senior levels in the Chinese Government, which provides us with an excellent resource for our clients doing business in China.

Please describe the biggest challenges you have encountered in doing business in China.

The challenges of doing business in China today are relative. The transformation of China over the past 20 years has

exceeded all predictions and doing business in China is nothing like the challenge which existed in the early period. However, several of the challenges which we have encountered are, firstly, penetrating the bureaucracy, especially in the provinces where many of our projects are being developed. Government officials in Beijing and Shanghai are very attuned to the market economy and decision-making processes are refined. In the provinces, often in direct proportion to their distance from the major centres, decision-making can be more of a challenge. Secondly, while the Central Government's legislative program is generally transparent and available, this is not always the case in the more remote parts of China. Laws and regulations are not always published, even in Chinese. This has been a long-term problem when there is a need to comply with local regulations.

What are the three most important things to get right in terms of business in China?

One critical thing to do in China is to undertake proper due diligence before entering into projects. The more and better the preparation, the greater the likelihood of success. Our most successful projects have involved considerable up-front investment of time and expense by clients getting to know the business environment for their projects.

Another is the well-recognised step of building relationships with Chinese business partners from the outset. We all read how the Chinese like to establish relationships before doing business and that is so, but it is a two-way thing. It can be very beneficial as projects are developed to have good personal relationships with the Chinese side to draw on when problems arise.

Thirdly, for joint ventures it is vital to choose the right partner. Foreign parties are always at a disadvantage in the Chinese environment, but excellent relationships with partners can be a determining factor in a

Robin Chambers points out a sign he found apt during some tense periods of negotiations in China.



Robin Chambers (far left) with former Chinese leader Zhu Rongji (centre) and other businessmen involved in a high-level business meeting between China and Australia back in the 1990s.

project's success. Even for wholly foreign-owned enterprises, special relationships with key local officials and others can be essential for the same reason. This is an area in which I believe we excel.

What are your business aims and what do you hope to achieve in China over the coming five years?

I've recently been appointed special counsel for our US affiliate, Chadbourne & Parke, which is a leading Wall Street firm with offices around the world. We also staff their China representative office in Beijing. They have an excellent precedent database which we can access. This has been developed during their work on some of China's largest infrastructure projects.

Also, our China connections have enabled us to expand into a merchant banking role as we are increasingly approached to help companies locate projects in Australia and China.

What percentage of your company's total revenue is now generated by your China business?

With the massive expansion of foreign direct investment into China, which is now the world's largest destination for FDI, and China's focus on more and more resources projects in Australia to secure sources of supply of raw materials for its industrial development, our China practice now represents more than 80 per cent of our global practice.

Describe any trends you see developing in terms of China-Australia business.

Twenty years ago China used to complain that the balance of trade with Australia was too much in Australia's favour, based on our commodity exports. That is in the long distant past as Chinese imports into Australia challenge our own manufacturing base. Australia is well-established as a reliable, competitive supplier of minerals and energy to satisfy China's ever-expanding requirements.

Please relate a story from your experience in China.

Air travel in China has always been a challenge, although thanks to Boeing and Airbus air travel has improved out of all recognition in recent years. Travel in Russian Ilushin aircraft with seating which could be moved around the plane, but still with seat belts, was one of our best experiences. For a long time, our US clients had policies that we had to travel for 12 hours by train to avoid a one-hour flight. Thankfully that is no longer the case. ★★

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