

Official launch of China House

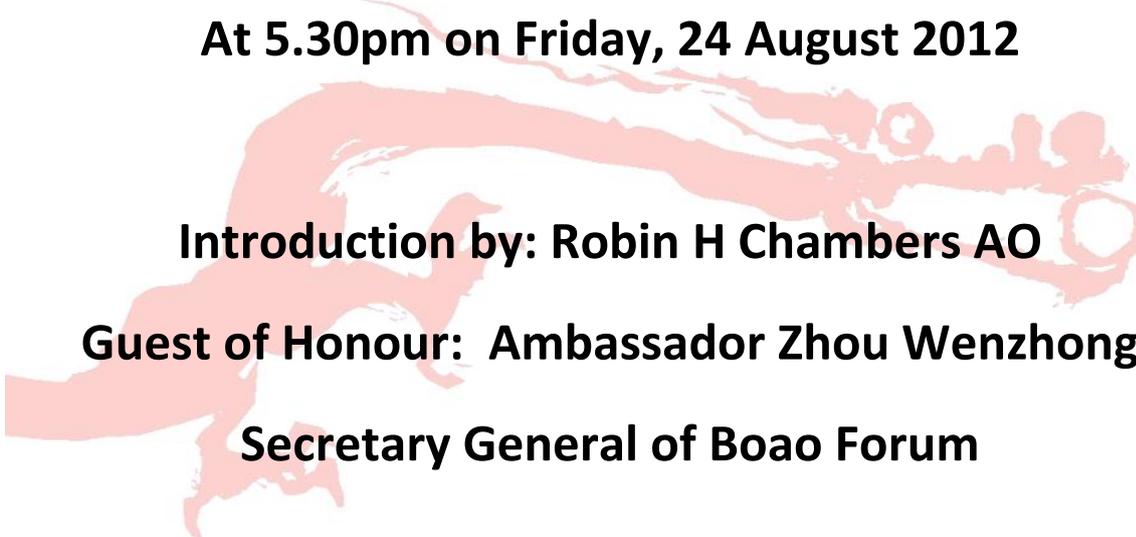
Held at Athenaeum Club, Melbourne, Australia

At 5.30pm on Friday, 24 August 2012

Introduction by: Robin H Chambers AO

Guest of Honour: Ambassador Zhou Wenzhong

Secretary General of Boao Forum



Ambassador Zhou Wenzhong, distinguished guests, ladies and gentlemen.

Earlier today Ambassador Zhou Wenzhong delivered an address on the 40th anniversary of diplomatic relations between China and Australia, with the recognition of China by Australia in December 1972.

Australia's very early recognition of China at that time and as one of the first Western countries to do so has played a key part in the development of the very warm diplomatic relations which have prevailed between China and Australia.

It has also given rise to the burgeoning trade and investment relationships which have so benefited Australia and our economy today.

China's open door Policy

There is a most significant milestone which I would like to mention this evening, this occurred in 1978, just two years after the end of the Cultural Revolution in China.

At that time the Chinese leader, Deng Xiaoping introduced China's open door policy, often regarded as the most important decision of the 20th century, which opened China up to the outside world.

China's open door policy in 1978 led to the rise of China and China becoming one of the two great economic powers in the world.

For Australia, China became Australia's largest trading partner.

It is difficult to comprehend that the opening up of China occurred only 34 years ago.

How the world has changed in those few short years.

China in 1981

Just two years later, I was invited by the Chinese Government to go to China as part of Australia's first legal delegation to China.

Lawyers from all of the major Australian law firms were part of this delegation.

We were each invited to choose a topic to address to the assembled cadres.

I choose the topic of joint ventures as I was General Counsel of CRA (which is now Rio Tinto) at that time and CRA was heavily involved in joint ventures around Australia and overseas.

After my presentation, I was invited by the leader of the China's host organisation to join him for tea, which led to me being invited to become an advisor to the State Council's Economic Law Centre to assist on the drafting of China's joint venture laws.

At that time, there was no commercial law system at all in China.

There were no lawyers and no law firms.

There was only a small group called the Legal Counsel Office of the China Council for the Promotion of International Trade and most did not have any legal qualifications anyway.

The only commercial law in existence when I arrived in China was a five page document called "China's Equity Joint Venture Law".

Since then, the joint venture structure has been the most successful legal vehicle for attracting the many hundreds of billions of dollars of foreign investment in-bound into China.

That one invitation to tea was the start of our long and enduring relations with China.

Channar Joint Venture

When China decided to undertake its first overseas project in 1984, our law firm was appointed as the lawyers for China.

That project was the \$420million Channar Iron Ore Joint Venture.

Much of the genesis of this is attributed to the then Australian Prime Minister Bob Hawke and his initiative in his discussions with Chinese Leaders.

The formal agreement by Hamersley Iron to participate in this joint venture was confirmed in an historical letter to the Chinese Premier in April 1983 from Sir Roderick Carnegie, who was then Chairman of CRA.

This year is another important milestone in Australia's relations with China.

After 22 years of production the Channar Joint Venture ended in May of this year with the final shipment to China of the last of the 200 million tonnes from the Joint Venture.

The negotiations for Channar commenced in 1984 and the Joint Venture was established between Hamersley Iron and China in 1987.

The importance of the Channar Joint Venture in Australia-China relations has been acknowledged in speeches by every Chinese leader coming to Australia in recent years, included Hu Jin Tao, Wen Jiaobao, Li Keqiang and Xi Jinping among others and also by Prime Minister Gillard when she was in China last year.

In December of this year the history of the Channar Joint Venture written by Rowan Callick will be launched at a special event to coincide with the 200th Policy Committee Meeting to be held in Beijing.

The Channar Joint Venture was China's first joint venture in Australia and has become the "model" for all Chinese joint ventures in Australia.

Last year the net gains for this venture were four times the original capex of the Project.

China House

Let me now introduce China House.

China House has come about very much because of the unique relationship we have built up with China from the time of our first appointment on Channar 28 years ago.

Over the intervening years, we have had the privilege to be the lawyers on numerous other cross-border transactions for China in Australia.

The idea of China House evolved essentially from that special relationship.

China House was conceived as a capital introduction model out of the demand from China to locate high quality resources opportunities for investment by Chinese State Enterprises and large private companies.

Chinese officials have publicly recognised that China has made too many mistakes with its investments in Australia. China House is a concept whose time had come, as they say, to provide high quality professional assistance to locate suitable projects to match China's seemingly inexhaustible demand of raw materials.

This role, however, will become even more significant as China's demands consolidate and become more selective as to which investments it is prepared to make.

We had been approached by more and more of our Chinese clients to assist them to locate suitable projects in Australia, and which will balance out more in the Chinese favour.

It has been this valuable connection with numerous Chinese State Owned Enterprises and large private corporations who have been our clients which has been the cornerstone of China House.

Simply put, the special attraction of Chinese investment in the Australian mining industry is that Chinese investors can provide much needed capital, coupled with guaranteed off-take arrangements which can underpin debt financing.

Australian projects are becoming starved of access to capital through the stock market at the same time as Banks have stopped lending, except for the most successful projects

With the reputation we have built up over our law firm's 28 year history working with China, we have been receiving approaches from numerous Australian mining companies who see us as a way to introduce them to Chinese investors.

Because of this very strong market interest from Australia and the very special connections we have with potential Chinese investors, we took the decision to set up China House this year to be based in Hong Kong, located as it is geographically between China and Australia, to take advantage of these numerous opportunities.

We have been encouraged even more so by very positive policy directives being issued by the Chinese Government.

The Chinese Minister of Commerce, Chen Deming, has been encouraging State Owned Enterprises to "go out" and to take advantage of China's 3.2 trillion dollars of foreign currency reserves to invest and to lock up secure sources of supply of minerals for China.

Tonight I would like to acknowledge my colleagues who have been working hard to make this event a great success, and even more importantly have been working on the commercialisation of China House.

I would especially like to mention Lillian Savage who is a Director of China House and Vicki Guo who manages our China Relations, and also Guy Hedley who has joined our China Advisory Board.

We are in the process of building up support and staff for China House which has attracted strong interest, not only from China but also Japan, Singapore and the Middle East and elsewhere.

China House evolved out of our law firm's China practice over the past 28 years, and we will continue to maintain the key relationships between China House and Chambers & Company going forward.

Ambassador Zhou Wenzhong

Tonight we are proud to be launching China House officially. On this very special occasion we are very honoured to have as Guest of Honour and a friend of our law firm and China House Ambassador Zhou Wenzhong, together with his wife, Madam Xie Shuming.

We are especially grateful to have Ambassador Zhou Wenzhong and Madam Xie Shuming join us on this special occasion.

Mr Zhou Wenzhong is the Secretary General of Boao Forum for Asia 2010 which is a leading Chinese organisation supported by China's leaders and top officials from China's largest State Owned Enterprises and major large private companies, together with political and business leaders from around the region.

The Ambassador is also a member of the Chinese Peoples' Political Consultative Conference.

Ambassador Zhou was also recently the Chinese Ambassador to the United States in Washington over the period from 2005 to 2010, which were very challenging years in the deepening relations between China and the United States and which also have impacted on Australia's relations with China.

Mr Zhou was also previously the Chinese Ambassador to Australia from 1998 to 2001, so he has quite unique understanding of the important relations between these countries and their implication for Australia.

Ladies and gentlemen I am now delighted to introduce Ambassador Zhou Wenzhong, who has kindly agreed to say a few words on this important occasion.

Mr Robin H Chambers AO

24 August 2012

