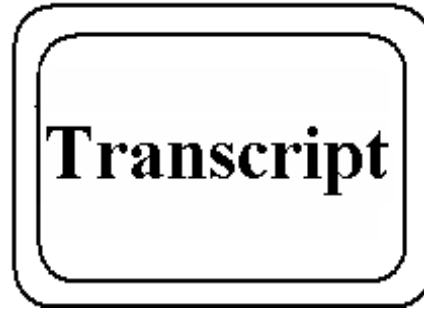




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Transcript of

Senator Nick Sherry
Assistant Treasurer

CNBC Asia Squawk Australia

Interviewers: Karen Tso, Sri Jegarajah

30 March 2010

1040am

E&OE – PROOF ONLY

SUBJECTS: Stern Hu verdict, Islamic finance

KAREN TSO: Well Nick Sherry is the Assistant Treasurer of Australia and we welcome him here to the Sydney studios, great to have you with us today.

NICK SHERRY: Good morning.

KAREN TSO: Always nice to see you ... the circumstances around this particular case and dominating the press headlines here and there's talk right around the city today - what was your initial reaction when you saw the sentence handed down to Stern Hu?

NICK SHERRY: Well I think it's understandable, there's been a considerable amount of coverage of the case. Pretty tough sentence, pretty tough sentence, I shared the reaction of Stephen Smith, our Foreign Minister, however, I think the commercial business relationship between China and Australia is deep and obviously I think will get deeper as time goes on, I don't see any particular difficulties there for Australia and China.

KAREN TSO: (inaudible) the language from the Prime Minister today, it seemed to signal a change in the communication, he's saying the verdict leaves serious unanswered questions. Now today the Government has been taking a very cautious,

a very diplomatic approach to this topic waiting for justice to play out. Now that the case has finished, is the Australian Government going to make some form of representations to China demanding an appeal, demanding greater detail, access to this case?

NICK SHERRY: Well, I think one of the central concerns is around the issue of transparency, about the ability to be in the courts and oversee, examine what the process, how it was being undertaken. As to future actions, that's a matter for Stephen Smith and the Prime Minister. Obviously, I'll keep a close eye on it but that's in their court.

SRI JEGARAJAH (in Singapore): Good morning Mr Sherry. Can you make an assurance to the Chinese companies that are currently involved in resources transactions, ones that are either pending or in the future, that they will get, as you say, in Australia, a fair go, in the process? Are you confident that there won't be any commercial retaliation after Rio Tinto?

NICK SHERRY: Well, what I am confident of is that Australia and China have had a good and strong and deepening commercial relationship, and that will continue. Now, from time to time there will be issues such as the Hu case. There will be issues that crop up in any relationship, but I believe that the relationship will continue, and it will strengthen and deepen in a commercial and business sense.

KAREN TSO: What about the (inaudible) doing business in China? If you just look through the record from China and the different cases, there's such a wide amount of, you know, sentencing, verdicts. You've got people who are released after a month, those who are deported after six years, others are imprisoned for 10 years, people who have been executed. It's very hard for people in Australia doing business in China to work out what the parameters are in relation to the law and also if you do get caught on any particular case - are likely to be sentenced for?

NICK SHERRY: Well I think it is important to understand, not just from an Australian perspective, from a European and North American perspective, China has a different political and legal system, by and large from European or North American systems. It does have a different system. So anyone obviously doing business in China needs to understand and appreciate that. I'm sure that they go to extensive work to provide detail about the differences in the system and I think that needs to be understood.

SRI JEGARAJAH: The Prime Minister said earlier on today that there are a lot of unanswered questions about the trial and the processes. One of those inconsistencies of fact is that the authorities and the court didn't seem to bring any charges or implicate any wrongdoing amongst those Chinese companies that made the bribes or offered the bribes in the first place.

NICK SHERRY: Well again, how the Chinese process charges and particular (inaudible), is a matter for them. But I think what has been the greatest concern in Australia, one of the great concerns, has been the issue of transparency, having access to and being able to oversight, examine the process as it was occurring in the courtroom. And that I think has been one of the major concerns here in Australia.

KAREN TSO: How confident are you that Rio Tinto's own dealings, if you look at the comments from the company, from Sam Walsh, the head of Rio's iron ore business, saying yesterday Rio had concluded that the illegal activities were conducted wholly outside our system. Who's regulating these companies, who's looking at the processes, now are we completely sure that Rio wasn't at all involved in this and these actions were just of the foreign executives?

NICK SHERRY: Well Rio clearly is regulated both under the respective law of the countries it operates in. Everything I've seen and heard of Rio in Australia where I have obviously political and ministerial and economic oversight is Rio is a good corporate citizen of Australia. There's nothing to suggest I think in this that there's any particular broader issues for Rio.

KAREN TSO: Okay, just on a different note, you're going on a trip around the region soon – Qatar, Bahrain and the UAE in April, you're looking at the promotion of Islamic banking and finance. Does this suggest that you think Australia can play a greater role in this market segment?

NICK SHERRY: Well this is an important area where Australia's trying to do some greater work to encourage our financial centre status. And so, yes, going to the Middle East obviously it's a major source of savings funds, sovereign wealth funds – Islamic finance is an important and growing area of world finance. And Australia needs to be able to firstly understand and provide those products within a correct regulatory framework. The other reason for the visit in the Middle East is sovereign wealth funds - we're currently considering the tax treatment of their investments and again it's important to get that right under standards for investment flows in Australia.

KAREN TSO: Two big things that certainly are dominating this region, it's been great to have you with us here today, Senator, we do appreciate it.

NICK SHERRY: Thank you and good morning.