THE AUSTRALIAN

SE	Finance
HD	**Chinese interest skewed by two major deals**
BY	ROWAN CALLICK, ASIA-PACIFIC EDITOR
WC	558 words
PD	12 March 2014
SN	The Australian
SC	AUSTLN
ED	1 - All-round Country
PG	18
LA	English
CY	

LP

Australia is not quite the investment target that figures indicate

AUSTRALIA'S continuing role as a favourite target for **Chinese** investment depended disproportionately last year on two massive **energy** deals, say KPMG and Sydney University's **China** Studies Centre in a report.

TD

China State Grid's **acquisition** of 19.9 per cent of SP AusNet and 60 per cent of Victoria-based utility Jemena, and CNOOC's **purchase** of a quarter of the Curtis LNG project in Queensland, together accounted for 61 per cent of the total.

Also in 2013, Australia narrowly lost to the US its title as the world's top destination for **Chinese** capital, on an accumulated basis.

That ``should serve as a warning that **Chinese** investment remains volatile on a yearly basis'', the report says.

Since 2006, 75 per cent of **Chinese** direct investment has gone into a small number of very large deals in Western Australia and Queensland.

These have not all gone according to plan, the report says, ``but the **Chinese** are long-term investors, and are now starting to export large quantities of raw materials'' from them to satisfy **Chinese** domestic demand.

It says that Australia is well placed to remain a priority destination for the $550 **billion** due to be invested internationally by **China** over the next five years, provided key policy settings are implemented.

That includes, the report says, cutting domestic operating costs, increasing productivity and speeding project approval.

Over the past eight years, the US has received $66bn in direct investment from **China**, 13 per cent of the total, and Australia $63bn, 12 per cent, followed by Canada with 8 per cent, Brazil 6 per cent and Britain 4 per cent.

In 2013, the US attracted 17 per cent of **China**'s overseas investment, just over double the percentage Australia attracted.

The report says that while the largest resource and **energy** producers compete with Australia for the biggest investments, ``competition for medium and smaller-sized projects in sectors such as commercial real estate, agribusiness and services is intensifying, with new entrants from the **Chinese** private sector''.

Thus Australian businesses and regulators need to monitor and understand better what the country's competitors are doing to attract investment.

There were 40 **Chinese** investment deals in Australia last year, worth $10bn, with an increasing share coming from private investors, the report says, particularly in commercial real estate.

Mining investment more than halved last year.

The report says that ``while anecdotally there is genuine interest and increasing activity from predominantly private **Chinese** investors in Australia's farming and agribusiness, in 2013 only two transactions were recorded''.

There is also genuine interest, it says, in infrastructure -- anticipating investment as a result of the technical capability and financing available from **China**'s largest engineering and construction companies.

The state grid **acquisition** pushed Victoria for the first time to the top of the states attracting **Chinese** funding, nearly half the total.

The number of deals worth more than $220 **million** fell as a proportion of the total, from 28 per cent to 17.5 per cent, as diversity increased.

And while state-owned investment continued to dominate with 84 per cent of the total value, 62 per cent of the number of deals came from the private sector.

GLENDA KORPORAAL P24

CO	spauen : SP AusNet | sinpow : Singapore Power Ltd | tmasek : Temasek Holdings Pte Ltd
IN	i16 : Electricity/Gas Utilities | iutil : Utilities
NS	ccat : Corporate/Industrial News
RE	austr : Australia | china : China | sydney : Sydney | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | nswals : New South Wales
PUB	News Ltd.
AN	Document AUSTLN0020140311ea3c0001w

