

Does Australia *really* welcome investment from China? A closer look at agribusiness in Western Australia and northern Australia

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The tale of Chinese investment in Australia is paradoxical. News stories about the latest Chinese investment bid can send shockwaves of fear around the country that Australia is allowing too much Chinese investment. Yet economic data points to the fact that China only accounts for 2.5 percent of Australia's total stock of foreign investment, (notwithstanding the 2.8 percent from Hong Kong) and 4.4 percent of foreign direct investment. While the percentages seem small, the assets in China's sights are politically sensitive in Australia (namely real estate, infrastructure and agriculture). This renders arguments about Chinese investment much more complex to address than a mere quibble about scale.

There is at least one area of agreement between politicians and the business community: the future of Australia's economy depends on the injection of foreign capital. The shortfall between Australia's available domestic capital and the capital required in agriculture, for example, is around \$850 billion. Despite this, Australia is the fourth most restrictive place to invest in agribusiness out of 35 OECD countries. Given that China can offer a significant proportion of the capital we require, one must ask – does Australia *really* welcome Chinese investment?

Western Australia speaks with authority in answering this question after three decades of experience in benefitting from Chinese investment in the resources sector and managing community concerns. In 2012 WA received 56 percent of the flow of Chinese outbound direct investment in Australia. Fast forward to 2015 and that number had receded to 1 percent. Within a few short years Australia has begun to feel the tectonic shifts within the Chinese economy. Australia must dramatically reform the way it does business with its largest trading partner. Few other states or territories know this as well as WA.

Agriculture could be the linchpin for a successful economic transition for WA and northern Australia. In 2015 agribusiness only accounted for 3 percent of Chinese investment with the mining sector still ahead at 9 percent. China ranks fifth behind the UK, US, the Netherlands and Singapore in total foreign ownership of Australian agricultural land with a paltry 0.38 percent share. Yet in 2014-2015 for the first time China became the largest source of foreign investment in agriculture; an indication that demand is there.

WA has recognized this demand with its 'Seize the Opportunity Agriculture' policy aiming to attract investors and cut red tape. It even has its own kitsch hashtag: #ShredTheRed. WA is rightly trying to erase the image of a dusty, desolate mining outpost and rebrand

itself as clean, green and pro-agribusiness. Yet there is a risk that WA's efforts will be undermined if the federal government's policies remain incompatible. Roughly 86 percent of our farm land is wholly Australian owned; we produce enough food to fill the stomachs of 60 million people. Yet public opposition to foreign investment is undeniable; 69 percent of Australians are 'strongly against' the foreign acquisition of farmland according to the 2016 Lowy Poll. The central task for both state and federal government is to dispel unreasonable fears and effectively promote the facts.

In August 2016 Kimberley Agricultural Investment (the Australian subsidiary of Shanghai Zhongfu) successfully purchased Carlton Hill cattle station with barely a whisper. This was in stark opposition to the noise surrounding the rejection of S Kidman & Co. We need to understand why. Was Carlton Hill acceptable purely because it's smaller? If it is a matter of size, what is the underlying threat to our national interest – that we are at risk of 'selling off the farm'? Jeopardising food security? Is it a fear that foreign buyers will not represent local community interests? Does owning farmland give China political leverage over Australian foreign policy? Chinese investors cannot pack a few hectares of our land into their suitcases and take it home. If we have genuine concerns about investment from China specifically we must be willing to articulate these clearly. We cannot mitigate the risks associated with Chinese investment if there is no consensus on what those risks are.

Australia needs to rapidly change its investment narrative. The inconsistencies in federal and state policies are only adding to the miasma surrounding Chinese investment in agriculture and northern development. If Australia really is open for business let us make sure all potential investors know it. If we want to establish specific conditions to make investment in agriculture more acceptable we must make those terms clear. Let's delineate the realistic concerns from any erroneous fears and deal with each separately. We must re-market what this country has to offer – not only to foreign investors but to the Australian people; after all they are the ones who first need to jump aboard the transition train. If there is one thing Australia can do for foreign investment, make it this: let's get our story straight.

Questions

- How can business and government better articulate to investors and the public what investment we do and don't welcome?
- What are our concerns?
- Do we need to re-evaluate investment appraisal procedures e.g. introducing a 'negative list' for investors?
- What lessons can be learned from Western Australia's experience with Chinese investment over the past decade?

