



## PRIME MINISTER

FOR MEDIA

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During my visit to China in February 1984 I outlined the basic elements of an initiative to engage Australian and Chinese firms more closely in the massive expansion of the Chinese iron and steel making industry which is currently underway.

Among other things that led in August 1984 to an agreement to undertake a feasibility study into a joint venture mine at Mt Channar.

I am happy to be able to announce today that almost three years of patient investigation and negotiation have now borne fruit.

As I speak, our Ambassador, Dr Garnaut, and senior Chinese officials led by the Minister for Metallurgical Industries, Mr Qi Yuanjing, and the Vice Chairman of the State Planning Commission, Liu Suinian, are witnessing in Beijing the initialling of a joint venture agreement between the China Metallurgical Import and Export Corporation (CMIEC) (the trading arm of the Ministry of Metallurgical Industry) and Channar Mining Pty Ltd, a wholly owned subsidiary of Hamersley Iron. Hamersley's equity will be 60 per cent, with the remainder held by the Chinese partner.

The agreement will lead to a substantial investment (initially about \$250m) to develop a new ore body of some 200 million tonnes in the Pilbara region.

The new mine will produce high grade ore for export, which will be wholly taken by CMIEC for use in China. When fully operational some 10 million tonnes per annum will be shipped to China, valued at about \$200m a year at current prices.

Channar ore will be blended with iron ore from existing Hamersley operations to provide ore similar to current production.

Maximum use will be made of the existing Hamersley infrastructure.

An important element of the agreement has been undertakings given by Hamersley to guarantee performance and continuity of supply.

This will be the first joint venture investment in an iron ore mine by the Chinese.

It represents a major show of confidence by the Chinese in the Australian iron ore industry.

It will lead to the opening of a new mine with an assured market in an otherwise highly uncertain world trading environment.

It provides Australia with a unique opportunity to build upon the already good relations with China in the area of iron and steel cooperation to participate in the burgeoning growth of China's iron and steel industry.

China is seeking to raise its current output of steel from 56 million tonnes in 1986 to over 90 million tonnes by the year 2000. China's involvement with the Channar project will help to open the door for other mines and other producers to export.

This new joint venture arrangement is yet another indication of the benefits which can be had by Australia from seeking to exploit more fully the geographic and competitive advantages which we have in this region.

Arrangements of this kind with Chinese enterprises are most readily made under the auspices of an appropriate government to government relationship.

Today's initialling represents the culmination of 3 years work by our two governments and, particularly, by the parties principal.

I wish to record my personal thanks to Premier Zhao Ziyang for his efforts in taking forward the commitments which we made to the iron and steel initiative in 1984 and which we renewed in May last year.

I also wish to congratulate Hamersley Iron for their perseverance and wish them every success.