

## Summary of China Matters Youth Policy Meeting 20 April 2016

The Second Youth Policy Meeting of China Matters, convened in partnership with the Australia-China Relations Institute (ACRI), focused on the controversies surrounding Chinese investment in Australia. The key questions spurring the discussion included the extent to which Chinese investment should be considered an opportunity or threat; whether or not a threshold needed to be set; what could be done to allay public fear over foreign investment; and what the implications of Chinese investment would be if there was a major deterioration in the Australia-China relationship.

The aim of the meeting was to discuss and formulate recommendations for the Australian Government.

While some participants acknowledged that Chinese investment could be framed as a threat, the general consensus was that it should be viewed as an opportunity. Australia is poor on capital and needs foreign investment to maintain its current standards of living. However, Australians have long been wary of foreign investment and the Chinese threat perception is rooted in this wider fear. According to results of a recent survey commissioned by ACRI and the UTS Business School, Australians are actually more concerned about the terms of the investment contract rather than the actual foreign investor country, and the investment share in particular was a critical factor.

A common view among participants was that thresholds should apply to all foreign investments and not just those from China. However, one participant noted that it would be hard for any threshold to take into account the nuances of a particular investment.

Several participants brought up the issue of whether one should differentiate between a state-owned enterprise (SOE) or private company as an investor. In regards to China, one participant stated that this division between private and SOE is artificial. Anyone with knowledge of China is aware that a company cannot thrive if it strives to keep the government at arm's length.

Another issue was the need for an open and more inclusive public debate led by the Australian government. The government needs to present a clearer and more coherent message about foreign investment to the public, one that is consistent with its message to investors that 'Australia is open for business'. The government could also encourage Chinese investment in less controversial spheres and redirect capital where it is most needed. Many participants noted that partnerships with Australian investors should be encouraged.

Several participants focused their comments on the role of the Foreign Investment Review Board (FIRB). More measures are needed to increase accountability and transparency in the review process and in the discussion about foreign investment. These measures should be taken bearing in mind public perceptions, not the perceptions of defence hawks. One participant noted that dealings with FIRB were becoming increasingly difficult. The lack of consistency and information with regard to the time frame for the approval processes sent investors the message that they were not truly welcome. Another participant suggested that FIRB staff may not have the necessary training or resources to deal with high-net deals that are often the first of their kind and thus ensuring the review board had business expertise was critical for assessing complex corporate transactions.

Finally, in relation to the strategic implications of Chinese investment in Australia and the possible threat these investments might pose, it was suggested that greater Chinese investment in Australian assets would actually make Australia more secure. More Chinese investment would encourage China to seek stability in its relationship with Australia. Australia is seen by China as a safe and stable investment destination. This need to consider views from a Chinese perspective was echoed by a few participants.

The composition of the 30 or so participants at the China Matters Second Youth Policy Meeting was considerably more diverse in terms of ethnicity and gender than at the National Meeting of China Matters. The participants were chosen because they are viewed as outstanding young professionals who work on issues with relevance to Australia-China relations. This diversity is an encouraging sign when one looks ahead and contemplates the development of Australia-China relations.

*By Louise Mao*

### **Recommendations to the Australian Government:**

FIRB needs resources to employ to the Secretariat a greater number of knowledgeable individuals with experience in business transactions. More individuals with business expertise and cultural awareness should also be appointed to the review board.

Government ministers, senior public servants and FIRB members must be explicit in their public commentary about Chinese investment. They must emphasise that Australian living standards will fall without acceptance of foreign investment and China is likely to be one of the main sources of foreign investment for decades to come. Senior officials also must be candid in public about some of the challenges related to Chinese investment while at the same time they need to encourage investment forms that decrease public anxieties, for example investment partnerships.