

THE AGE

A tale of two Kevins with a great deal to chew over

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THE omens were all bad for Kevin from Beijing — bad Senate feng shui over billions in fiscal stimulus and bushfire devastation in Victoria. And “Kevin” Yu Tai, with his Chinalco colleague Lu Youqing, was in Canberra to light a political bushfire all his own.

Kevin Tai had come to visit the court of his Australian namesake — a Kevin who requires no introduction — to explain why it would be a terrific idea if China's largest diversified mining company, Chinalco, secured a healthy chunk of Rio Tinto.

Beijing Kevin, a cultivated, bilingual, 40-something creature of boardrooms and back rooms, is the foreign investment executive driving Chinalco's \$30 billion “strategic alliance” with Rio Tinto, a tie-up electrifying federal politics.

Chinalco wants a strategic stake in Australian resources — secure supply to ensure China remains the factory to the world, and the potential to influence prices for key commodities, just as the Japanese had sought in the

Australian coal industry in the 1970s.

China has cash. Rio has minerals, and needs cash. It should be simple. But it's far from simple. The Rio-Chinalco deal — given opponents argue the Chinese Government will use Chinalco as a vehicle to screw down Australian export prices — is politically fraught for our Sinophile-in-chief. And Chinalco-Rio is just one of many deals for the Government to chew over.

Which is why, from the Chinese perspective, you go to the people with the “guanxi” — enablers with connections to smooth your way. Chinalco early last year found its way to lobbying firm Hawker Britton.

Managing director Bruce Hawker is a mate of the Prime Minister. The firm donates to the ALP (more than \$176,000 in 2006-07, \$110,000 in 2007-08) and is staffed by people with extensive Labor networks. Kevin Rudd's election was the catalyst for the firm going national. Mr Hawker's Canberra office manager is Simon Banks, a smart lawyer who worked for a who's who of Labor politicians, including Mr Rudd.

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When Chinalco arrived on his doorstep last February, Mr Banks had barely unpacked his computer, but that was no obstacle. Chinalco also signed up Labor's pollster, John Utting, to test community opinion. Two major polls have been conducted over the past year — one pre-Olympics, the other in the wash-up, tracking broadly positive sentiment.

China Inc's arrival as the new company in town was noted by Hawker Britton's competitors. Gossip did the rounds about

extravagant promises being made, and strong-arm tactics.

Everyone wants a slice of China's business. In addition to Mr Banks and Mr Utting's company UMR, Chinalco has hired Sydney PR firm FD First Person, and law firm Mallesons.

The two Kevins failed to hook up last week but the Chinalco delegation did the rounds seeing senior staff and ministers.

Rio dispatched its Australian managing director Stephen Creese, director of strategy Doug Ritchie, and its Canberra operative, Mark O'Neill — a senior adviser to the Hawke and

Keating governments. (Global chief Tom Albanese got stuck in London where a nasty shareholder backlash is still in play).

An obvious, if dubious conduit to Mr Rudd would also be businessman Rod Eddington — a non-executive director of Rio, and a sounding board for the Prime Minister on business matters. Senior sources say Mr Eddington has not been spruiking the deal. Mr Eddington himself tells *The Age* he has not spoken to the Prime Minister for weeks.

“I haven't had a conversation about this with anyone in Can-

berra. It would be quite improper to do so.”

People involved in the briefings say Rio bowled up a less-than-subtle pitch that the Chinalco deal would be good for jobs, although there were no guarantees. Rio's gunboat diplomacy has gone down like a lead balloon. “Dumb,” observes one person. “They have completely overplayed their hand.”

Senior sources warn that Rio and Chinalco are going to have do much better: watertight guarantees, not vague aspirations, on jobs and transparency for a start.