



PRIME MINISTER

FOR MEDIA

23 APRIL 1984

AUSTRALIA-CHINA IRON AND STEEL

I have been surprised by the negative speculation over the holiday period about the prospects for co-operation between the iron and steel industries of Australia and China.

The reality is that there has been rapid progress on the China iron and steel initiative, with commitment and enthusiasm in China matching that in Australia.

The negative speculation has arisen from the interaction of widespread misunderstanding of the initiative, with interpretations of statements last Thursday by Mr Brian Loton of BHP.

I do not propose to address the weekend speculation or Mr Loton's remarks. I understand that Mr Loton has put out his own statement.

Given the grotesque distortions that have entered public discussion of these matters, there is clearly a need to restate the objectives of the initiative and the steps that are being taken to implement it.

On 9 February I put to Premier Zhao in Beijing that Australia wished to become a significant supplier of raw materials to China's developing iron and steel industry. I also suggested that, in addition to being such a supplier of raw materials, we ought to examine the possibility of Australia supplying raw materials at a more developed stage, to be finally processed into the required final product in China. I suggested some apparent mutual economic advantages in looking at processed iron as well as raw materials.

As I told the press travelling with me, I was very pleased that Premier Zhao responded positively to the proposal. We agreed to explore the prospects for multi-faceted co-operation in iron and steel within a Joint Study Group.

In my public comments, I emphasised that the proposal should be seen not merely in terms of adding to trade between our two countries, but also very importantly as adding to the complementarity of our economic development programs.

I made it clear to the travelling press that Premier Zhao and I had in mind cooperation in a wide range of activities in the iron and steel industries: trade in steel-making raw materials; trade in processed iron; mutual technical assistance; and investment in each other's industries.

In briefing the press, in relation to processed iron, I referred both to short-term prospects from existing capacity in Australia, and to very long-term prospects.

On the former, I mentioned the possibility of the proposals having implications for the moth-balled iron making facilities at Kwinana. I had had this possibility canvassed explicitly with BHP's Chief Executive, Mr Brian Loton, prior to my discussions with Premier Zhao. On the latter, it is obvious that long lead times would be involved, requiring new patterns of investment for Australia and China. My tentative comments on these matters indicated the long time scales involved. In my only quantitative reference to long term prospects for processed iron sales, I said: "I do not want to put figures on it at this stage except to say that if we only got a relatively small proportion of the growth in the Chinese industry, towards the end of this century it could represent something like a doubling of our capacity of industry in Australia."

I have gone over this old ground at some length to correct the grotesque view that seems to have developed in public discussion, and which reached its most exaggerated heights in the last few days, that the Hawke-Zhao iron and steel initiative was all about immediately investing to produce six million tonnes of processed iron and steel for China.

Progress on the initiative so far lines up well against what was promised at the time. The mutual efforts of China and Australia can only be judged an outstanding success.

Soon after my return to Canberra, I met senior union, business and State Government representatives to brief them on the initiative and to discuss coordination of our efforts in Australia. A parallel meeting at the working level agreed on administrative arrangements..

At all points the Government made it clear that while the Joint Study Group had to be Government-to-Government, any commercial decisions on trade and investment would be left entirely to the judgment of the private parties. Australian officials were back in Beijing within a few weeks of my visit to discuss progress in establishing the Joint Study Group.

The Joint Study Group met formally in Beijing a couple of weeks ago. The officials involved in that meeting reported strong Chinese commitment to all aspects of the matters discussed by Premier Zhao and myself. Some concrete possibilities were identified and discussed in each of five areas covered by the Zhao-Hawke understanding: Australian exports of iron and other steel-making raw materials; Chinese investment in Australian iron ore mining; mutual technical assistance; Australian investment in Chinese steel-making; and Australian provision of iron and crude steel for further processing in China.

As I indicated in Beijing, the work of the Joint Study Group is complex, and will take a considerable while to complete. But simultaneously with the Joint Study Group, Australia's private corporations are engaged in detailed discussions of immediate commercial opportunities.

Australia and China have both made it clear that co-operation will proceed on the basis of equality and mutual benefit.

Under the umbrella of my agreement with Premier Zhao, the CRA group under Sir Roderick Carnegie has already discussed a range of concrete proposals for co-operation in iron and steel.

More recently, one delegation from BHP's Minerals Division and one from the Steel Division visited China, and were invited to discuss a number of substantial proposals.

The Chinese Minister for Metallurgy will visit Australia for two weeks from 10 May, to familiarise himself with the Australian iron and steel industry, to advance discussions with Australian companies, and to hold further discussions with the Australian Government.

I am completely satisfied with the progress that is being made.

Nothing that we have learned in discussions over the past couple of months diminishes our view that there are immense potential advantages to both countries from co-operation in the iron and steel industries.

China has successfully embarked on a process of rapid modernisation. Already this is being reflected in substantial increases in China's demand for iron and steel, including imports, after a temporary reduction following economic policy adjustments a few years ago.

China is not well endowed with high quality iron ore, and perceives potential economic advantages in supplying this and other steel-making materials to some locations in China.

Australia's exceptional endowments of steel-making raw materials are well known. We have some technical capacities which appear to be useful to China's iron and steel industry.

It has long been understood in Australia that, as part of a move to a more internationally-oriented manufacturing sector and economy, Australia has special advantages in the export of processed minerals.

Australia and its trading partners in the past have sometimes missed opportunities for expanded co-operation in minerals and metals on the basis of mutual benefit.

The Governments of Australia and China are making the most of opportunities for co-operation in iron and steel.