



CHINA HOUSE

CHAMBERS
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张百善律师事务所

Australia China Business Council

"Australia and Asia: On the Right Side of History" –

The Honourable Wayne Swan

28 March 2012



Deputy Prime Minister, Ladies and Gentlemen, it is a privilege to be invited to move a vote of thanks to the Deputy Prime Minister in appreciation of his excellent address today.

As the Deputy Prime Minister has described in his address, Australia has achieved great success in the Asian century. It is an amazing time in our history.

I would like to focus briefly on the 40th anniversary this year of diplomatic relations between China and Australia.

After 1949 and for the next 20 years, China and the rest of the world had no diplomats in each other capitals and no direct ways to communicate.

A little over forty years ago President Richard Nixon sent Henry Kissinger to Beijing to establish contact with a country with which the United States had no high-level contact for over 20 years.

The 1971 visit by Henry Kissinger to China was followed in February 1972 by the visit of President Richard Nixon himself and the United States established diplomatic relations with China once again.

On 21 December 1972, following the election of the Gough Whitlam-led Labor Government, the Australian and Chinese Ambassadors to France, Allan Renouf and Huang Zen, signed in Paris a Joint communiqué establishing diplomatic relations. The following year, 1973, Whitlam became the first Australian Prime Minister to visit China.

In 1972 the value of trade between Australia and China totalled \$113 Million. Today it is around \$120 Billion.

It is anticipated that at least one senior Chinese leader may visit Australia this year to mark the 40th anniversary of the relationship.

We will follow with interest what celebrations are planned for this year.

Next year it will be the turn of the Australia China Business Council to celebrate its 40th anniversary. The Council represents more than 1000 members doing business in and with China. The Victorian branch with Jason Chang as its President has around 250 members. The ACBC plays a vital role in assisting business relations with China.

China has become Australia's largest trading partner while Australia has proved to be a reliable supplier of key strategic resources to fuel China's industrial growth. The strong economic imperatives towards engagement on both sides have ensured that the relationship has remained on course.

In this, the year of the Dragon the head of the Industrial and Commercial Bank of China, Jian Jian Qing, called for increased foreign investment to secure natural resources in the Chinese publication *Caijing* earlier this month.

This follows a speech by the Chinese Minister of Commerce, Chen Deming, at last year's National People's Congress that China should use the 3.2 trillion dollars in its foreign currency reserves to invest in overseas projects to secure raw material supply.

Australia continues to be a major, and perhaps the major beneficiary of this major Chinese investment.

However it is not without issues. Just to take Australia's iron ore exports to China, which are our largest export earners, and their impact on China.

In Australia, the 3 big iron ore producers remain bullish about Chinese demand in the coming decade, despite some concerns about the slowing growth of China's steel production and softer prices for iron ore.

However, the Chinese structural drivers behind China's demand for iron ore remain intact and key observers do not consider that China will suffer a hard landing.

However, the Chinese told me last year that the profits received by Rio Tinto from its iron ore sales exceeded the profits of all of the steel mills in China combined.

This year, the major steel mills are operating at losses while the iron ore prices remain in the band of between \$120.00 and \$140.00 per tonne.

China is investing in many countries around the world other than Australia, and especially in Africa, Canada and Brazil to increase iron ore supply and it will be interesting to see in the coming years what impact this will have on Australian iron ore exports to China and their prices.

Thank you for your most informative and encouraging address.

Mr Robin H Chambers AO
Chambers & Company
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