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HD **Australia Urged to Change Rules on Foreign Investments; Country's Business Leaders Cite the Need for Predictability, Transparency**
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MELBOURNE, Australia—Some of Australia's most powerful business voices have called for the country's new conservative government to change rules seen as deterring direct investment from overseas companies, particularly those from **China**.

"Part of our problem is really creating an environment where the rules are known, and they are predictable," said Jennifer Westacott, the chief executive of the Business Council of Australia, a lobby group, during a conference on bolstering business ties with **China**.

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Chinese investors have strongly criticized Australia's foreign investment regime, which requires big potential investments to be approved by the opaque Foreign Investment Review Board. The FIRB then makes a recommendation before a final decision by the Treasurer.

The FIRB has approved the vast majority of investments, but has rejected a number of high-profile deals and has otherwise been seen as presenting excessively high hurdles. In September 2009, for example, **China** Nonferrous Metal **Mining** (Group) Co. terminated a 505 **million** Australian-dollar (US\$470 **million**) bid for a controlling **stake** in Australian rare-earths miner Lynas Corp. over tough conditions imposed by the FIRB.

In 2008, the country's then-Labor government imposed extra scrutiny on investments by state-backed enterprises and sovereign wealth funds just as **China's Chinalco Mining** Corp. International—the world's second-largest **alumina** producer—was targeting Anglo-Australian miner Rio Tinto Ltd. for a \$US19.5 **billion** takeover. **Chinalco** subsequently walked away.

Since then **Chinese** companies have complained bitterly about the FIRB's opaque decision-making process. **China's** government has raised the issue of investment rules in negotiations with Australia on a free-trade deal that both countries hope to conclude this year.

Chinese investment in Australia fell 10 percent last year as its total overseas investment grew, a KPMG survey found last month. There was an increase, though, in investments in Australia involving smaller to medium-sized **Chinese** investors, which haven't been hit as hard by FIRB rulings.

Heather Ridout, who heads one of Australia's largest pension investment funds and is a member of the Reserve Bank of Australia's board of directors, said there had to be more consistency and predictability in investment rules.

"When I talk to **Chinese** business, that's what they're looking for," Ms. Ridout said at the same conference. "They want much more consistency, much more clarity and much more ... ease of doing business in Australia."

FIRB's reputation in **China** was probably overstated, Ms. Westacott said. She noted that the last deal the FIRB blocked, in November, was U.S. agribusiness Archer Daniels Midland Co.'s US\$2.7 **billion** bid to buy Australian grain handler GrainCorp Ltd.

Still, Australia should consider adopting practices used elsewhere, such as Canada and New Zealand, in which decisions on foreign investment are published monthly, with accompanying reasons for acceptance or rejection. She said this would help encourage offshore investment at a time when the economy needs fuel for additional growth following the end of a long **mining** boom.

Australia should also consider a A\$1.1 **billion** threshold for FIRB scrutiny of private investment, mirroring arrangements for New Zealand and the United States, Ms. Westacott said. The current threshold for other countries is \$248 **million**.

"Could it be more transparent? Yes. Could the rules be clearer? Yes," she said. "My feeling about foreign investment is that we should say yes until we can show why we say no. It's really part of us being willing to be a big global player."

Prime Minister Tony Abbott's government, keen to reach a trade deal with **China**, is expected to agree to a A\$1 **billion** threshold for FIRB scrutiny for **Chinese** companies only, although extra scrutiny of state-backed investments from all countries would remain in place.

Mr. Abbot's government has refused to lift a ban on **Chinese** telecommunications giant Huawei Technologies Co. taking part in the construction of a new national broadband network because of national security concerns.

Chinese officials have also privately pointed to Huawei's exclusion as also eroding investment confidence in Australia, Australian lawmakers have said.

CO	bucoau : Business Council of Australia chnfm : China Nonferrous Metal Mining (Group) Company Limited
IN	i211 : Metal Ore Mining ibasicm : Basic Materials/Resources imet : Mining/Quarrying
NS	c13 : Regulation/Government Policy efdi : Foreign Direct Investment gcat : Political/General News ccat : Corporate/Industrial News e51 : Trade/External Payments e511 : Capital Movements/Invisible Trade ecat : Economic News ncat : Content Types nfact : Factiva Filters nfcpin : FC&E Industry News Filter
RE	china : China austr : Australia melb : Melbourne apacz : Asia Pacific asiaz : Asia ausnz : Australia/Oceania bric : BRIC Countries chinaz : Greater China devgcoz : Emerging Market Countries dvpcoz : Developing Economies easiaz : Eastern Asia victor : Victoria (Australia)
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