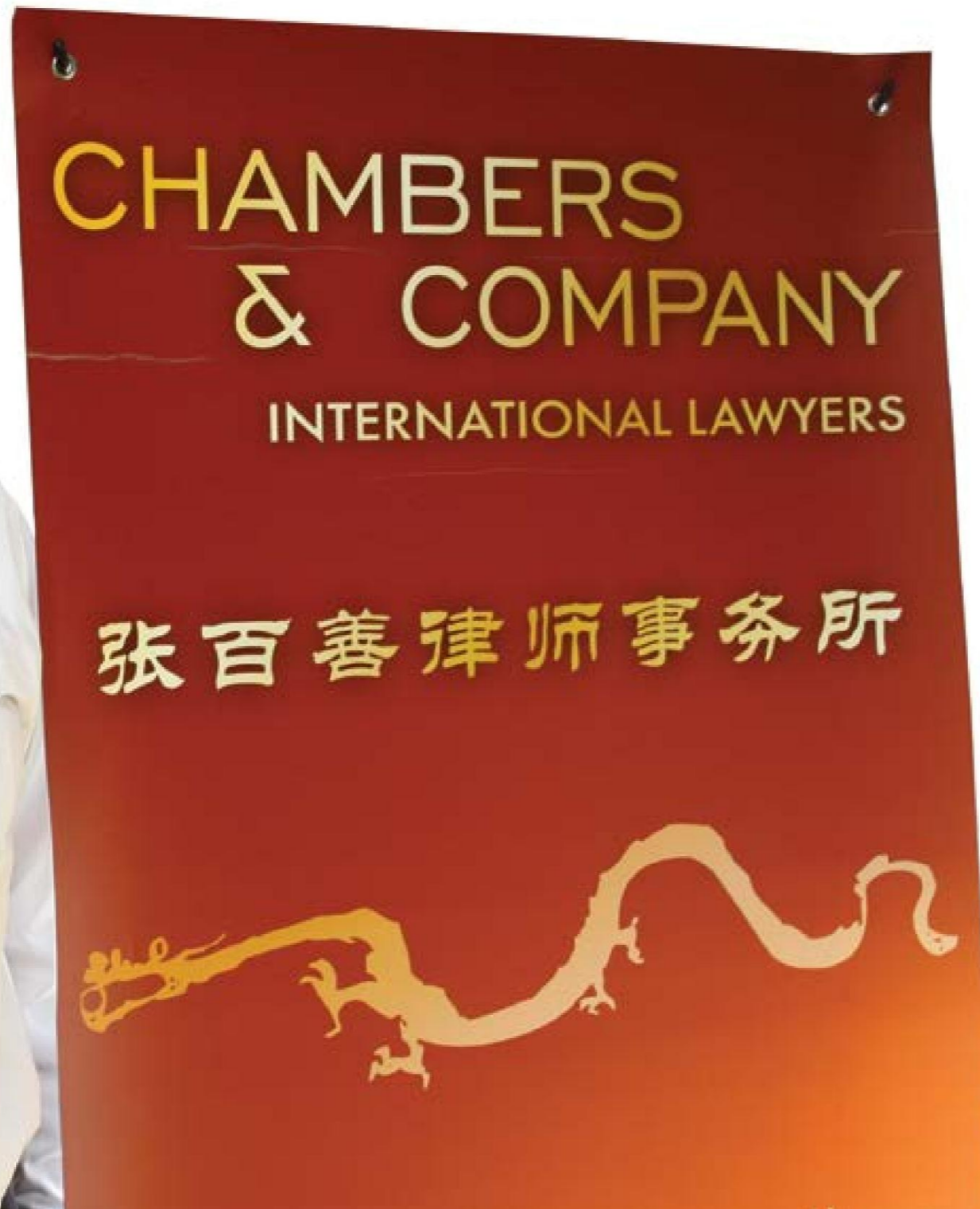


ROBIN CHAMBERS AO

The Stalwart China Hand Creates a New High-Level
Conduit for China Investment into Australia



With the formal release of the "Australia in the Asian Century White Paper" by Prime Minister Julia Gillard on 28 October, future senior Australian executives will one day be assumed to have a far greater degree of Asia capability than they do presently.

Contrasting to this, Robin Chambers, founder of Chambers and Company has already enjoyed three decades of his professional life doing business with China – accruing a staggering 200 business trips along the way.

In this fascinating interview with Mr Chambers, he reflects on those years as well as discusses his latest innovative China House venture.

In 1981, Robin Chambers visited China as part of the first delegation of Australian lawyers invited by the Chinese Government. He attended in his capacity as general legal counsel for mining giant Rio Tinto in Australia. He came as an expert in crafting and implementing joint ventures. In doing so, he left such a positive impression that he was memorably invited to tea by the leading Chinese official to take matters further. This later precipitated into a three year arrangement for the Chinese Government for Mr Chambers to advise, lecture and prepare papers on joint ventures.

1978 the former paramount leader, Deng Xiaoping introduced his Open Door policy which is largely regarded as a watershed year for modern China.

Having said that, China then, was a bleak place to visit and work. Robin Chambers' intensive work on establishing a legal basis for foreign companies to engage commercially with China bore fruit within the next few years after that. In 1984, he was appointed as the lawyer for the Chinese Government on the \$420 million iron ore project in Western Australia which was China's first joint venture ever. Mr Chambers, in effect, became China's first foreign lawyer under his newly-formed practice, Chambers and Company. At the end of the initial contract term, 200 million tons of iron ore were successfully delivered to China to its client, the Ministry of Metallurgical Industry (now Sinosteel). It is startling to recall there were absolutely no companies in China prior to 1984.

There can be no discussion about Australia's early commercial successes at the beginning of China's Open Door policy without reference to one of modern Australia's great prime ministers, Bob Hawke. Bob Hawke is properly accredited with bringing the parties together to make the Channar project happen. In a fitting gesture to the person who drafted that first joint venture, Bob Hawke attended the 25th anniversary of the founding of Chambers of Company and spoke eloquently about the project which was to bring billions of export dollars to Australia. Chambers went on to re-negotiate the five year extension to the joint venture. Today it stands as a milestone prestigious project for Australia in one of its top export industries.

While Bob Hawke today is in his eighties, he is deeply revered in China and still retains key links between Australia and China. As founder of APEC, co-founder of the Boao Forum, his political cache remains considerable.

The iron core industry is a subject which Robin Chambers has immense knowledge. His firm has acted for eight Chinese major steel mills alone. From China's perspective, Chinese steel mills, which produce more than half of all global steel, are



making losses. On the other hand, BHP Billiton, Rio Tinto and Vale collectively have a cost of production anywhere between \$30 to \$50 per ton yet are selling upwards from \$120 per ton. Hence they are recording massive profits. Chambers dryly observes, "there is a disconnect between the losses made by Chinese steel mills and Australian iron core companies." Not your classic "win-win" case study presented at your average MBA school.

With new projects in Africa, Latin America and likely Russia, the iron ore business is set for an interesting situation. However, as Chambers remarks, "iron ore will always be a major source of exports and wealth for Australia – just how the disparity between Chinese steel mill losses and export wealth for Australia is played out will test the resolve of those involved with the decision making".

China House was launched in Melbourne in August by HE Ambassador Zhou Wenzhong as the Guest of Honour at an event attended by guests from Chinese State Owned Enterprises (SOEs), other countries and Australian states. Chambers says it was a carefully considered business model to take his boutique law firm into a wider dimension of China – Australia two-way investment. "We have

Former Prime Minister, Bob Hawke and China's former Ambassador to Australia HE Zhang Junsai at the 25th Anniversary of the founding of Chambers and Company

HE Ambassador Zhou Wenzhong, Secretary General of the Boao Forum (left) with Mr Robin Chambers AO at the launch of China House during August this year. HE Ambassador Zhou is a former Chinese Ambassador to the United States.



quite good recognition in both China and Australia and we have been dealing with SOEs for the past three decades." The enviable dilemma Chambers and Company found themselves in was the SOEs asking them what they should be investing in. According to Chambers, "China has a foreign currency investment pool of around \$3.2 trillion with around half of that invested in treasury bonds." The challenge for these SOEs is how to navigate through stricter foreign investment guidelines introduced by the Chinese Government to mitigate against the bad investment mistakes of the past.

China House was born out of the fact that Chambers and Company enjoyed very wide connections in China from those seeking to invest in large projects and a number of Australian mining companies at different stages of development seeking capital. These same companies ask us whether we can source the right Chinese partner for them. Running a busy law practice and fielding more and more enquiries gave rise to a need to formalise some management structure to work independently to the practice.



Official Launch of China House – with Guy Hedley, Robin Chambers AO, Lillian Savage, Madam Xie Shumin, HE Ambassador Zhou Wenzhong and Vicki Guo

Beginning from last year, Chambers and Company has fielded enquiries from a large number of projects in Australia, Africa, Indonesia and Latin America. The reality is that it is difficult to raise capital for mining projects on the stock market because it takes a much short view on returns. Equally so, traditional lenders have been unwilling to take exposures in mining projects. In this time and place in economic history, it is the Chinese and particularly the SOEs who have the capital and long term view of projects that make for the right match.

Says Chambers, “we have entered into many mandates, predominantly to do with iron ore, coal and copper to keep us occupied for some time to come. For example, we have good connections with Chinese investment and trading banks whose networks run deep into China.”

Other than their well established law practice in Beijing, Hong Kong is a new home for China House for good reason. “Hong Kong sees itself as the gateway to China and 60% of all Chinese investment comes through Hong Kong” says Chambers. “I find it also quite convenient and our access to senior officials is tremendous there.”

Chambers says that Beijing is where most of the SOEs are domiciled and Beijing remains the power base for big Chinese business.

The subject of SOEs is one which Chambers has considerable credentials to comment. “My view is that the concern about SOEs and political interference from China is grossly overstated. Many of them have been our clients for over three decades. I am a director of some of these SOEs and represent them on the management committees of their joint venture projects.”

Another reason for the establishment of China House is to help mentor some of the Chinese companies make better quality and better informed investment decisions. “There are quite a lot of bad investments that have been made in the past and what I want our team to do is to try and eliminate those mistakes and recommend only those projects with real commercial merit.”

In bringing new potential partners together, Chambers counsels them not to underestimate the significance of relationship building. As part of the exercise of knowing China for what it is, Chambers takes new clients to the Great Wall of China on their first day in Beijing. “The first impressions are usually the most lasting.”

Building relationships from those of different cultures is fraught with difficulties. “You have to work constantly on building familiarity and mutual respect from the very beginning” says Chambers. “Australia has built a good reputation in China so the next generation of executives should not have to start from ground zero.”