From Favourable Treatments to Conflicts: Some Selected Case Studies of Chinese Investments in Australia

Fuyuan Liang

This thesis fulfils the full requirements of the degree of Master of Law (by Research)

Principal Supervisor: Dr Yongqiang Li

Associate Supervisor: Professor Zejun Liu

Institute for Sustainable Industries and Liveable Cities

College of Law & Justice

Victoria University

Melbourne, Australia

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Declaration

“I, [Fuyuan Liang], declare that the Master by Research thesis entitled [From Favourable Treatment to Conflicts: Some Selected Case Studies of Chinese Investments in Australia] is no more than 60,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work”.

“I have conducted my research in alignment with the Australian Code for the Responsible Conduct of Research and Victoria University’s Higher Degree by Research Policy and Procedures”.

Signature: [redacted] Date: 28/04/2022

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ABSTRACT

A comprehensive and rigid analysis of Chinese investment in Australia for the past four decades is an under-researched topic, though there had been sporadic treatments of this subject matter from the perspective of single institutions in economics, politics, and culture. The neoliberalism era marked a honeymoon between China and Australia, which boosted the Chinese investments in Australia, marked by the Australia-China Free Trade Agreement and the 'One Belt One Road Initiative' Agreement, signed by the Victorian Government and the Chinese Development and Reform Commission. Recent years witnessed a deterioration of the Australia and China relationships and the "tit-for-tat" strategies and racism movements which discourage the Chinese investments in Australia.

This study has developed a conceptual framework consisting of economic, political, cultural and institutional factors that may explain the Australian government's decision of rejecting certain Chinese investments in recent years. Case studies were employed to illustrate the application of the conceptual framework. The findings suggest that the conceptual framework can be utilized to explain why the Australian government rejected certain Chinese investments.

This research aims to analyze the determinants of Australia Government's rejection of Chinese investment in Australia. Case studies in the field of the Australian mining sector, agriculture and agribusiness, and infrastructure unveil that political distrust towards Chinese investment in Australia is a major source of refusing Chinese investment. This led to continuous reduction of Chinese investment in Australia since 2016. Such political distrust which works against the national interest of the respective countries, may also drive the decline of Chinese investment in Australia.

This research contributes to the literature by examining the factors which lead to the Australian Government's decision to reject certain Chinese investments based on in depth analysis of case studies. This will be useful for understanding how to enlarge shared interest for policymakers, businessmen and academic researchers.

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CHAPTER 1 INTRODUCTION

1.1 Chinese Investment in Australia: the Status Quo

China is one major source country of inbound foreign investment in Australia since 2008, and has become the largest source country consecutively in 2013-16. Chinese investment in Australia reached the climax in 2016 after consecutively grew into the largest source of capital inflow in 2013-2016, featured by the introduction of the China-Australia Free Trade Agreement (ChAFTA) which came into force in December 2015. Chinese investment in Australia has declined dramatically since 2017 because of global economic volatility, Chinese outbound foreign investment policy shift and changing Australian environment towards Chinese investment. China's domestic economic and political reform is on the way to the Modernized China in 2035, fulfilling a two century goal to facilitate development politically, economically, socially and culturally.

China has improved capital outflow control in the way of classified management in the encouraged, restricted and prohibited categories. In the prohibited classification, real estate and entertainment industry suffered from stricter limit on offshore investment. An economic growth pattern shift, from principally emphasizing on growing rate standard imposed on local government to basically more environment-friendly, balanced and consumption-restructuring, has been established as national policy at the level of central and local government. In response to social transformation and economically higher quality development, political reform was carried out in respect of education, public service accommodation, institutional adjustment, power division between central government and local government, functional division between rural region and urban region and rule of law. In addition, China's international ambition, including the "One Belt, One Road Initiative", emerging Europe-Asia integration and internationalized RMB currency in response to American containment strategy, in terms of military, economics and politics, also play a huge impact on Chinese investment in Australia, correlated to capital outflow control and growth pattern shift.

At the meantime, Australian foreign investment policy environment has changed in a range of sectors. In agricultural land investment, a new requirement was established in 2018 and agricultural land must be marketed broadly to Australian bidders for a minimum of 30-days publication before being considered for granting investment proposal. This new approach is a significant beginning from the negative test to national interest test. In residential real estate, screening and compliance responsibility moved from Foreign Investment Review Board (FIRB) to Australian Taxation Office (ATO) in December 2015. In critical infrastructure, FIRB has been required to examine all state and territory critical infrastructure transactions with foreign investors from March 2016; this requirement has been implemented previously in relation to foreign investors at the background of government-related companies.

In January 2017, the Australian government set up a Critical Infrastructure Centre (CIC) to recommend FIRB and Treasurer for considering approval process and to assist owners and operators of critical infrastructure in terms of risk management and control. In March 2018, the Security of Critical Infrastructure Act 2018 was passed to establish a register of critical infrastructure assets in Australia. The act also is of relevance for Foreign Direct Investment (FDI), as national security risks are to be evaluated, in case of large-scale investment proposals related to critical infrastructure, such as electricity, gas, water and ports, and any other asset declared critical by the relevant minister.

Chinese State-Owned Enterprises (SOEs) and private companies are main market actors in all kinds of industry in Australia. Mining and energy sector account for a vast majority of Chinese capital; real estate and agriculture also accounts for a main part, and China became the second largest agricultural land holder in 2018 with 2.3% of total agricultural land. The Australian finance and service industry has attracted more and more Chinese investment for supporting expansion of middle-class and economic model shift in China.

According to ChAFTA's work program for further negotiations on comprehensive investment and a commitment to review, a review process among both states started in March 2017 and is continuing to reach common consideration effectively. The Memorandum of Understanding on an Investment Facilitation Arrangement provides further negotiations at the basis of cooperation framework, while investment facilitation complements the new World Trade Organization (WTO) Dialogue on Investment Facilitation.

1.2 Controversial Discussion about Chinese Investment in Australia

There are three main disputes about Chinese investment in Australia. First, Australian concern on the nature of capital resource views Chinese SOEs investment and sovereign wealth fund as China's length arm and Australia's management uncertainty (Uren 2012), to some extent. Foreign investment coming from a sovereign wealth fund and government-connected enterprises has raised public concern for many years. The burgeoning Chinese SOEs investment flooding into Australia's mining sector intensified the intention, how to respond to business opportunities' associated uncertainty and risk enhanced government's anxiety, because the transitional China economy means possible uncertainty and risks for Australia in light of scale and speed of China economic expansion. In comparison to economic scale between China and Australia, it is a natural choice for Australia to avoid the expansion of China’s state capital as well as out-of-control within Australia’s capability. From the perspective of political difference, Australia as a free-market economy has an inherent suspicion of both the extent of market behaviors among Chinese Multinationals and their commercial motivation. From the perspective of cooperation and competitiveness economically, Australia, as mature capitalism, attempts to grasp the majority of economic benefit and prohibit China’s increasingly enlarging economic power.

Second, in terms of Chinese investment in agriculture, real estate and infrastructure, these traditional sensitive fields threaten Chinese investment with flexible and diverse attitudes. In agriculture and agribusiness, the Australian government tries its best to balance between populism or protectionism and capital hunger for foreign investment (Commonwealth of Australia 2015). In addition, Australian enterprising businessmen and businesswomen played a significant role in cooperation with Chinese Multinationals to expand world market on food supply and production chains. In the field of real estate, the Chinese government stopped Chinese Multinationals’ ambition for Australian land acquisition through foreign investment content management in 2016. In the field of infrastructure, national security has become an increasingly important consideration while reviewing a foreign investment proposal as part of the national interest test, how to balance the evolving natures of opportunities and following risks was exposed before the Australian government. Australian state and territory governments attracted Chinese investment through privatization or long-term leases of major infrastructure projects for reducing government debt and increasing local growth; however, the federal government regards it as some risk in relation to national interest. Technological change triggered by 5G evoked Australia’s concerns about cyber-attack threats, so the federal government imposed cautious measures to prohibit possible damage. In addition, intensified geopolitical competition between China and America, as well as China’s presence in the South Pacific, provoked Australia into defensive and interventionist measures in response to any possible anxiety.

Finally, discussion about too much Chinese investment in Australia is popular. Probably, this discussion neglects the further economic opportunities among both states. The implementations of Regional Comprehensive Economic Partnership (RCEP) will strengthen the scope and scale of East Asia integration; Australia as high-quality service supplier and China as high-end technology supplier, will have broader cooperative foundation. China’s developmental shift from catch-up stage to balanced and sustained development stage signifies that Australia’s achievement in environment and ecology economy, as well as societal governance conception and the rule of law, will become an emulating goal of Chinese local governments, particularly developed provinces. China is starting the process of de-Americanization, associated with the end of neoliberal globalization and self-assured awareness of China's rise, and guidance from self-evident function of Chinese history and culture pattern. This process will offer Australia opportunities economically, politically and culturally, because Australia has its own relatively right understanding of West and East.

1.3 What Is the Research Question?

The research question for this study is:

What factors led to Australian Government's decision of rejecting certain Chinese investments in Australia?

1.4 Why Is It the Problem and Statement of Significance?

The bilateral economic relationship between Australia and China has a good foundation, and further East Asia integration will enhance this trend; however, there are political and cultural challenges prohibiting bilateral economic potentials maximally. In other words, Australian loneliness and Australian awkwardness are the main reasons.

Australian loneliness describes Australia's environment after its Asia engagement in the Hawke-Keating government. Australia is deeply involved with East Asia integration economically, but complexity, subtlety and diversity of East Asia makes Australia alone politically and culturally, having a negative impact on cultural understanding and acceptance between Australia and China (Evans 1995b). A reset China policy is looming from hedging against the possibility that China might be an enemy one day to regarding China's position in the world as an ominous threat for the liberal democracy system. In the past few years, from the Rudd government to the Abbott government, Australia's China policy is a national strategy of hedging, working smilingly towards the best outcome, while preparing quietly for the worst. The Turnbull government recalculated and recalibrated the China policy in 2016; from then on, prevailing China influence, intervention and panic among Australian media, legislation and ruling political environment. Certainly, there are opposed stances in Australian business circles, academic fields and opposition political groups, calling for a reality check on China's re-emergence to used-to-be global position, avoiding Australian anti-communist tradition in the Menzies government and overreaction in the newly geopolitical competition strategically and psychologically.

Australian awkwardness describes Australia's position under the competition between China and United States. Under the neoliberal globalization environment, Australia can navigate skillfully between US and China. With the end of neoliberal globalization, the intensified American unilateralism, as well as the intensified Sino-America competition politically, economically and strategically, it is a tough time for Australia to manage and resist disruption and volatility. Great power rivalry between US and China has stepped into a new phase politically and economically in the Trump administration (Picker 2017). The American government has exposed a clearly confrontational stance towards China; at the same time, China imposed a strongly counter-confrontation strategy to fight off American provocative behavior deliberately. The great power rivalry provoked more deep geopolitical anxiety while the trade war between US and China had shown increasingly deteriorating circumstances in 2018. Many states were entrapped in the middle of Sino-America competition, in particular, Australia faced a real dilemma inevitably of forcing to choose a side as America's traditional and close alliance in the Asia Pacific region. In addition, Australia has its own geopolitical competition target, and an evolving Indo-Pacific strategy to strengthen the idea of Australian concerted power in Asia in the 2017 Foreign Policy White Paper. On the issue of the South China Sea, Australia criticized publicly Chinese assertiveness in alliance with US.

In the background of anti-globalization, the divergence of West and East and Australian populism and protectionism in the post-pandemic, both China and Australia should enhance economic cooperation, cultural understanding and acceptance as well as political trust. It is necessary that both countries safeguard mutual national interest and regionalism in terms of the Asia-Pacific Economic Cooperation (APEC) and RCEP.

The 40-year bilateral economic cooperation experienced mutual opportunities and challenges, and both countries will also experience expectant opportunities and challenges in the Asian Century, such as global economic recession, China's economy phase shift as well as social and political institutionalization. How to guarantee an existing cooperation foundation? Then, how to reap bilateral economic potentials maximally? How to fight back uncertainty among both countries? Both Australia and China should find out the answer in light of national interest. In addition, it is a shared responsibility that both Australia and China would promote regional prosperity and peace. Regionalism in East Asia would bridge the challenge of declining globalization, and the reality calls for profoundly bilateral cooperation.

Both countries should endeavor to bridge this challenge in order to reap bilateral economic potentials maximally. With development of bilateral and regional economic integration, it is inevitable to strengthen cultural understanding and acceptance and political trust for guaranteeing economic potentials. Institutional framework in the basis of region and multilateral system can support economic cooperation and competition, higher phase of economic integration need cultural and political support compatibly, avoiding economic conflict based on cultural and political difference.

In addition, it is time to break “ideological confusion” for both countries. Australia is totally a government of supporting the people in public service, such as education, health care and social security system, which is the goal of socialism. So the interruption of ideological confusion, such as western democracy and eastern autarchy, should be put aside.

1.5 Research Design and Methodology

This study adopts a mix of historical, geopolitical and in depth case study approaches. The purpose is to put the Australian Government’s decision making process in the context of its historical views toward Chinese investments, then to understand how the geopolitical factors contributes to the deterioration of the Australian Government’s attitudes against Chinese investments, followed by in depth case studies which provide a more comprehensive contextual analysis of fewer events or environment and their interrelation. Given their emphasis on detail, the case study provides a valuable insight for problem solving, evaluation and strategy.

The researcher chose refused proposals of Chinese investment in Australia; these proposals were refused in the background of a particularly international and domestic environment at a certain time. The Australian government imposed a new condition and policy to assess Chinese investment in Australia on the basis of specific concern, and a different China policy was carried out by the Australian Coalition government.

1.6 Findings

The Rudd government attempted to lock up supplies and the price-setting right of critical raw materials, such as iron ore and rare earths, avoiding the price of commodities perceived as significant for national security to put Australia into a disadvantaged position. While China’s relevant authority criticized that Australian behaviors were against the non-discrimination rule of WTO, Australia disagreed on this point. This reflects bilateral economic competition and cultural difference in terms of the WTO rule and government-connected enterprises. They had made an effort of communication actively with each other at the different levels in order to reduce divergence and delete unnecessary misunderstanding. It is a misconception of Chinese SOEs, which operate political consideration and strategy rather than commercial objectives that resulted in the Australian government's discriminatory treatment towards Chinese investors.

In the field of agriculture and agribusiness, the Australian government made great efforts to balance national protectionism and huge foreign investment demand. Refusal of a takeover between Mengniu and Lion Dairy & Drinks by the treasurer also reflects bilateral economic competition and cultural difference in terms of how to understand Chinese SOEs, because the Australian government suspicions the nature of Chinese SOEs for commercial motivation, particularly in relation to competitive supply and production chain in Australia.

In the field of infrastructure, such as the National Broadband Network (NBN) and the critical infrastructure, Australia's security concerns reflect political distrust and pressure coming from Sino-America competition. Intensified geopolitical competition in East Asia and technological competition between China and US have exerted a negative impact on regional states; in particular, Australia as an alliance of US in the Asia Pacific. Current economic conflict between China and Australia is a result of China's countering the American anti-China alliance.

1.7 Conclusion and Recommendations

(1) Successful economic cooperation and integration between China and Australia never results in cultural understanding and acceptance of each other. For the purpose of economic interest, bilateral economic cooperation and competitiveness coexist. Economic cooperation and cultural communication coexist each other, but cultural communication arriving at cultural understanding and acceptance between China and Australia needs to bridge the gap by all means. Misconception of economic competition is attributed to cultural and political difference, and with roots in lack of cultural understanding and acceptance.

(2) Given China's history and culture pattern, and China's economic structure shift, cultural conflict between Australia and China will increase inevitably, and particularly, deep economic integration will strengthen this trend not eliminate it.

(3) Given different political systems, the security issue between Australia and China, which originates from political distrust, will continue to exert an impact on the bilateral relationship.

Australia's anxiety towards China's presence in the South Pacific is attributed to Western thinking not Chinese logic.

(4) Intensified geopolitical competition and technological competition between China and US deteriorates the relationship between China and Australia economically, politically and culturally.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

Both Australia and China are beneficiaries of neoliberal globalization, which had been initiated by US and the United Kingdom since the 1980s, then facilitated resource allocation, scientific and technical transfer and the emerging economies and multinationals with market force among regional and global horizons. Taking Chinese investment in Australia, for example, Australia's political consideration based on economic complementation and integration of East Asia promoted bilateral efforts to strengthen economic relationship, so China's motivation of resource seeking became the first wave of capital flow in the 1980s-1990s, then with an increasing two-way trade between Australia and China, the second wave of capital flow reflected a wider and strong stimulant in the 21st century.

This section focuses on determinants of Chinese investment in Australia from an angle of history, sector, market players and institutional construction. First, Australia embraced globalization with a commitment to an open market, removal of capital inflow control and exploitation of its unparalleled mining advantages through domestic reform and East Asia regionalism, including foreign investment in the resource industry, building up the China Action Plan (CAP) and APEC initiative. Second, a host of Chinese enterprises, mainly State-owned firms, since China's market-driven reform and opening up in the 1980s, as the Third World Multinationals or Dragon Multinationals, had emerged with specific, unique and idiosyncratic characteristics of seeking for global investment opportunities with political and economic goals, which are different from the First World Multinationals with profit-maximization goals. These Chinese enterprises, including State-owned and private ownership, had played a central role of involvement in regional integration and world value chains, greatly making use of globalization and technological achievement of communication and transportation in the 21st century. Third, geopolitical anxiety in Australia had been reflected its economic policy in the post-global financial crisis, particularly foreign investment policy, FIRB and the Treasurer keeping a vigilant eye on the slippery and flexible national interest test. Rhetorically, Australia can and should choose between China and US within its strategic dependence and economic opportunities. Essentially, Australia cultivates deliberately its economic sovereignty, economic independence and economic dignity in spite of the reality that China is the largest trade partner and economic engine for Australian growth in more than 30 years. Finally, an overview of Chinese investment in Australia from 1980s to present supports both countries to rethink strategic and economic challenges, to rehabilitate the bilateral economic relationship by deeper integration in the difficult times.

2.2 Various Factors' Impact on Chinese Investment from 1980s to 2008

Neoliberal discourse in globalization pushes forward Australian domestic reform in the economic policy approach, which has been characterized as neoliberal: trade and investment liberalization, privatization, and deregulation in many previously regulated areas. In addition, Australia exerts a significant impact on East Asia economic integration at the framework of APEC and the groundwork of East Asia Miracle.

2.2.1 Macroeconomic determinants: neoliberal globalization

The Australian inward foreign direct investment policy always has been calibrated by macroeconomic and political determinants (Sadleir and Mahony 2009; Sadleir 2017; Pokarier 2000; Uren 2015; Kasper 2011; Capling 1997; Wear 2008; Goot 1990). Political leadership clearly recognizes the significance and possibility of economic reform and openness by embracing globalization, but has to overcome primitive impulses, such as populist appeal of nationalist sentiment among different levels of society and political dissension.

In the Hawke-Keating government (1983-1996), the emphasis on the advantage of opening up and strengthening Australian business to international competition and liberalizing (Productivity Commission 1999; Parham 2004; Kelly 1992; Kirchner 2008) controls on FDI removed national structural challenges, transformed the economic environment and attracted foreign investors by lifting thresholds in Australian industry, changing significantly the national interest test and facilitating a supportive investment environment to Asian investors and traditional investors.

The Howard government (1996-2007) continued to promote and facilitate FDI, and to regulate economic activity for the purpose of enhancing productivity. There was a greater willingness to seek specific goals through stronger regulatory powers and more extensive networks of regulators. The FIRB has developed more specialized functions and the FDI screening process has developed more broadly with a network of bureaucratic representatives than in the past.

The year of 1992 is so significant for China that internationally-oriented reform and market-oriented reform were validated after a power change in the Fourteenth Party Congress (Perry 1993). Reform from a planned and mandatory economy to a socialist market economy signify not only involvement with efficient and effective resource allocation, but also deprivation of all kinds of privilege, which make reform harder than to fight economic inefficiency and structured obstacles. Chinese reformists, who deeply apprehend those accumulated disadvantages and systematic imperfectness, are devoted to attract international forces to alleviate domestic opponents and mitigate unnecessary barriers. As a matter of fact, Chinese reformists insist on identifying and dispersing the existing benefits of a planned economy to individuals and groups as much as possible, and interrupting all kinds of impediments coming from interest groups through opening up. Chinese economist Zhou Qiren pointed out that the domestic reform process keeps on cutting off interest groups' resources, then more and more groups share the reform outcomes. The truth is that relatively successful China reform depends on pressure outside, such as commitment, engagement with regionalism and globalization, to clear up barriers and impediments inside (Garnaut 2000; Keating 2000).

China's Bogor commitment pushed national economic reform at a broad field and level despite huge pain and sacrifices of the management system. The reform of an old foreign trade system, which features a monopoly on foreign trade, unity of enterprise and government administrative control, laid a significant foundation to bridge the gap between domestic policies and APEC targets. Followed by these measures, the relief on import and export control, foreign exchange control and foreign trade enterprise, foreign trade administration prompted market competition, administrative simplification and aligning with regional integration in accordance with the APEC goal and action plan. APEC as a propeller of China's integration into the East Asia Miracle and China's accession to WTO, supports China to focus on a long-term reform trajectory and developed country experiences of technical and institutional innovation (Garnaut et al 2000; Yang 2000). However, China's realities of government-led resource allocation and institutionalized barriers, imposed countless negative impacts on boosting productivity and economic effectiveness at the expense of extraordinary costs (Gill and Kharas 2015).

As Garnaut (2005) mentioned, the Australian government identified a powerful Australian interest in the success of China's movement towards a market-oriented and internationally-oriented economy. Australian interest in regional security was also seen as being well served by successful market-oriented and internationally-oriented growth in China. While the Sino-America bilateral WTO negotiation reached a low ebb in May 1999, Australia played a significant role in keeping China's accession negotiation moving forward and achieved a significant outcome in May 1999 (Williams 2002; Thomson 2003). The final agreement on China's accession to WTO between Australia and China was an important building block and clearly maintained momentum for the following negotiations. Some WTO members who included US, European Union, Japan, Canada, Argentina, Brazil, Uruguay, Chile, India, Norway, Thailand, Malaysia and Switzerland followed Australia's settlement and completed China's bilateral accession negotiations. Following WTO entry, China's share of global manufacturing exports grew by 1% yearly, making China the source of 18% of world manufacturing exports by 2014. This was not only beneficial for consumers of low-cost Chinese manufacturing exports worldwide, but also a boon for raw materials suppliers such as Australia (Anderson et al 2014).

2.2.2 Development paths of emerging multinationals

Chinese emerging multinationals, which embody characteristics of planned or mandatory economy, and market-oriented driver are part of a market player in the international competition, and exert a controversial impact on achieving political and commercial objectives. Their success and failure reveal their own entrepreneurship.

Based on the traditional electric Ownership, Location, Internalization (OLI) paradigm, Dunning's Investment Development Paths set out a staged approach to the evolution of Third World Multinationals (Dunning 1988, 1995; Dunning and Narula 1996; Dunning 2000, 2001; Buck et al 2000), which have specific, unique and idiosyncratic characteristics of achieving political objectives with the strategic and economic determinants of Third World Multinationals (MNEs) – particularly those from East Asia. Third World Multinationals with political and economic goals might be promoted to invest in developed countries to explore rather than to exploit their needed ownership advantages (Dunning 1993; Dunning, Narula and Van 1998; Dunning 1998, 2006), by the form of joint venture, such multinationals was primarily strategic assets-seeking. Compared with First World Multinationals, the competitive advantages of Third World Multinationals possess specific country as well as company resources, capabilities or favored treatment. If they have a chance to access or augment their assets and advantages through foreign direct investment, at the same time, their specific advantages conform to country-specific advantages. According to Dunning, the case of China supports this approach, and FDI strategies of Chinese Multinationals is in assets-seeking, both accessing and augmenting.

Mathews (2002, 2006) supplements Dunning's framework by an alternative and complementary Linkage, Leverage and Learning (LLL) framework. Mathews defines Dragon Multinationals – in particular firms from the Asia Pacific – which greatly make use of globalization and technological achievement of communication and transportation in the 21st century, and are the countervailing pressure exercised by the Periphery on the Center as latecomer and newcomer MNEs. The first wave

MNEs from the developing world overcome some obstacles (lacking technology and market access opportunity), and utilize limited competitive advantages (national policy support and low costs) to involve the global economy. The second wave MNEs from the developing countries compete with incumbent in the global market by their organizational and strategic innovations, creating new economic space and reshaping the emergent form of global economy. In terms of an asset-based view, the Dragon Multinationals regard assets or resources as everywhere, acquired or accessed by the appropriate complementary strategies and organizational creation. The incumbents view the world as full of competitors, who will squeeze the limited market share and opportunity.

Chinese economic reform and openness is gradual and transitional, which is from planned or mandatory economy to market-driven economy, and it is from agricultural economy to industrialization and urbanization. Additionally, Chinese MNEs make more profit than their western competitors (Yiu, Lau, and Bruton 2007) due to business and institutional dividends, particularly Chinese SOEs having more chances to expand their market and operating scale despite government interference and market imperfection (Buckley, Cross, et al.2008), while Chinese private firms developed a certain competency in risk management or risk avoidance (Erdener and Shapiro 2005) in the 1980s-1990s. At the same time, China is on the way to emerging world factories, benefiting from low manufacturing costs (Williamson and Yin 2009; Rugman 2010b; Cui and Jiang 2009; Zhou, Li and Tse 2002) and enhancing the position of regionalism in the Asia Pacific. Chinese ethnic business network and family value (Li 2003; Erdener and Shapiro 2005; Buckley et al 2007; Braeutigam 2003) can support Chinese MNEs overcome the liability of foreigners, disperse risk and transaction costs, strengthen strong connection with regional Asian economies (HongKong, Taiwan and Singapore) and overseas Chinese population.

2.2.3 Political determinants

In September 1979, Professor Owen Harris released the Report of the Committee on Australia's Relations with the Third World. The Harris report recognized that "the struggle for the Third World is not merely for the redistribution of wealth but also for a redistribution of power" (Bull 1980). The rise of the Third World compelled the Fraser government to assess the new realities of West and East, or North and South, and develop adequate and effective policy for gaining the goodwill of the Third World, and seek opportunities in Australia's interest (Fraser 2005; Melville 1980).

The Hawke-Keating government insisted on national structural reform by open trade and market for integration into the East Asia Miracle, associating with China's Four Modernization Campaign and guiding China's market-oriented reform and internationally-oriented openness on the basis of a universally-accepted rules system. Australia built up cooperation with China in the way of constructive support of China's modernization and industrialization at the wider scheme of integration with regional economies. These measures and efforts that conform to Australian national interest and regional prosperity included CAP, which aimed at facilitating bilateral trade and investment at the framework of government-to-government, and seeking specific business opportunities and ability through companies' operation on an industry-sector basis, such as iron and steel initiative, coal initiative and wool initiative (Wang 2016; Garnaut 2005). Then foreign minister Bill Hayden (1984) stated that they "are glad to have a practical and positive working relationship with China, which will strengthen Australian national interests if China becomes more vigorous and secure in the region".

It is necessary for China to learn from western experience of management and technology. Australia has advantages in better technology, more funds and more professional talents and experience, which can assist and bridge China's gap of modernization and industrialization. Ross Garnaut, as Australian Ambassador to China 1985-88, kept on offering the idea that China should expand free trade in line with its own comparative advantage to seize growth opportunities, by importing scarce resources and paying for them through exports of products, embodying its relatively abundant labors. A Coastal Development Strategy in early 1988, which entitled enterprises in the eastern coastal region throughout importing raw materials and other products for export-oriented industries, signified implementation of this idea.

2.2.4 Cultural determinants

While Deng Xiaoping delivered his speech of openness to the West in January 1980, foreign observers released their judgement and opinions on the new trend. Richard Walker (1980) pointed out that "cultural patterns do persist. Through the centuries the Chinese have shown a prodigious capacity to outwait and outwit the outsiders. They are unlikely to change their pattern. It should be manifestly clear that the Chinese will set their own pace for the re-engagement with the West, the timetable and the dimensions. The patterns of behavior will remain Chinese, and the internal consideration of politics in the Middle Kingdom will get overwhelming priority".

Australian historian Geoffrey Blainey expressed his concerns that "many Australians would be less sympathetic towards China, because China were to become economically more powerful and China's military potential would thereby increase substantially". The Tiananmen Square that evoked furious public critique on commitment to assisting in China's Four Modernization testified this concern. The first Australian ambassador, Stephen FitzGerald, expressed disappointment (1990) explicitly towards Australian foreign policies and relations with China, and he doubted that whether or not the Chinese proposition about 'equality and mutual benefit' in a relationship was patently often neither equal nor mutually beneficial. Another voice was that engagement with China should influence it within its own framework and capabilities in a more constructive and tolerant approach (Mackerras 2016). This opposite review reflected cultural difference between China and Australia.

The 1996 Australian Election Study Survey (McAllister and Raven hill 1998) revealed that nearly two-thirds of all respondents agreed with the statement that Australia's trading future lies with Asia; however, a majority of respondents also agreed Japan's economic influence in Australia is too great, and Indonesia, China and Japan would pose a threat to Australia's security. The Hanson phenomenon and One Nation Party revived the resentment and hostility on Asians or non-Westerns, publicly opposing immigration followed by the facts of regional integration and globalization.

2.2.5 Institutional determinants

In terms of APEC origin, most scholars agree that it enhances regional economic integration by trade and investment facilitation and liberalization, attempts to reconcile multilateral trading system embodied in the WTO, and rejects 'Western' influence due to economic, cultural and political diversity, and emphasizes consensus and voluntary compliance-building as an instrument of regional diplomacy (Poon 2001; Yamazawa 1997; Harris 2000; Hsieh 2013; Milo 2009; Heible et al 2009; Ravenhill 2007 and 2000). In addition, security concerns existed at the end of Cold War (Ravenhill 2007; Pempel 2019), both Australia and Japanese hoped to keep the US in the Western Pacific. Australian elites' contribution consisted of economic and political ideas, neo-liberalization and idealistic pragmatism, respectively, as well as China's reform and open-up in the framework of APEC.

In 1989, ministers from Asia-Pacific governments conceded Bob Hawke's APEC initiative. Meanwhile, the negotiations deadlock in the Uruguay Round, and European Union and North American Free Trade Agreement are just getting into their strides in the regional integration. APEC as an Asia-Pacific version of the Organization for Economic Cooperation and Development (OECD), deliberately set up regionalism's tasks and goals due to obvious differences in levels of economic development, economic policy and historical and cultural traditions in the region (Garnaut 2000; Ravenhill 2000; Harris 2000; Poon 2001; Hsieh 2013). APEC turns a 'big idea' into a good idea when it comes to regional economic integration and China's rise; a mixture of neoliberalism and idealistic pragmatism is key to successful regionalism explicitly and implicitly. APEC focuses on members' economic cooperation and regional economic integration rather than political issues, such as democratic discussion, and human rights condition. These 'Western' topics are sensitive to nations that have a colonial history and resist West inclination. APEC became an influential source of ideas, examples, and encouragement to political commitment rather than institutional pressure. This is the best way to promote economic cooperation among the diversified economies and facilitate regional integration through mutual respect and trust building (Ranald 1999; Amin and Thrift 2000; Garnaut et al 2000; Evans 1995).

APEC laid the foundation for the regional integration process and business environment improvement as a result of the multilateral activities, with clearly organized agenda and action plans aimed at implementing primary goals on trade and investment liberalization and favourable business environments. The 1994 Bogor meeting reached a 'Bogor declaration' of setting a goal of free and open trade and investment among APEC members, with the industrialized countries achieving the goal no later than the year 2010 and developing countries no later than the year 2020. The 1995 Osaka meeting continued making progress towards the Bogor commitments by concrete actions and operational schedules and gave further definition to the closer integration of the regional economies through seeking a free and open market. APEC catalyzes members to build bilateral free trade agreement or partnership relations in light of their own seeking interests and potentials, along with the process of WTO and trade and investment liberalization. APEC has formed a flexible and effective system of engagement with third-party organizations, which helps it to make headway in implementing its goals, such as the APEC-OECD regulatory reform agenda. APEC's contribution of regional integration helped members to weather the 2008 financial crisis relatively successfully, and rapid trade liberalization improved market access, enlarged markets, attracting more investment and contributing to higher incomes in the region (UNESCAP 2014).

China's gradual and transitional reform and opening up created a complex and rapid institutional change and environment, and the quality of institutional infrastructure had significant impact on economic development, FDI inflows and outflows (Dunning 2005; Dunning and Narula 1996; Child and Tse 2001; Buckley et al 2007), and operating behaviors.

Institutional disadvantage, such as the Chinese government's capital control, weak intellectual property right protection and local protectionism, has impeded fair competition between SOEs and private corporates, and imposed additional transaction cost and market dysfunction. This negative impact forces Chinese firms to escape to a more efficient, transparent and encouraging environment, and internationalization of Chinese firms is an effective option to overcome domestic institutional disadvantages, which have been widely recognized in literature (Child and Rodrigues 2005; Rui und Yip 2008; Deng 2009; Buckley, cross, et al 2008).

Chinese government support is a strong force to push Chinese OFDI. Concrete measures consist of financial support, tax exemptions in relation to the export of equipment and intermediate products, and double taxation avoidance treaties with host countries (Zhou and Schuller 2009; Rui and Yip 2008; Luo, Xue and Han 2010; Taylor 2002). The Chinese government makes a great effort to gather intelligence on commercial investment opportunities, build up an information service platform by collecting data on problems investors face, and release annual reports. The China Council for International Investment Promotion and the China Research Center for Foreign Direct Investment support corporates to compete in the global market.

Chinese government constraints

Before the 'going out' policy in 2003, China's OFDI were state-owned and administered by the government's ministries and agencies at the central and local level, with a mixed share of the state, legal persons, foreign financial institutions, and individual investors. The Chinese government possessed political control, some strong policies' implication and substantial capacity to steer the scale, location, sector's distribution and partners of Chinese OFDI (Hitt et al 2004; Deng 2004; Wei 2007; Chen and Young 2010). Chinese OFDI decisions are determined by political consideration mixed with economic aims, rather than just profit maximization as in the developed countries. Under this pattern, export-oriented manufacturing projects were greatly encouraged for processing Chinese raw materials or assembling Chinese-made parts, enhancing 'made in China' involvement in the global market and world value chain successfully (Deng 2004, 2009; Buckley et al 2007; Wong and Chan 2003). Resource seeking, such as iron ore, coal, copper, gas and oil, has been one of the key strategic assets for China's OFDI at the beginning of opening up, and the political background of resource-seeking Chinese MNEs played a significant role of supplying raw material demand with a huge desire for manufacturing industry (Taylor 2002; Buckley et al 2006, 2007; Buckley, Cross, et al 2008; Chen and Young 2010). Strategic assets seeking, such as advanced technology, brand name, supply chain and modern manufacturing know-how, has been another OFDI direction (Hitt et al 2004; Wong and Chan 2003; Deng 2009). Chinese governments also encourage and facilitate specific investment in R&D to improve innovative capability and advanced technology. However, politically-oriented and economically-oriented OFDI imposed approval restriction on project choice and a multiple-layered administrative burden by setting laws and policies; in addition, the functions and responsibilities of central and local management at different levels lead to inconsistent explanation in relation to rules and procedures, which is a highly bureaucratic and time consuming process, as a result of different level governments' desire to influence the scope, distribution and destination of capital outflow.

2.3 Various Factors' Impact on Chinese Investment from 2008 to now

2.3.1 Economic determinants

The distinctive reality is Australia's physical location and geographic implication, and the complication of Asian developmental experience and dissimilarity between West and East (Wesley 2009; Milner 2000; McDougall 2009; Beeson and Jayasuriya 2009; Jones and Benvenuti 2006). Australia, as an isolated and rich, resource-endowed country, has a natural fear of being surrounded by crowded and impoverished Asian neighbours. This has evolved a particular attitude towards its northern neighbors, more suspicion rather than confidence, and imbued Australia's thinking about the world and its place in it with a distinctive character purposefully, actively, and positively. Asian engagement in the Hawke-Keating government during the 1980s and early 1990s has another reality, partly a more general shift from geopolitics to geo-economics, partly regional integration in Europe and North America, in opposition to the setback of the world trading system. The growing economic importance of the East Asian Miracle meant that Australian policymakers should not miss the opportunity, and had little choice other than to try to establish good relations with its northern neighbors. Particularly, China's Four Modernization strengthened the regional economic implication and significance. So, Australian pragmatic tactics and action plan laid a significant foundation on Australia's economic future, which will be embedded in regionalism in the Asian century. What was most significant and innovative about the Howard government's approach to the region was a marked preference for pragmatic bilateralism, which responded to the national demographic-cultural anxiety and Australian strategic imagination in the Asia Pacific.

From the point of ChAFTA's perspective, there is the unbalance of substantive commitments, which reflects realities of different political, legal and market-based economical systems in two states. The existing non-reciprocal obligations place Australia to undertake more investment-related commitments than China in relation to national treatment and to a highly specific negative list (Bath 2017), and the co-existence of China-Australia Bilateral Investment Treaty and ChAFTA exerts a negative influence on interpretation and application in international law (Voon and Sheargold 2017). The complication and uncertainty of further renegotiation among two states affects bilateral economic cooperation and individual and regional prosperity. However, economic complementary and interdependence in both countries also reflects realities of potentially closer cooperation. Sustainability of ChAFTA will require, in the long run, a more sustainable and efficient trading arrangement than the maximization of short-term commercial advantage (Picker 2017; Wang 2017; Lo 2017; Morris 2017). Under the ChAFTA framework, the foreign investment environment for Chinese investors is better than before. However, a host of Australian anxieties due to security concerns has imbued the foreign investment policy. Australia's unease in China's increasing assertiveness in the South China Sea and China's increasing influence in the South Pacific have led Australian policymakers to deal with the challenge in the way of a defensive and interventionist approach, rather than reconciling economic opportunities with the management of political, security and other risks. Security-related consideration imposing on Chinese investment has deteriorated the existing foreign investment environment due to lack of investment confidence.

2.3.2 Political determinants

Australia cannot satisfy economic security, psychological security and defense security, which come from its Asian neighbors. So, John Howard and his successors endeavored to integrate into Asia economically and to connect to US closely in such a multidimensional way, involving defense, economic, culture, and way of life. Bilateral economic ties are seen as important for strengthening the political and defense links, and the Australia-United States Free Trade Agreement that served as a political goal did not achieve many of the key economic goals originally established by the Australian side. John Howard and his foreign minister, Alexander Downer, were confident that Australia would not be forced to choose between China and US, partly because escalating strategic competition between them was not inevitable (He 2012; Harris 2005; Tow 2005; Tow et al 2001; Shi 2002), partly because the Howard government supported a pragmatic approach to China in which the focus was squarely on both shared economic interests and relations were primarily managed through bilateral mechanisms. However, complicated realities and a changing national and international environment imply entrapment for Australia, to some extent. America's reality lies in sensitive issues on Taiwan, inconsistent China policies and unchallengeable US hegemony. China's reality lies in a country that wants to benefit from China's unique economic opportunities must recognize China's growing political strength as well, and think over China's political and strategic interests (Sutter 2002; White 2005). Practically, this stance is hard to manage and easy to be out of control in relation to the ever-changing global environment (McDougall and Edney 2010; Wear

2008; Schreer 2016; Higgott and Nossal 1997 and 2008; Wesley 1997; Huntington 1993; FitGerald 1997).

Australian government punctuated ‘concerted power in Asia’ (White 2005, 2002, 2010, 2011, 2017), in response to its strategic anxiety on matters of the regional order and ideological anxiety of emerging anti-globalization after the 2008 Global Financial Crisis (GFC). It seems as if international environment and transformation is beyond Australia’s imagination and control, Australian policymakers’ response is ineffective and with directional inconsistency. American exceptionalism and unilateralism deteriorated the disruptive trend when Trump became president, and divergence of West and East will follow the trend irrevocably.

There was a controversial discussion of how to deal with the China Opportunity in economics and the China Challenge in strategic affairs in Australia after the 2008 GFC. From the pessimistic perspective, Australia should stand up and wake up before China (White 2017; Hartcher 2019; Kollner 2019), this conforming to Australians’ tradition psychologically, as an anxious nation (Walker 2020; McGregor 2020), and politically Australia implemented a new China strategy in 2016. From the optimistic perspective, lots of Australians gradually recognize that it is a natural process from a rising China to a re-emergence of China historically, and the new reality for Australia is ‘a new approach to China’, which calls for a deeper understanding of Chinese historical prominence as well as China’s function and ambitions in the East Asia at present and in the future (Manicom and O’Neil 2010; Dittmer 2012; McDougall 2012; He 2012; Hameiri 2015; Bloomfield 2016; Goodman 2017; Huisken 2017; Pan and Lo 2017; Woodard 2018; Medcalf 2019; Gill and Jakobson 2017). Behind the discussion, there is an inherent and deep-rooted anxiety of Australia’s intertwining of security and economic interests with China after the end of the Second World War. In fact, Australian elites keep on considering the issue in the context of Asian engagement, the Asia Pacific community and independent Australia. This signifies that a long-term adjustment between Australia and China since global recession in the post-COVID-19, a difficult period between Australia and China ensued.

2.3.3 Cultural determinants

There is a new trend of China research in Australia from the Chinese history and Chinese contemporary perspective, not the perspective of the West. Colin Picker (2015) pointed out that, given a dramatically changing China, sometimes outsiders may be able to hold a better position to understand what has existed and happened in China. Indeed, from the perspective of either cultural convergence or development experience in different stages, Australian scholars grasp China variants precisely, to a greater extent. They concluded that China has its own problems and imperfections, given China's historic heritage and contemporary facts. China's shift from labor-intensive agriculture to more productive manufacturing and service needs to overcome lots of challenges, such as maintaining national stability, decreasing the gap between rural and urban, and regional disparity. It is necessary for China to adapt to modernized development and social change through central planning and maintaining centralized power within a very large, diverse and populous state. In addition, China's domestic economic, political, social and developmental imperfections and domestic policy-seeking will increasingly have an extraterritorial effect. Nonetheless, in terms of China's commitment to international economic rules, it will not be more of a rule breaker than other large and powerful countries, and China will attempt to have its own voice and influence on international economic order with its function and weight. Two facts will endure for a long while; on the one hand, the West will continue to view China as different, given China's uniqueness, complexity and developmental model economically and politically. On the other hand, outsiders will continue to have difficulty understanding and knowing how to interact with China due to its unique nature and less mature developmental environment.

2.3.4 Institutional determinants

After the outbreak of the Asian Financial Crisis (AFC), this collapse led to divergence between Association of Southeast Asian Nations (ASEAN) membership and West nations in the Asia Pacific region, and convergence between Northeast Asian nations and Southeast Asian nations in the East Asia region. ASEAN Plus Three (ASEAN+3) emerged with close cooperation among ASEAN membership – China, Japan and Korea – which had a significant impact on trade and investment flow in the regional integration. A huge potential region came into being as East Asia economic power, which began to rival North America and the European Union in terms of its contribution to world output and world trade (Morrison 2004, Drysdale 2005, Drysdale and Amstrong 2010, Ravenhill 2013). However, a landscape of 'hot in economics and cold in politics' (Wong 2013) evoked regional competition between China and Japan, so Japan invited Australia and New Zealand to take part in ASEAN+3, countering again China's rise due to Australia's deep integration into East Asia. The ASEAN Regional Forum (ARF), as a first multilateral channel for discussing regional security issues, was founded among ASEAN+3, Australia and New Zealand. As well as intra-regional economic liberalization and governance architecture construction through all kinds of Free Trade Agreements, these collective forces had driven regional integration.

ASEAN-led negotiation of RCEP reached agreement on 15 November 2020 to deepen East Asia integration, to resist protectionism coming from the western market and facilitate world economic growth (Elms and Nguyen 2019; Kumar and Tripathi 2019; Wang 2019). From the East Asia Miracle in the 1970s-1980s to the movement of trade and investment liberalization and facilitation in the region, associated with volatility of the 1997-98 AFC and 2008 GFC, the RECP predicts that full potential of East Asia integration will exert a significant impact on the global economic development and the rise of Asia is accelerating in the scope, scale and speed by high integration or convergence tendencies. Based on the existing cross-border production networks, members of the RCEP will continuously strengthen Regional Value Chains through firm- and industry-level competitiveness, increasing product and service quality, and openness to global innovation and creating new market demands. These efforts and measurements will vitalize Global Value Chains and world trade and investment development.

2.4 Chinese Investment in Australia

2.4.1 Overview of Chinese investment in Australia

Chinese investment in the Australian mining sector in 2007 attracted remarkable political interest because Chinese demand for iron ore and coal improved the price greatly. The Chinese investment pattern consists of two characteristics; on the one hand, the scale and volume has increased suddenly. On the other hand, Chinese multinationals changed the investment mode from joint venture to FDI. The Labor government regarded Chinese SOEs as a Chinese state instrument to carry out strategic motivation acquiring Australian mining assets, rather than a commercial motivation of individual state-run firms. So the Rudd government endeavored to clarify Australia's policy of FDI on the state-related entities by imposing foreign ownership limits, for which all investment proposals involving foreign government-related entities should require FDI approval process, no matter any threshold. This requirement could be applied to almost all large Chinese companies in spite of trade and FDI tending to be correlated closely. In fact, Australia has implemented a discriminatory investment policy against China (Kirchner 2008; Uren 2015).

General research of the East Asian Bureau of Economic Research (EABER) in the Australian National University (ANU) and China center for international economic exchange in Beijing, Klynveld Peat Marwick Goerdeler (KPMG) and the University of Sydney reveal the coverage of Chinese investment in Australia comprises all categories of sectors, except the sector of public administration and safety. The sectors of mining, real estate and transport took the top position of acquiring investment in 2014-2017. KPMG's Demystifying Chinese Investment in Australia (2011-

2019) describes the capital distribution in the sectors of industry and geographic allocation, the characteristic of ownership and the transaction scale. Chinese investment in Australia characterizes resource and energy seeking in order to satisfy domestic economic growth (Wu and Chen 2001; Wang and Zhao 2017; Drysdale and Findlay 2009; Drysdale 2011; Reilly 2012; Mendelsohn and Fels 2014; Zhou 2017; Gill and Jakobson 2017; Pohl 2018), and Australia, as resource endowment country, has an open policy towards foreign investment in its resource sector. The Australian mining sector, fostered by foreign investors, perhaps is the most efficient in the world in terms of the technology, management know-how and market links. Chinese investment activities span different sectors of Australia's very large and diversified resources industry, from rare earths to natural gas. China is a particularly significant player in the development of the magnetite iron ore resources, which are traditionally regarded as waste products in Australia. And China becomes a game changer for the Australian renewable energy sector, such as wind power.

2.4.2 Chinese SOEs in Australia

Chinese SOEs have accounted for the vast majority of Chinese investment in Australia in the resource industry since 1980s. There are many factors to determine oversea investment, including the destination of country, the nature of the specific industry, the size and culture of company, capital support for investment, the attitude of the directors, and so on. Australia possesses the richest natural resource on earth and reputable international management ability in the resource industry. Australia's CAP in the Hawke-Keating government and possible relatively low cost of transportation between both countries, and these factors contribute to the majority of Chinese SOEs investment. For Chinese SOEs, resource-seeking strategy, profitable motivation and reliable support come from capital, administration and policy to determine their investment conclusion. However, Australia faces a challenge of losing more and more Chinese SOEs because of its restricted foreign investment policy, such as foreign ownership limit, zero value threshold for approval process, and suspicious attitude to Chinese SOEs' investment motivation (Business Council of Australia 2014; Kirchner 2008; Smith and D'Arcy 2013; McDermott and Huang 2006; Hong and Sun 2006).

2.4.3 Discussion of Australia's attitude towards Chinese investment

The Treasurer's rejection of Chinese investment, which announced contrary to Australian national interest, evoked hot debate in public opinion and academic circles, and the core question asked "Is there really a national security concern?" A relatively crystal clear voice is that there is another higher level of Australian national interest that should be taken into consideration delicately. First, the wider Australian economy and the nation's future had integrated into East Asia for more than four decades. Second, China is not just Australia's largest trading partner but the single most important economy supporting Australia's stable growth since 1990s. "The practical reality is that Australia and China are moving towards a symbiotic relationship" (Fels and Brenchley 2009). Third, China and US have concerns about each other's relations with Australia, and Australia's diplomat should "walk both sides of the street", which conforms its real national interest (Uren 2012 and 2015; Gill and Jakobson 2017).

Peter Drysdale paid more attention to Chinese investment in Australia, while the Labor government's veto of Chinese investors in resource industry happened in the way of consecutive cases, and he (2009) predicted that China's investment would be forced to leave Australia, like Japanese investment in 1970s-1980s, seeking better destinations of resource security, such as Brazil or Africa. The increased geopolitical anxieties about China's rise and how to respond to this trend has induced "a more cautious approach from Chinese investors to doing business in Australia and a more interventionist, defensive approach to Chinese investment activities by Australian foreign investment authorities"(Drysdale et al 2019; Latimer 2018); in particular, in the infrastructure industry. Therefore, Chinese investment in Australia fell significantly since 2017, which had reached a peak of Chinese investment in Australia in 2016, while China still kept strong capital outflow in 2017-19.

China's response to Australia's refusal was a complicated psychological reaction from disappointed to realistic. Chinese media drew a conclusion that a number of causes contributed to this refusal, "lingering Cold War thinking in Australia, domestic political pressures upon the Rudd government and the distrust of China by the values", and Australia's anxieties about a rapidly growing, 'China threat' in the Western propaganda (Wang 2016; Verrender 2009; Anonymity 2016; Zhou 2017).

In light of research specifically on Chinese investment in Australia in a different period, we also find out a clear clue that Australia's stance towards Chinese investors was from welcome to suspicious, in response to China's rise. David Wall (1997) pointed out that China had emerged as a lender of capital in the world market in 1995, according to the International Monetary Fund (IMF), and China ranked as the eighth supplier of capital, accounting for 2% of the total global flow. The top three countries attracted Chinese capital outflow – Canada, Australia and the US – accounting for 58% of the total, on the security of raw materials in Australia and Canada and on securing technology in the US. By the end of 1994 Chinese investors had invested 86 transactions in Australia, compared to 75 in Canada and 218 in the US. James Laurenceson (2007) predicted that the Australia-

China economic relationship will be facilitated by greater outflows of Chinese investment to Australia; particularly, such investment would receive a further boom if a Free Trade Agreement was concluded between both nations. Zhou (2017) announced regrettably that the level of liberalization and facilitation supported by the ChAFTA for Chinese investment/investors is limited, although there is some positive impact on China's private investment in Australia, which reached a climax in 2016 the first year of implementation of the ChAFTA. Due to national security concerns, Australian rejection of Chinese proposals, even though the number and value of them have been relatively insignificant, may discourage potential Chinese investors or withdraw a proposal if there are indications that applications may not be accepted.

2.4.4 the deteriorating Sino-Australia relationship in 2020

The global COVID-19 pandemic placed great stress on bilateral relationship, there are two hot debates in response to the changed circumstance. Debates on China's regional and global role became popular. (Wei 2020; Liu 2020; Wang and Meng 2020; Smith 2021; Hooijmaaijers 2021) another debates are the cause of the deterioration between China and Australia (Baldino 2020; Agius 2021; Chacko and Starting; Chubb and Mcallister 2021; Pan and Hagstrom 2021; Sussex and Starting 2021; McDougall 2021; Wesley 2021).

The global pandemic deteriorated uncertainty and sensitivity of world economy, global order and great power rivalry. Occasional accidents triggered lots of misunderstanding and distrust among countries in the sensitive period, China-Australia relationship is not exempt from such a condition.

Russia-Ukraine conflict amplified this uncertainty and sensitivity. China and Australia are in the same boat. It is the best way to increase trust and respect culturally, politically and strategically through breaking ideological confusion.

2.5 Summary

What drives Chinese investment in Australia?

First, macroeconomic factors play a vital role of liberalizing and facilitating trade and investment. International macroeconomics lie in the neoliberal globalization of the 1980s, initiated by the United States and the United Kingdom. National macroeconomics lie in individual domestic economic reform to embrace the open market and opportunities followed by globalization. Second, Australia, as a resource-endowed country, has become a necessary part of the East Asia Miracle and continues to liberalize domestic foreign investment policy in order to attract capital inflow in the mining sector. Australia's engagement in China through the CAP in the Hawke-Keating government greatly facilitated China's domestic reform and opening up, and China's ambitions of catching up to the developed country through national industrialization and urbanization. Third, trade and investment tend to be correlated in the way of natural flow on capital resource, human resource and technology. In addition, policy developing deliberately was designed to promote this impulse by bilateral efforts and regional integration. Finally, Chinese multinationals, both government-related and private enterprises, have grown up, gradually breaking through restriction of planned and mandatory model under the stimulation of market forces. Chinese multinationals have an inherent market sensibility to seek any possible opportunities nationally and internationally, to overcome any challenges because of lack of experience, risk-control capabilities, and international market share.

What factors determine the refusal of Chinese investment in Australia?

First, Australian political interest competition focuses on the issue of foreign investment, which embodies daily discussion, reflecting the different interest groups' stance, and federal election to combat competitors for concluding individual political strength. Foreign investment – particularly in agriculture, residential real estate and critical infrastructure – has been a controversial and politically sensitive issue in Australian history. Commodity price, such as iron ore, coal and bauxite in the global market, always attracted political interest in the resource industry to acquire maximum of Australian control. Second, nationalist sentiment widely exists on all kinds of social levels in Australia. Australians pride their own capabilities of wealth creation because Australia is a lucky country. Also, Australia is an anxious nation and Australians are anxious people on the earth, fearing exterior challenges and opportunities. Third, Australia carries out a relatively restricted foreign investment policy than other OECD countries; in addition, the Australian approval process on foreign investment lacks transparency and accountability by imposing a double layer, such as FIRB screening together with bureaucratic discretion, to complete national interest test in the absence of a regulatory regime. Finally, geopolitical anxiety attributed to more uncertainty between Australia and China, facing China's rise, in Australia responded with an ambivalent attitude by emphasizing the largest trade partner and fearing China's expansion of capital inflows. The scale of Chinese investment in Australia is affected inevitably.

CHAPTER 3 CONTEXT OF STUDY

3.1 Chinese Investment in Australia: a Historical Background

(1) Motivation of natural resource seeking in Australia

In the 1980s, China's two largest investments (outside of HongKong) were both in Australia. One is the China International Trust and Investment Corporation (CITIC) which has paid A$100 million for a 10% stake in the Portland Aluminum Smelter via its Australian subsidiary (CITIC Australia). Another is the Chinese Ministry of Metallurgical Industry, which has invested A$120 million for a 40% stake in a new iron ore mine with Rio Tinto at Mt Channer in Western Australia via its Australian subsidiary (the China Metallurgical Import and Export Corporation).

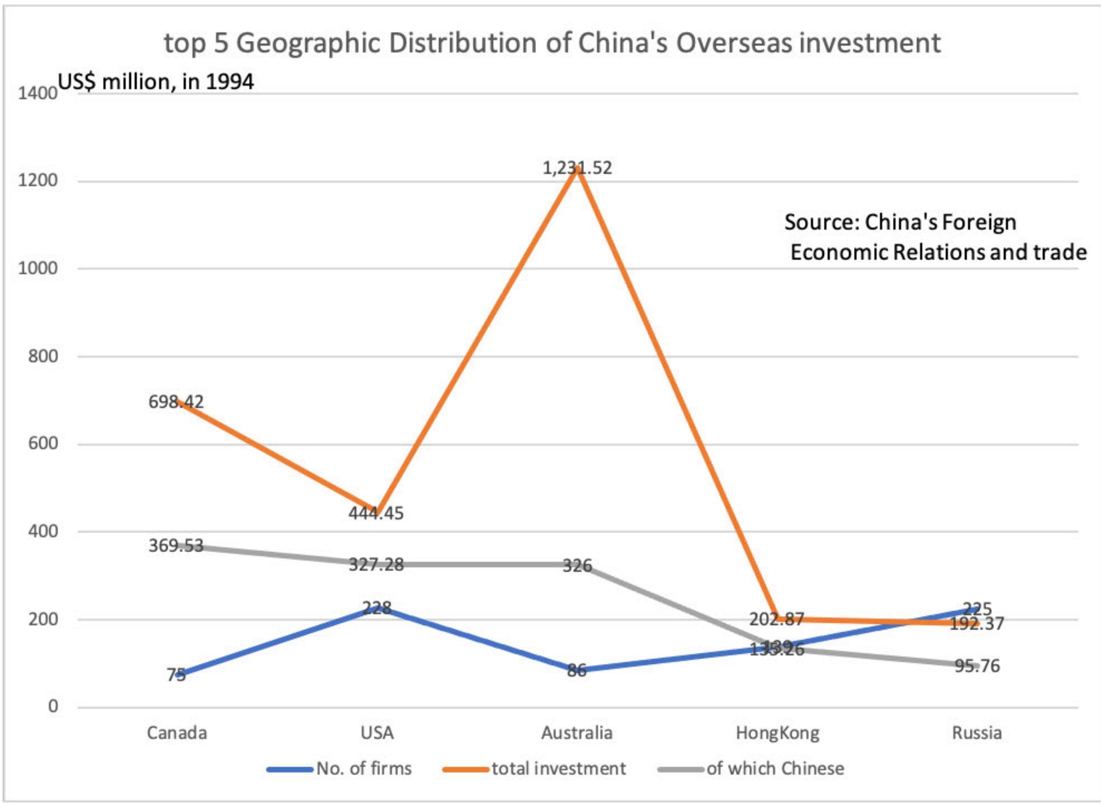
This investment is attributed to bilateral political consideration. During Chinese premier Zhao Ziyang's visit to Australia in April 1983, Hawke's team and Zhao's party discussed a series of possible cooperative opportunities and implementability; after all, it was a big challenge for Australia to take part in China's reform and openness. For China, ideological and institutional barriers are colossal enough to kill any innovation relating to the matters of capitalism and socialism, and the commune system. As soon as Zhao Ziyang left Australia, the Hawke government started work on CAP, which primarily aimed at facilitating trade and investment between Australia and China. For a Chinese senior leader, there is an additional consideration that seeks for a 'model relationship' for cooperation between China and Australia, with different political and social systems and at different economic development stages. Precisely speaking, China attempted to explore the issue of East and West, and South and North through bilateral cooperation.

When Prime Minister Hawke visited China in February 1984, his Shanghai speech announced Australia's commitment to bilateral cooperation, and an Iron and Steel Initiative (ISI) intended to promote Australian exports of expertise and high technology, and focused on the importance of the transfer of technology as part of the bilateral technological cooperation. The Joint Working Group (JWG) on Iron and Steel under the CAP was set up to pursue the integration of iron and steel industries between Australia and China (Wang 2016). In April 1985, Hu Yaobang and Hu Qili visited Australia, and their first stop was Perth rather than Canberra or Sydney, in order to inspect Mount Channar in the Pilbara, which was about to become the site of China's largest investment in the 1980s. During the course of the visit, a Memorandum of Understanding (MOU) on training and consultancy in the iron and steel industries was signed between the Australian Development

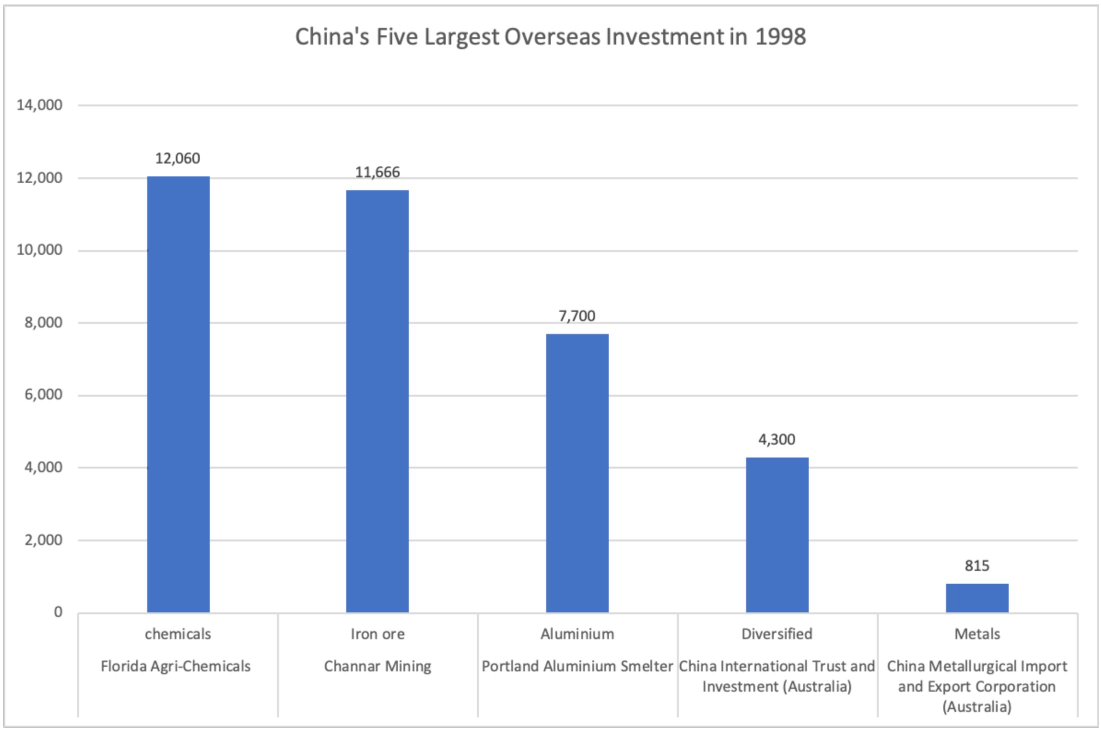
Assistance Bureau (ADAB) and the Ministry of Foreign Economic Relations and Trade (MOFERT), to enhance sector cooperation. Following the high-level political campaign, concrete business activity at the Mount Channar and Kwinana Project in iron and steel cooperation came true; the former was a success story, and the Kwinana project failed to eventuate.

The China Metallurgical Import and Export Corporation (Australia) Pty Ltd invested A$100 million (40% stake) in the Mount Channar project. In 1985, Australian exports of iron and steel to China reached A$336 million, and A$157.4 million in 1984 and A$113.4 million in 1983, respectively. Metallurgical Australia had other commercial interests in Australia "which on their own were sufficient to make it the fifth largest Chinese overseas investment in terms of sales in 1988" (David Wall 1997). CITIC Australia was also a major player, and invested A$120 million (10% stake) in the Portland Aluminum Smelter in Victoria in February 1986. The two largest Chinese-invested joint ventures had an unimaginable Chinese background; first, Chinese outward investment was restricted by applicable procedures and requirements. Only two documents laid down the basic requirements for an overseas investment project to be approved, which were issued by the State Council in August 1979 and MOFERT in July 1985, respectively. Second, players of operating overseas investment projects implemented particular policies, such as the China International Trust and Investment Corporation (CITIC), which was established as a result of a meeting on 17 January 1979 between Deng Xiaoping and the five "red capitalists", including Rong Yiren, the founding chairman and general manager of CITIC. CITIC engaged in investment activities both at home and abroad, possessing special objectives stemming from the top leaders for special operations that were not permitted to other companies. CITIC's large overseas investment projects in the 1980s seem unlikely to have gone through the screening and approval procedures of the MOFERT, and were certainly not registered in MOFERT's statistics (Hong and Sun 2006). A senior representative of CITIC accompanied Zhao Ziyang while visiting Australia; CITIC Australia is one of the major Chinese investors in Australia as part of China's strategy of integrating into the world economy, and also is a fully diversified company. CITIC Australia invested in the food processing sector in Queensland (Portion Control Foods Pty Ltd), South Australia and Western Australia (Metro Meats).

Under the efforts of Australia's ISI and China's players in the iron ore sector, Western Australia became an attractive destination for Chinese officials and investors, starting with party general secretary Hu Yaobang in 1985, followed by Premier Li Peng in 1988, Premier Zhu Rongji in 1997, Premier Wen Jiabao in 2006 and President Hu Jintao in 2007. Western Australia supplies 40% of China's iron ore imports to support China's industrialization and rapidly expanding urbanization, because iron ore deposits are bountiful and high quality, easy to explore and transport. China has lots of iron ore, but it is poor quality and expensive mining costs add disadvantage. Until around 2000, steel production in China was mildly advancing at a rate of 7.5% yearly, increasing between 6 and 9 million tonnes to world production. But in 2001, steel production jumped to 23 million tonnes, 30 million tonnes in 2002 and 40 million tonnes in 2003 (Uren 2012). The sudden increase of steel output predicted a booming iron ore supply, the bottomless market in China produced Australia's overnight billionaires of Andrew "Twiggy" Forrest, Gina Rinehart and Clive Palmer.



As chart shown geographic distribution of China's overseas investment by the end of 1994, Chinese investments in Australia were worth US$326 million, and Australia is behind only Canada and the United States in the amount of Chinese investment funds; that is, US$370 million invested in Canada and US$327 million in the United States, respectively. More Chinese firms (86) had invested in Australia than in Canada (75). In addition, because on balance they accounted for a relatively smaller share of the equity in joint ventures in Australia (26%) than they did in Canada (53%) the amount of operation in which Chinese firms had a stake in Australia was relatively larger than in Canada. Given this condition, Australia is the most important destination for Chinese foreign direct investment. As below chart, another data of location and firm level also shows that four of the five largest Chinese foreign investments in 1998 were in Australia, and all four were involved in natural resource operation, directly and indirectly.



The distance advantage between Australia and China is a priority element. Compared to mineral deposits located in South America, Australian mineral deposits are absolutely endowed with quality and quantity on the earth, and are relatively closer in distance from Australia to China, offering shorter and cheaper transport costs for bulk commodities. This advantage led to Chinese investment in the mining and mineral processing industry in Australia.

In addition, Chinese enterprises started to involve a trial competition in the international environment. Internationalization plays a critical role in market competitiveness in terms of product quality and production efficiency, which are closely associated with the firms absorbing and further strengthening imported equipment and technology. This in turn results in a virtual circle of increased productivity, scale of economies and further lower production costs. The steel and iron industry as a basic foundation of urbanization and industrialization in China is illustrative of this point.

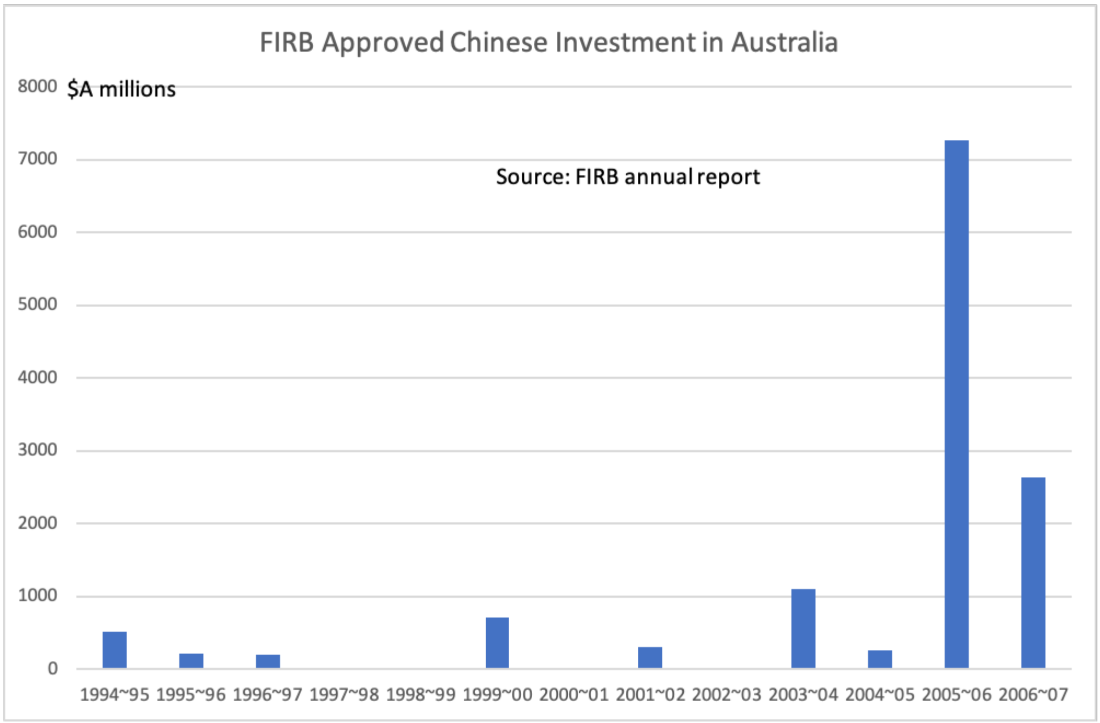
(2) Trade and investment correlated

Australian exports to China enlarged steadily by at least 10% yearly in the 1989-1993 period, and primary commodities such as agricultural and mineral products accounted for majority of items;

manufacturing products such as machinery, transport and telecommunications equipment also grew rapidly. In 1993, China imported wool at the value of A$584 million, replacing Japan in 30 years to become the largest single importer of Australian wool.

Since China implemented market-driven reform in 1993, the market force was unleashed greatly and China's iron ore demand increased significantly following China's expansion of the iron and steel industry. In 1993, iron ore export under the agreements from Australia to China accounted for more than 16%, and the share increased gradually as the capacities of the Koolyanobbing and Cockatoo mine (invested by Anshan Iron and Steel Complex) and the Mount Channar mine (mainly supply for BaoShan Iron and Steel Complex) grew rapidly. The mutual dependence of Australia's iron ore industry and China's iron and steel industry came into being in the 1990s; at the same time, China was moving towards its goal of producing 100 million tonnes of steel annually by the year 2000, and this promoted further Chinese investment in Australia in the extraction and early stage processing of steel-making raw materials. In 2007, the export of iron ore alone amounted to $9 billion and China replaced Japan as the largest consumer of Australian iron ore; this trend facilitated another round of Chinese investment in Australian mining.

With the increasing expansion of industrialization and urbanization, China's energy demand signified a huge potential market. Under the Australian government's lobby, China rewarded an Australian natural gas supplier a big bid for LNG supply in Guangdong province for 25 years from 2006, at the value of $25 billion, during the third visit to China by Prime Minister Howard in 2002. In addition, during the unprecedented second visit to Australia by Hu Jintao in September 2007, a commercial contract between Woodside Energy and PetroChina, at the value of $45 billion, improved additional supply of LNG from Australia to China. An emerging Chinese investment in the Australian energy field illustrated the trend of trade and investment correlated among both nations. In 2007, China jumped into the largest trading partner of Australia, and the speed and scale of trade expansion between both countries was beyond anyone's wildest imagination and prediction.



(3) ChAFTA effect

ChAFTA, which came to consensus in December 2014 and came into force on 20 December 2015, made Australia one of the few developed countries (among Singapore, Korea and New Zealand) for Chinese private companies to invest and implement their own entrepreneurship. The ChAFTA set up a screening threshold for Chinese private investment in Australian non-sensitive sectors from A$248 million to A$1,078 billion. This foreign investment regime change put Chinese private firms into a better position than Chinese SOEs with cost and time advantages, and trade and investment facilitation and corporate governance norms. For a vast majority of Chinese private enterprises, which attempt to fulfil a target of international diversification, Australia is a doorway to advanced technology, corporate management and supply chain system, and an ideal testing ground for global capability building because of the Australian matured market economy and political and social conditions supervised by rule of law. In the real estate industry, Chinese private enterprises such as Yuhu, Dahua, Heworth and Shanghai Zhongfu invested in Australia assets through greenfields and acquisition for the purpose of asset diversification or market seeking. In the healthcare industry, Fullshare and Luye Medical Group acquired relevant items in childcare and health tourism respectively.

As above charts shown Chinese investment in Australia from 1994 to 2019, ChAFTA promoted investment, to some degree. According to FIRB annual reports 2016-17 / 2017-18 / 2018-19, Chinese investment in agriculture, forestry and fishing industry reached respectively A$2,211.5 million, A$1,618.9 million and A$57.8 million for three years; in the finance and insurance industry, Chinese investment reached respectively A$244.9, A$168.9 million and A$84.8 million for three years. This reflected that the attractiveness of ChAFTA led to diversified market opportunity, co-evolving with institutional change and corporate strategies between Australia and China. For Chinese investors, based on home market potential and individual competitive advantage, their investment in Australia enlarged their own operation capability and market share in the global environment. In a word, Australia is an ideal destination for Chinese private firms' growing up to involve into international competition and market expansion globally.

(4) Creating new industry

Chinese investment in Australia has created new industry, such as magnetite ore and wind energy, on the basis of consecutive trade and investment liberalization and facilitation.

Australians regard magnetite ore as waste, which needs to be concentrated and have the impurities roasted out of it before it can be fed into a blast furnace to be turned into steel. Chinese investors change the conception and a new industry emerges in Australia. Clive Palmer possesses a huge potential deposit in the Pilbara, Western Australia, and China's own iron ore is magnetite, similar to Palmer's. CITIC Pacific, CITIC Group's Hong Kong subsidiary, which owns specialty steel mills and is China's largest investor in Australian mining, was looking for its own captive iron ore supply.

So CITIC Pacific and Clive Palmer reached a lease contract of an immediate US$215 million, as well as a yearly royalty, based on condition of coming into production in 2006. The Sino Iron project faces complex infrastructure construction, including desalination plant, a power station and a processing plant. Also, it faces unpredictable challenges, including regulatory and cultural differences, higher labour costs and labour shortage. In 2014, the Sino Iron project started production, as pioneers in developing the world's largest magnetite iron ore mine, with a 4-year delay leading to over-budget estimate of more than A$6 million. This project will produce 21 million tonnes of magnetite concentrate a year and 6 million tonnes of pellets a year (Wen 2012).

The Karara magnetite project, also located in Western Australia, was developed by Chinese steelmakers Ansteel and Gindable. The Savage River magnetite project is run by Grange Resources in Tasmania. Andrew Forrest joined into this new industry, in partnership with Chinese company Baosteel and Taiwanese steel group Formosa. The FMG Iron Bridge project in the Pilbara region of Western Australia quietly completed the first stage, a 2 million tonne magnetite plant in 2015, and will build a 20 million tonne magnetite plant at the second stage (Drummond 2015). In 2019, the FMG Iron Bridge project was able to produce 22 million wet metric tonnes a year of magnetite concentrate with a high (67%) iron content, which met demand of Chinese steelmaker (Gray 2019). From Hawke's ISI to the magnetite iron ore industry, Chinese investors associated with initial cooperation between both countries have facilitated industry innovation in the Pilbara region of Western Australia.

(5) Misconception of Chinese investment

Foreign investment in Australia, particularly in agriculture, has long been a politically sensitive issue. The scarcity of information on Chinese investment in Australian agriculture triggered regrettably misconception and resistance, calling for a stop to China's acquisition of Australia's farmland.

In July 2011, the Rural and Regional Affairs and Transport References Committee ('the committee') conducted an inquiry with a major contemporary challenge facing Australia's agricultural industry: how to encourage foreign investment in Australian agriculture while managing it in the best interests of the industry and the nation.

There are some implications in the committee's final report (June 2013). Firstly, the Australian agricultural industry indeed hungers for patient capital, however, the Australian banking system and investment fund take a top priority of short-term returns rather than long-term returns. The patient capital in Australian agriculture satisfied two basic functions: on the one hand, the agriculture industry needed to move from its traditional diversified capital structure to more concentrated capital investments. On the other hand, scientific research and infrastructure construction seeks huge and sufficient support. The Cubbie Station case study, which was sold to the joint bidders Shangdong RuYi and Lempriere Pty Ltd, illustrates a significant example of concentrated capital desire. In terms of concentrated capital, Western Australian Regional Development Trust Chair, Mr. Andrew Murray, told the committee “historically, the use of capital in Australia’s mines mirrors the use of capital in future and current agricultural industry. The great mining houses resulted from a collection and an aggregation of small mining operations, because they needed economies of scale, basically, on both the finance and the technical basis. A similar thing is happening now in agriculture”. Interestingly, corporate concentration of capital is much more a feature investor, and one of the issues needing to be addressed is why Australian capital is much more negative about that sort of investment and application of financial know-how and investment than is foreign capital, especially bearing in mind that it is expensive for foreigners to invest in Australia. And the Ord irrigation area case study confirms that a high level of patient capital is required for sugar development in the region. “A local producer from the Ord stage 1 area was sceptical of the possibilities for the development of land from Ord stage 2 to occur without significant foreign investment”. Kimberley Agricultural Investments (KAI), the Australian wholly owned subsidiary of the privately-owned Chinese based company Shanghai ZhongFu Co, was the successful bidder for the development of the Ord Stage 2 under the Ord-East Kimberley Expansion Project. The Western Australian Government have a deep and precise understanding of foreign investment in agriculture and actively develop policies to gap the local realities and challenges.

Secondly, Chinese investment is hugely overstated – out of a total of $2.2 trillion of foreign investment in Australia in 2012, investment form China made up less than 1.1% of that, with 1.5 million hectares, or less than 0.5% of total agricultural land across the country. Executive director of the Australian Farm Institute, Mick Keogh (2017) said “he was surprised China did not appear to own more. It may well be that the Chinese interest has been in industries like the dairy industry and farms in southern Australia, and again they are smaller acreages but perhaps more productive. But certainly you would have anticipated that Chinese interests would have been higher up the register than that”. This register and Mr. Keogh’s comments demystify again the delusion of Chinese investors buying too much farmland is an absolutely factitious mistake.

In summary, collective mechanisms of institutional incentives and market – driven incentives between Australia and China play a significant role in co-evolving economic cooperation from a complementary economic structure to symbiotic economic system, and this is a shared interest among both nations after four decades trade and investment liberalization and facilitation, signifying a predictive official and historic process in a certain direction. How to bridge challenges and move forwards is also a shared interest between Australia and China in a more complex environment, nationally and internationally.

3.2 Australia's Independent and Bipartisan Support China Policy

History of the Australia-China relationship evolution since the People's Republic of China (PRC) was set up in 1949 tells us that Australia implemented an independent China policy precisely based on its national interest. Both Chinese and Australian opinions disagreed on the point; Chinese opinions oversimplifying Australia's China policy, describing it in the shadow of American policy or approval-seeking America, while some Australian critics also insist on Australia's following America in light of the China policy. These comments ignore a factual basis of Australia's independent interest and capability of defending national interest, misunderstanding and confusing Australia's security strategy of dependence on America. It is worth mentioning that Australians face huge challenges between its independent China policy and dependent security strategy.

China-Australia relations experience a 'fear, friendship, fear and greed' episode, and this interesting story should be described delicately and historically. It is noteworthy that independent and bipartisan support of China policy came into conclusion, which emerged and evolved to shed light on Australia's attitude and consideration in the political, economic, strategic and cultural fields. Australia always persists in independent China policies, not siding with US. It is Australia's soft power that means Australia is less ideological than America and other western countries, in opposition, Australia tries its best to assist China's transformation from a Third world nation to a First world one with aid program, technology cooperation and reform design. Australia's realistic and pragmatic thinking make it better understand China with the consistent, nuanced and precise knowledge in the phase of friendship. Finally, it is notable that separation from political relations and economic ones among both countries is traditional habit, which enunciates Australia having its own worldview in its own right. In the pre-Whitlam period, Australia ignored the American trade ban on China and formulated a non-strategic goods list to continue trade relations with China without recognition of the PRC (Andrews 1985; Wang 2016; Uren 2012; Reilly 2012). There was a total volume of A$3.9 million in 1949-50, and it gave rise to A$41 million after a decade. At the beginning of the 1960s, PRC purchased large-scale wheat against a domestic great famished population, and China became the sixth largest market for Australia in the 1960s. Meanwhile, wool, minerals and metals, textiles, fiber, waste, and animal oil and fats constituted the items of export from Australia to China. In Hawke's tenure, the China-Australia friendship reached a peak; when Tiananmen Square happened, he was criticized for emphasizing a 'special relationship' with China. Western countries isolated and held hostility toward China again. Bob Hawke declared that the ministerial visit between Australia and China was forbidden until the end of 1989, and 'an easy or early return' to 'business as usual' was 'simply not an option' (Stuart Harris 1996; Mackerras 2004; Wang 2016).

Australia's independent and bipartisan support China policy lie on historical record. When the Chifley Labor government confirmed the facts of the increasing disruption of the nationalist armies of China in 1948, then Australian ambassador, Keith Officer, urged that recognition of a communist regime is necessary for keeping in line with trade and even aid. It is international law that recognition of a new regime means respect for common rule. So recognizing communist China became the aim of an electoral competition in December 1949; the Menzies government came to power as a result of their victory and rethought the issue of recognition as ruling party. At that time, the British cabinet decided to recognize the Chinese communists at a meeting on 12 December for its special interests, such as Hong Kong, and informed the Menzies government of their intention. Actually, when and how to recognize the Chinese communists deferred the Menzies government's determination. In spite of the outbreak of the Korea war, the Australian government still made consideration on the issue of recognition; unfortunately it was not a propitious time for any such action (Andrews 1984; Penrose 1998; Atkinson 2011).

When Gough Whitlam became leader of the labor party, as the Opposition, he visited China late at night on 3 July 1971 and met Zhou Enlai on 5 July with domestic and international consideration. Internationally, Canada had recognized China in 1970. American President Nixon, who was eager to end the Vietnam War, publicly elucidated the possibility of recognition of China. After four days of the meeting of Whitlam and Zhou Enlai, on 9 July, as Nixon's secret emissary, Henry Kissinger arrived in Beijing and arranged for President Nixon's visit in the following next years. On 15 July President Nixon announced to an astonished world that he would visit China before May 1972. On 25 October 1971, the Albanian motion, in which PRC replaced Taiwan both in the General Assembly and the Security Council, was finally passed by more than a two-third majority. It took more than 20 years for China's admission into the United Nations, for which the Soviet Union and India sponsored a motion in September 1950. Again, China as a 'political asset' continued to serve the government's electoral interest in December 1972. Then the Prime Minister William McMahon sought an exploratory dialogue with Beijing and decided to test the Chinese waters by Alan Renouf, then the Australian ambassador in Paris. Renouf met with Huang Zhen twice, late in May and early in July 1971. Huang Zhen elucidated China's position, in which China prepared to discuss the establishment of diplomatic relations with Australia and only that. Gough Whitlam won the election and made it clear that he wanted an agreement with China within 20 days. The negotiation with China began in the Chinese embassy in Paris on 7 December and reached an agreement between Renouf and Huang Zhen (Fung 1983; Burgess 1998; Putty 2005; Atkinson 2011). Based on strategic containment of the former Soviet Union, both the Whitlam government and the Fraser government realized clearly a 'growing interest in the notion of regional economic and security cooperation'.

The Whitlam government (1972-75) marked a historic turning point in Australia-China relations since the establishment of diplomatic relations and it dovetailed the Australian Asian strategy. Whitlam made the first visit of any Australian prime minister to China and met with Mao Zedong, Zhou Enlai and Deng Xiaoping. Gough Whitlam agreed with the West prediction in the 1960s that China will give up its ideology after Mao's death due to national interest (Andrews 1985). The first bilateral trade agreement was signed, which provided for most-favoured-nation treatment, and the establishment of a joint trade committee to facilitate the trade agreement. The first bilateral cultural agreement was signed in October 1974 and cultural relations and exchanges were beginning.

The Fraser government (1975-83) continued to cultivate a bilateral relationship within Australia's national interest and it has remained so in Liberal Parties' policy. Fraser (2005) recalled that while he met with Hua Guofeng in 1976, who confirmed him in terms of China's relationship throughout East and Southeast Asia, primacy would be given to the relationships between governments, and relationships with party would be secondary. This diminished the concerns that China would revive communism in Southeast Asia. Another two circumstances strengthened the momentum; one was Deng Xiaoping came back to power in December 1978 and sought stronger relations with developed countries, aiming to open China to global economic markets. The other was the Soviet Union invaded Afghanistan in 1979, which evoked the shared interest against the Soviet hegemony. Australia became China's first development assistance donor, meaning that Australia viewed China as a very much more agreeable economic partner than it had been previously (Wang 2016; Bretherton 2018).

The Hawke government (1983-91) and the Keating government (1991-96), with great practicable aspirations and courageous wisdom, carried on foreign policy and trade reform due to domestic structural problems, fear of becoming the second Argentina, and trade interest in East Asia (Capling 2008; Walker 2010; Johnson et al 2010; Jayasuriya 2008; Elisa and Johnson 2010), establishing the APEC forum to promote regionalism and achieving significant outcomes which were beneficial for individuals, nations and the Asia Pacific region. The Hawke government devoted to assist China's economic reform and involvement with the international economic system as a significant part of Australia's Asia engagement. This sincere assistance reflected Hawke and his team facilitated strategic consideration according to changing challenges and circumstances associated with the domestic and international implication. After the 1981-82 recession, Australia's economic structural issues needed to be reformed, and the vigorous development in East Asia predicted that the twenty-first century would be an Asia Pacific century. The outcome of Australia's CAP is so significant and conspicuous that both nations played a win-win game definitely, precisely speaking, and China's rise is based on Australia's contribution to some degree. This is an unearthed history and should be exploited further to close the gap in the bilateral relations.

The honeymoon phase in the 1980s laid a foundation of both countries' economic transformation and APEC- guided regional economic integration. More importantly, Australia's China engagement shed light on China's market-oriented reform and involvement with a multilateral trading system. Economic cooperation between Australia and China paved the way for deepening economic interdependence and complementation, which propelled Australia's successful economic transition and more than 30 years' growth since 1991. For China, this implication is not only of economic significance, but it is also a historic transformation from the perspective of globalization. Then Chinese communist party general secretary, Hu Yaobang, made a clear view to then Prime Minister Hawke that "China had elevated its relationship with Australia beyond that of other nations, with the confidence of a peaceful coexistence between countries with different social systems" (Uren 2012; Garnaut 2005).

The Howard government (1996-2007) continued a predecessor China policy of trade and investment liberalization and facilitation, and economic and security integration, in spite of destruction of the 1997-98 AFC, which led to an anti-West perception in the ASEAN. The top leaders' visit in the Howard tenure term reached a culmination; John Howard had been to China three times, President Jiang Zemin and Hu Jintao visited Australia in 1999, 2003 and 2007 respectively. Both nations' top leader had made a great effort to promote economic cooperation, in which Howard promised to assist China's entry into WTO and initiated the negotiation of ChAFTA. Howard and his team had built up a higher degree of interdependence between Australia and China, and two-way trade increased more than six times from A$7.8 billion in 1996-97 to over A$50.0 billion in 2007, jumping China's position from Australia's fifth largest trading partner to the largest. Howard insisted on 'seeking shared interest with respect to difference', and this flexible and pragmatic tradition exerted a positive impact on bilateral cooperation.

3.3 Australia’s Loneliness and Australia’s Awkwardness

Due to Australia’s colonial history, the desire for strategic dependence is firmly rooted within the Australian psyche. They had a close relationship with the Great British with pride, and they also regarded the US as a paramount alliance after the Second World War was over. However, there has been another voice in the Australian psyche. Since Dr H.V. Everett called for independent Australia’s security, economic and social conditions in international relations, Gough Whitlam insisted on an independent diplomatic policy in the period of the Cold War and initialized the idea of an Asia Pacific Community.

Both the psyche of strategic dependence and the Asia Pacific Community construction interweave with political life and public emotion. Australians think over deliberately their Asia Pacific future as Westerns. Gareth Evans (1995) came to a conclusion that “the fact of an unbridgeable gap between the countries of East Asia and the rest imposes a great challenge to manage an Australian Asia Pacific future in its political, economic and cultural dimensions”. This challenge keeps on evolving in the twenty-first century. This challenge leads to Australian loneliness in East Asia and Australian awkwardness facing the intensified Sino-America competition.

3.3.1 Australia’s loneliness

Australian loneliness describes Australia’s environment, after its Asia engagement in the Hawke-Keating government. Australia has been deeply involved with East Asia integration economically, but the complexity, subtlety and diversity of East Asia makes Australia alone politically and culturally. Australians work hard to overcome political and cultural isolation; however, this political and cultural isolation still is strong. Particularly, the economic relationship between Australia and China never declines bilateral political distrust and cultural difference. Part of the reason is attributed to China’s complexity and idiosyncratic tradition and circumstances; part of the reason is attributed to the unbridgeable nature of political and cultural difference. On the one hand, China is a complex nation historically, culturally, economically and politically; even Chinese people cannot understand completely their own past, present and future, not to mention outsiders and condescending Westerns. While China and Chinese people are on the way to modernization, a complexity that is hidden in historical and cultural tradition, economic and political interest was strengthened not decreased. China has its own imperfection, including historical burden, backward custom and population-density dilemma, which means grasping developmental opportunities and social stability at all kinds of levels is always a national priority. Chinese scholars did little work in concluding and explaining ‘China literature’ to outsiders, and this limits understanding of China’s concreteness and realities from the viewpoint of outsiders. China, as a different background in historic, political, cultural and economic terms, is not good at interacting with the West and keeps on learning how to deal with the West as a result of idiosyncratic traditions and circumstances. On the other hand, at the backdrop of a West-dominated world economy order, Westerns are not yet accustomed to China assuming the relative role in the world economy and politics, including Australians. However, the existing environment of Western as center and non-Westerns as peripheral in the world economy and politics have been changed. Westerns’ anxiety and horror are popular, because of losing the opportunities of grabbing a majority of world wealth and power exclusively. It is Australia’s soft power that Australian elites understand better than other Western countries on Asia-Pacific affairs, including divergence and convergence of East and West, and North-South dialogues. How to construct bilateral cultural understanding and acceptance based on respectively basic values and beliefs is a significant step to reap full potentials among both countries.

According to Chinese national and ethnic integration history, attempting to accept and appreciate political and cultural difference is one method to bridge the gap. For example, the Landbridge Group was granted a lease over the Darwin port in the Northern Territory, as a private company with its own Communist Party committees and committees’ chairman and members, and this company was regarded with connections to the Chinese government by Australian security commentators. If security commentators attempted to get to know the fact that there are nine main parties including the Communist Party in China, each party try their best to absorb excellent Chinese people becoming members and the other eight parties have a more strict membership standard than the Communist Party. They might give up their misconception that there is only one Communist Party in China. There are almost 90 million Communist Party members, and the majority of them work or service for non-government organizations and enterprises. This example enlightens a reality that China is a complex state, and outsiders cannot draw a right conclusion without sufficient knowledge. Also, it is tough work for Australians to understand contemporary China – what if they judge Chinese matters by imagination and suspicion due to cultural and political difference?

3.3.2 Australia’s awkwardness

Australian awkwardness describes Australia’s position under the competition between China and US. While the Cold War between US and the Soviet Union was over, Deng Xiaoping announced that a ‘new Cold War’ between US and China began in 1991. Under the neoliberal globalization environment, Australia can navigate skillfully between US and China. With the end of neoliberal globalization, the intensified American unilateralism as well as the intensified Sino-America competition politically, economically and strategically, it is a tough time for Australia to manage and resist disruption and volatility. In the next ten years, competition between US and China will come into being more uncertain in East Asia, including Australia. Australia will face double pressure coming from US and China. It is impossible for Australia to side with one, and Australia should have super balance capability between US and China. However, China is implementing a policy of reaction decoupling from US, and there is more economic room for Australia, such as higher education, high-end technology. Scarcity in higher education resource allocation in China is a real fact that cannot change in the next two decades or so, and Chinese families have to seek overseas education for their children whether or not it is expensive expenditure. American racism and deteriorating social security along with economic decoupling with China alert Chinese families in relation to risks and price of pursuing American diplomas and degree.

Actually, while the 2008 GFC broke out, Chinese top leaders asked themselves what to do next for China? American teachers have failed to implement neoliberal globalization. Academic discussion of de-Americanization in China started since then. The American containment strategy again alerted China's option and objective according to its own conditions. Nobody can imagine that the American decoupling policy and the pandemic would speed up this direction, and the majority of Chinese people who end up viewing US as a 'great nation', devoted to China's developmental potential with its attention and energy.

CHAPTER 4 CONCEPTUAL FOUNDATIONS

The paradigm shifts coupled with the frequent change of Prime Ministers in Australia sets the tone for the uncertainties of the business investment environment in Australia. The past decade witnessed seven changes of Prime Ministers. This Chapter investigates the conceptual roots underlying the political typology which fundamentally drives the decision making process in the Australian Government.

4.1 Embedded Liberalism

In 1982, John Ruggie introduced the concept of embedded liberalism to explore the postwar economic order, which emphasized that markets exert positive effects only if they are embedded within the values of social community, such as rules, customs and institutions. Markets themselves survive and develop under the conditions of rules, customs and institutions, while society requires these to manage and avoid the adverse effects of markets and supply the public goods that the limit of markets' capabilities lie in. At the backdrop of globalization, government's role lies in supporting the embedded liberalism compromise: reconciling the volatility and risk of international transaction flows for social purpose and providing national policy space to intervene adverse effects, as well as promoting international liberalization within a framework of multilateral principles, norms and institutions.

When Ruggie concluded embedded liberalism as a core value of Bretton Woods Order in 1982, neoliberal globalization was prevalent at that time, and embedded liberalism was under attack. In the time of the twenty-first century, scholars in a variety of fields revisited Ruggie's embedded liberalism or its compromise and interpreted in a variety of ways to describe an ideal open international economic order. According to Helleiner (2019), the embedded liberalism of Bretton Woods embraced domestic interventionism, which supports active public management of the domestic economy. On the one hand, it provided policy space for national public authorities fulfilling a social purpose in industrialized countries to support welfare states and activist national macroeconomic management. On the other hand, it associated with state-led development strategies in poorer countries and central planning in the Soviet Union. This definition of embedded liberalism also embraced the commitment of institutionalized liberal multilateralism, which respects highly centralized and legalized institutional arrangements with universal aspirations. Even though embedded liberalism has been challenged by neoliberalism since 1980 and by increasingly powerful opponents of institutionalized liberal multilateralism since 2016, its future will still play a norm-governed role in coordinating state-market society at the domestic and international levels.

From GATT to WTO, there are significant challenges between the economic liberalization objectives of the global economic order and the emerging, diverse interests competition among its members (Reid 2018; Lewis 20018), for which different policy space has been sought by developed countries and developing countries. In response to this challenge, embedded liberalism must be reconceptualized with a broader range of considerations in a given environment.

4.2 Australian Policy Development

The acquisition between Chinese state-owned Sinosteel and Midwest Minerals developed the totally new field of iron ore in Western Australia, near Geralton. This deal was viewed as the first hostile takeover from China; finally, the Federal Government approved the takeover in December 2007. Sinosteel's continued bid for Murchison Metals in January 2008, for the purpose of Midwest's hedging against a share exchange takeover offer from Murchison, which has neighbouring iron ore location, triggered anxiety of the Rudd Labor government again. Treasurer Wayne Swan announced that the FIRB and the Government would adopt a confident approach towards investment proposals from government agencies, including sovereign wealth funds and state-owned enterprises as commercial motivation rather than intention to leverage broader political or strategic objectives. The February statement originally signaled that investors with sovereign-related fund will need to show the sovereign connections are beneficial, including whether the state-owned enterprises operated at arm's length, and whether the investment would hinder competition or have an impact on Australian revenue, or Australian strategic or security interest.

In May 2008, Murchison prepared for a new-round merger proposal with Midwest, and Sinosteel as Midwest's partner intended to fight off the proposal again by declaring its purchase by cash from conditions and finals, in order to terminate a see-saw battle between Midwest and Murchison (Maiden 2008). The takeover battle enhanced the Rudd Labor government's decision to control Chinese investment by SOEs in the Australian resource industry more tightly. Wayne Swan's statement in June declared that the Federal Government was considering a ban on SOEs owning more than 50% of Australian companies. The June statement signaled that a 50% limit on Chinese acquisition and Chinese SOEs –the commercial reality is that it is largely Chinese corporations – will not be allowed to buy control of large, existing or substantially developed resources.

FIRB implemented a national interest test on a case-by-case basis, regarding six issues:

- A foreign investor's independent operation from its foreign government is welcome.

· A foreign investor which has a commercial target and operates on the adequate and transparent regulation and supervision in other jurisdictions is welcome.

· Australian government would underline whether an investment may undermine competition or lead to concentration or control in the industry.

· Australian government would underline whether an investment may impact on national revenue or other policies.

· Australian government would underline whether an investment may impact on national security.

· Australian government would underline whether an investment may impact on the operations and directions of an Australian existing business, as well as its contribution to the Australian economy and broader community.

Additionally, the Australian foreign investment policy environment has changed in a range of sectors. In agricultural land investment, a new requirement was established in 2018 and agricultural land must be marketed broadly to Australian bidders for a minimum of 30-days publication before being considered for granting investment proposal. This new approach is a significant beginning from the negative test to national interest test. In residential real estate, screening and compliance responsibility moved from FIRB to ATO in December 2015.

In critical infrastructure, FIRB has been required to examine all state and territory critical infrastructure transactions with foreign investors from March 2016; this requirement has been implemented previously in relation to foreign investors at the background of government-related companies. This policy change originated from Chinese private company Landbridge acquiring a 99-years lease of Darwin port in November 2015; American President Obama reproached Prime Minister Turnbull, offering good surveillance chances for a Chinese company to monitor American military activities in the Port of Darwin. The accident triggered an Australian defensive measure of eliminating all state and territory critical infrastructure transactions examinations individually. On 18 March 2016, the Treasurer lifted the exemption of foreign private investors acquiring and interest in critical infrastructure purchased directly from state and territory governments. FIRB implemented a screening process for all critical infrastructure from 31 March 2016.

The China State Grid and Hong Kong-listed Chung Kong Infrastructure (CKI) acquired 99-years leasing of a 50.4% stake in NSW-based electricity distributor Ausgrid, respectively; both of them were refused by the Treasurer. This sudden veto was unveiled in January 2017, the Australian government set up CIC to recommend FIRB and the Treasurer for considering an approval process and to assist owners and operators of critical infrastructure in terms of risk management and control. On 23 January 2017, the Attorney-General and the Treasurer announced the establishment of the CIC, which focuses on the risks of sabotage, espionage and coercion in the highest risk sectors of water, electricity, telecommunications and ports.

In March 2018, the Security of Critical Infrastructure Act 2018 was passed to establish a register of critical infrastructure assets in Australia. The act also is of relevance for FDI, as national security risks are to be evaluated, in case of large-scale investment proposals related to critical infrastructure, such as electricity, gas, water and ports, and any other asset declared critical by the relevant minister. On 11 July 2018, the Security of Critical Infrastructure Act (SCIA) enhanced the CIC capability, aiming to manage challenges in the electricity, gas, ports and water sectors and provide detailed information of who owns and runs Australia's highest risk critical infrastructure.

In December 2020, parliament passed a major overhaul of the Foreign Acquisitions and Takeovers Act 1975, which came into effect on 1 January 2021, aiming at Australia's foreign investment framework in response to emerging risks and global developments through a new national interest test for foreigners.

4.3 Evaluation of Australia's Policy Development

How to balance the relationship between state and market according to national interest and priority is related to capacity of states. Australia as a matured market economy with relatively smaller scale, which always persists in trade and investment liberalization and facilitation as a member of OECD, plays a significantly 'big government' role of implementing national capacity. Australian economic growth testifies its capacity of coordinating state and market. Even though diverse state and territory government interests called for more business opportunities, the federal government coordinated and resisted these diverse demands to some extent at the regulatory framework.

In terms of Australian protectionism tradition and new global protectionism, foreign investors incline to assume Australia's policy space as disguised protectionism. However, the possibility of cognitive bias complicates the issue and resolution. While the Rudd government actively communicated with its Chinese counterparts on Australian policy change in relation to the Chinalco bid for Rio Tinto, whether or not violating WTO rules and non-discriminatory treatment, they cannot reach a same answer. Concretely, behind the argument it is difference in culture that results in cognitive bias and conflict based on different values and beliefs. So from the viewpoint of Australia, it was legitimate policy space. From the viewpoint of China, it was disguised protectionism.

Reduced Chinese investment in Australia since 2016 coincided with Australia's policy development towards foreign investment and China's outflow capital control, and it is hard to judge which determinant resulted in this decreasing trend, probably, both forces propelled the result. It is worth noting that Australia's anxiety towards China's state capital as well as interventionist attitude on the critical infrastructure and important Australian assets alert Chinese investors who are unwelcome and their investment cannot acquire anticipated returns due to political distrust.

It is difficult for outsiders to judge that states have legitimate policy space for the concern of their own national interest. First of all, national interest is an extremely broader concept; an outsider cannot grasp the essence of individual demand. So other countries intend to view the individual demands for policy space coming from another country as less legitimate. Probably, this cognitive bias originates from political and cultural difference, or this cognitive bias made use of seeking economic benefit for the purpose of states' competitiveness. It is a universal outcome that my regulatory framework is legitimate policy space, and yours is disguised protectionism.

The failed transactions between Chinalco and Rio Tinto, Wuhan Iron and Steel Group and Western Plains Resource, China Nonferrous Metals Company and Lynas Corporations have a common point; that is, competition for price-setting right in terms of iron ore and rare earths. In other words, Australia tends to limit and control China's economic power in the global iron ore and rare earths market. From the perspective of state competitiveness, it is natural phenomenon, however, and behind this phenomenon there is reality that suspicion of China's state capital reflects political distrust between Australia and China; additionally, Australia sided with US to limit China's competitive capacity. Two cases of Huawei and many failures in the field of infrastructure manifest suspicion and anxiety towards Chinese investment. Australian awkwardness is exposed in that strategic cooperation with US is a priority rather than economic cooperation with China. Australia's Federal Government prefers to interrupt state and territory government economic plans in an interventional approach in the name of national security, rather than local economic well-being. Its exaggeration and overreaction reflects a deeper political distrust towards its largest trading partner.

CHAPTER 5 RESEARCH METHODOLOGY

5.1 Introduction

This chapter introduces the methodology used to collect and analyze the research data that leads to answering the research questions. It contains the justification for the type of methodology chosen.

The chapter is organized into three major sections. Section 1 describes research design issues, including research worldview, type of study and study setting. Section 2 describes research issues, including study sample, survey tool and data collection procedures. Section 3 identifies potential study limitations.

5.2 Research Design

5.2.1 Research worldview

Morgan (2007, 2013, 2014) points out that pragmatism can serve as a paradigm and a philosophical program for social research, regardless of which method is used, such as qualitative, quantitative or mixed methods. Pragmatism as a philosophical stance, in which pragmatists emphasize research problems, questions and application of all available approaches to understand the problem, the nature of experience, the consequences of action, and shared beliefs, is quite different from many other philosophical systems.

Creswell (2018) suggested that pragmatism is not based in a duality between reality independent of the mind or within the mind; researchers apply both quantitative and qualitative data because they work together to provide the best understanding of a research problem. In addition, researchers look to what and how to research, based on the intended consequences in social, historical and political contexts. In mixed methods research, a researcher inquiries into the research problem by a postmodern turn, a theoretical lens, which is reflective of social justice and political aims.

5.2.2 Type of study

The study is intended to identify the determinants that influence approval and refusal of Chinese investment in Australia with longitudinal and comparative analysis in the sector-specific condition. The goal of the study is to identify how the various determinants play a role in refusal of Chinese investment in Australia. In particular, the study aims to identify why refusal of Chinese investment in Australia results among the determinants.

5.2.3 Study setting

In my mixed methods research, the study first uses quantitative data (Table 3, in Appendices) to identify the results; that is, Australia's dilemma on Chinese investment with economic consideration associated with security concern and the Australian anti-investment tradition in the era of deep regional economic integration. Secondly, qualitative data with longitudinal and comparative analysis explains the non-nuanced attitude towards Chinese investment in Australia in the era of China's rise. At the country level, Australia as a contributor of China's domestic reform and rise, is a contemporary government that fails to persist in the Asia Pacific community and in APEC designers' strategy to adjust national foreign policy to China. At the sector-specific level, the contemporary government fails to identify the virtually shared benefit of Chinese investment and wider national interest targeting Chinese investment policy and practice.

5.3 Research Method

The first step was a literature search via ScienceDirect, EBSCO host, and so on, available on Victoria University Library's website. The majority of relative articles stem from the: *Pacific Review*; *Australian Journal of Chinese Affairs (1979-1995)*; *The China Journal (1995-2015)*; *Australian Journal of International Affairs*; *Journal of Contemporary China*; *The Chinese Economy*; *Journal of the Asia Pacific Economy*; *Australian Economic Review*, and *Australian Journal of Political Science* – supporting longitudinal and comparative views on the topic of Australia's foreign policy. Economic analysis on China mainly came from an updated China series published in the Australian National University (ANU) press; and some reports, such as EABER report, ANZ report, ABARES report and governments' report. Eminent scholars compose the study focus, such as Ross Garnaut, Peter Drysdale, Stuart Harris, David Walker, Hugh White, Ippei Yamazawa, on the topic of economic and political issues, and APEC evolution, respectively.

In addition, various websites relevant to the topic of research were also referred to for publications. These websites consist of: FIRB; OECD; ACCC; KPMG Australia; Australian Government Department of Foreign Affairs and Trade; Australian Trade and Investment Commission; Sydney Morning Herald; Business Council of Australia, and China's Ministry of Commerce.

5.3.1 Case study

When using a case study approach, the researcher should systematically collect information to understand the phenomenon by studying examples. The study adopts the case research methods developed by Eisenhardt (1989, 2021). Particularly, the case study seeks to determine the factors, and relationships among factors, that have resulted in the existing status of answering how and why.

The case study provides a greater emphasis on a full contextual analysis of fewer events or environments and their interrelation. Given their emphasis on detail, the case study provides a valuable insight for problem solving, evaluation and strategy.

5.3.2 Sample and data analysis methods

The researcher chose totally refused proposals of Chinese investment in Australia, (see Table1,2 and 3, in Appendices). These proposals were refused at the background of particularly international and domestic environments at the certain time, precisely speaking, and different China policy was carried out by Australian government. The Australian government imposed a new condition and policy to assess Chinese investment in Australia on the basis of specific concern.

5.4 Study Limitations

This research attempted to describe the scale of Chinese investment in Australia for nearly four decades, but failed to access reliable statistical data. MOFTEC data mainly consist of approved non-trade investment at the country-specific basis; usually, investment may not take place in the same year that the approval is granted, or may not take place for certain reasons. Taking Australia for example, the information of Chinese investment in the 1980s cannot reflect in the MOFTEC data because the then Chinese senior leaders chose Australia as a destination of China's limited capital outflows based on political consideration. Australia, as one of the top three countries attracting Chinese investment from mid-1980s to mid-1990s, also cannot offer the detailed information from FIRB, whose data provide some indication only with larger Chinese investment. Not all foreign investments require FIRB approval and not all granted proposals need to complete their promised investment.

This research also attempted to describe the scale and level of Chinese investment in the Australian mining sector, and for some reasons cannot access relatively reliable data. FIRB data reflects Chinese investment by sector distribution since the early 1990s, Chinese investment in the Australian mining sector in the 1980s was so significant that any assessment of scale, number and value cannot ignore it; in other words, any research on Chinese investment in the Australian mining sector is impossible to reach a relatively satisfactory result. ABS data do not segregate economic sectors on Chinese investment in Australia. Media reports, KPMG and University of Sydney data supported some cases of discerned SOEs and POEs in terms of Chinese investment in sector distribution. So, this research adopts second-hand data, not from original data of authorized statistics, such as MOFTEC data, FIRB data and ABS data.

The researcher insists that refusal of Chinese investors is relatively insignificant, compared with the granted proposals of China's investors. In addition, Australia's restriction on foreign investment among OECD countries is relatively higher. However, Australia's rejection of Chinese investors focused on resource industry and infrastructure should be addressed by both countries, which signify certain concerns within Australian government. How to mitigate the concerns to facilitate a bilateral relationship needs to devote to a great endeavor between Australia and China.

Better understanding of Chinese investment in Australia sectors at firm-level, such as resource industry, agriculture and infrastructure, can draw a concrete and specific conclusion. This research failed to reach it, and the author should bridge the defects to describe Chinese investment in mining industry and agriculture. For example, according to the Australian government's Department of Foreign Affairs and Trade (DFAT), the top three Chinese investors in Australia are CITIC Australia, CITIC Australia Trading and Sinosteel Australia. These firms diversified their investment range, and can be cited as an implication of Chinese investment in Australia.

CHAPTER 6 RESULTS

6.1 Introduction

In the mining sector, five cases which reflect same situation but different results are selected to shed light on the ambiguity of Australia's government towards China's rise. Australia's prosperity following China's rise is welcome, but strengthening Chinese economic power is not acceptable for Australia. Through comparative cases of Chinese investment in the Australian mining sector, we can find out that China's sudden increasing demand for raw materials has put Australia into a dilemma; how to manage the emerging growth is beyond imagination, and how to grasp business opportunity as well as avoiding related risks is also beyond experience. In the highly internationalized Australian resource sector, the Australian government changed its liberal and open approach to adjust to management challenge. During the controversial transaction between Chinalco and Rio Tinto, states' competition are pure emotionalism through jurisdictional dispute; this led to the failure of the Wuhan Iron and Steel Group bid for Western Plains. Both governments lost their way for seeking full potential of economic interest due to political and cultural difference.

In agriculture and agribusiness, Chinese investment in Australia is welcome because of Australia's reality, and foreign capital can improve Australian agricultural competitiveness in the future. Australia's government had an ambitious plan of growing agriculture into a $100 billion industry by 2030. Reaching this goal, Australia's government should overcome populism and attract foreign investment. In terms of Chinese investment in Australian agriculture and agribusiness, Australia's government welcomes inward capital and business opportunities accession to China's market, except for the transaction between Mengniu and Lion Diary & Drinks, which relates to 10% of the supply value chain in Australia. In the next 20 years, the Sino-Australian cooperation in agriculture and agribusiness will reach an amazing result in the international market.

In the infrastructure sector, security concerns are a major factor to ban Chinese investment. Huawei cases relate to cyber security, and cases of Ausgrid, APA and Probuild relate to security of critical infrastructure, which signify political risks if investors come from a communist party country. This dilemma is attributed to the reality that Australia's largest trading partner is an ideological difference state. Australia's caution lies in the critical infrastructure, such as the National Broadband Network and the Woomera Prohibited Area (WPA), which is listed as keep out for Chinese investment and any involvement. Projects in relation to non-critical infrastructure are open to China's capital. Political distrust as the result of different political systems seems to be an insurmountable barrier between Australia and China.

6.2 Chinese Investment in the Resource Industry

Background

In 2008-2009, FIRB dealt with 56 proposals from China. Most of them were from SOEs and received detailed analysis and supervision. There were more than 10 applications, including Sinosteel's unannounced plans for Murchison Metals, shelved in Canberra rather than in the FIRB office for the further political consideration. In 2009, China's application still increased to reach almost one case a week, and FIRB incrementally exerted relevant impact in order to reduce administrative burden and workload. Under the Foreign Acquisitions and Takeovers Act, the FIRB has to draw a conclusion within 30 days; if FIRB cannot complete obligation at this certain time, it can seek an extension for another 90 days publicly. The publicity immediately means that the case is a problem, to some degree, so many investors simply give up and re-submit their proposals when the FIRB is beyond its 30-day deadline. Over 2008 and 2009, 47 Chinese investment applications were withdrawn and revised to submit for another check. According to Treasury's statistics, there were 35 approved proposals while 12 cases were given up by their applicants (Uren 2012). Excluding this catalogue, the Labor government secretly refused some Chinese investors, including Chinalco into Rio Tinto, China Nonferrous Metal Mining into Lynas Corporation, and Wuhan Iron and Steel Group into Western Plains.

Additionally, the Rudd government needed to address the issue of foreign investment coming from a sovereign wealth fund and government-connected enterprises by focusing on what problems might be of concern, some sort of internal guidelines to deliver the problems and where the boundaries of the national interest test should be underlined. The burgeoning Chinese SOEs investment flooding into the Australian mining sector intensified the intention, and how to respond to business opportunities associated uncertainty and risk, and how to engineer increasing price of commodities enhanced government's anxiety because transitional China economy means possible uncertainty and risks for Australia in light of scale and speed of China's economic expansion. The scale and speed of China's rise is beyond Chinese and Australian imagination; Chinese industrialization and urbanization hunger for raw materials and energy that also has exerted dramatic impact on international supply and price of commodities. The Australian government attempted to lock up supplies and price-setting right of critical raw materials, such as iron ore and rare earths, avoiding the price of commodities perceived as significant for national security to put Australia into a disadvantaged position.

Analysis

Australia as a matured market economy with relatively smaller scale, always persisting in trade and investment liberalization and facilitation as a member of OECD, plays a significantly 'big government' role of implementing national capacity. Even though diverse state and territory government interests called for more business opportunities, the Federal Government coordinated and resisted these diverse demands to some extent in the framework of embedded liberalism, to balance the relationship of nation, market and society. The 2008 GFC imposed a reality check towards the Rudd government, while Western nations had trouble in recession, and China played a significant role in the world economy engine. This unprecedented phenomenon increased difficulty of cognitive competence, and Australia's caution and ambiguity are under consideration.

In 2007, Chinese SOEs showed a rapidly increasing interest in purchasing Australian mining assets by FDI, rather than following the traditional joint venture pattern, because China's economic growth stepped into a faster and faster path. Being major consumers of Australian mining commodities, such as iron ore, coal and natural gas, the motivation of these acquisitions is largely commercial due to new phases of high-intensity industrialization and urbanization after entry into WTO in 2001. For net consumers of Australian mining commodities, the strategy of investing directly in commodity production, which guarantee the supply and hedges against rising commodity prices, is an inevitable commercial choice based on the correlated between trade and investment. Chinese companies have been purchasing into listed companies that possess the resource projects, such as Mitsui, Nippon Steel and Sumitomo as part-owners of Rio Tinto's Robe River iron ore assets; Mitsubishi and Mitsui as joint one-sixth owners of the North-West Shelf LNG project.

When the state-owned Chinalco bid of $3 billion to develop the Aurukun bauxite leases in Queensland in 2007 was made, Treasurer Peter Costello agreed to this deal for showing welcome posture to strengthen Australia's relationship with China, which reflected a basic profile in the Howard government. The Howard government contemplated a 'strategic economic partnership' with China while Australia initiated a free trade agreement negotiations process in 2004. However, the Rudd Labor government has shown an opposite stance on Chinese investment in the Australian mining industry. There was the acquisition between Chinese state-owned Sinosteel and Midwest Minerals for developing the totally new field of iron ore in West Australia, near Geralton. This deal was viewed as the first hostile takeover came from China and, finally, the Federal Government approved the takeover in December 2007. Sinosteel's continued bid for Murchison Metals in January 2008, for the purpose of Midwest's hedging against a share exchange takeover offer from Murchison that has a neighbouring iron ore location, triggered anxiety for the Rudd Labor government again. Treasurer Wayne Swan announced that the FIRB and the Government would adopt a confident approach towards investment proposals from government agencies, including sovereign wealth funds and SOEs, which were commercial motivation rather than intention to leverage broader political or strategic objectives. The February statement originally signaled that investors with sovereign-related fund will need to show the sovereign connections as beneficial, including whether the SOEs operated at arm's length, and whether the investment would hinder competition or have an impact on Australian revenue, or Australian strategic or security interest.

In May 2008, Murchison prepared for a new-round merger proposal with Midwest, and Sinosteel as Midwest's partner intended to fight off the proposal again by declaring its purchase by cash from conditions and finals, in order to terminate a see-saw battle between Midwest and Murchison (Maiden 2008). The takeover battle enhanced the Rudd Labor government's decision to control Chinese investment by SOEs in the Australian resource industry more tightly. Wayne Swan's made a statement in June that the Federal Government was considering a ban on Chinese SOEs owning more than 50% of Australian companies. The June statement signaled a 50% limit on Chinese acquisition and Chinese SOEs – the commercial reality is that it is largely Chinese corporations – will not be allowed to buy control of large, existing or substantially developed resources. Both the February statement and June statement predicted the failure of the Chinalco bid for Rio Tinto.

The international raw materials environment is another story. After five years of huge price growing for commodities, China's economic growth will continue to push higher prices in the future. BHP and Rio Tinto, the largest supplier and the second largest supplier on the earth, have planned a merger to exert a significant impact on iron ore supply. Marius Kloppers and Tom Albanese, chief executives of BHP and Rio Tinto respectively, have publicly discussed the new pricing regime for Australian commodity export to China. A new price system will deliver greater returns to their shareholders in Australia and the rest of the Western world. This triggered Chinese senior leaders' attention highly.

6.2.1 Chinalco - Rio Tinto transaction

Background

Chinalco, full name being Aluminum Corporation of China, which was set up by the Chinese central government in 2001 and headquartered in Beijing, is principally engaged in the extraction of aluminium oxide, electrolysis of virgin aluminium and the processing and production of aluminium. Chinalco was the world's second-largest producer of alumina and the world's fifth-largest smelter of aluminium metal, and is on the way to diversify into other areas of mining. It is the parent company of Aluminum Corporation of China Limited (Chalco), which is listed on the New York, Hong Kong and Shanghai stock exchanges.

Analysis

As China's largest mining company with an ambition of multi-metal operating, Chinalco's president Xiao Yaqing managed this company in 2002 and drove rapid growth domestically and internationally. The BHP bid for Rio Tinto gave Xiao Yaqing a hint that Chinalco's long-term strategy for becoming an international multi-metal firm was extremely right; after all, the space for Chinese multinationals to expand on market share internationally will be increasingly small. The raid of the BHP-Rio Tinto deal was designed deliberately by Lehman, Chinalco's advisors, in relation to price, deal time and institutional shareholders. Chinalco teamed up with Alcoa, the US aluminum company, and cooperated to purchase London-listed Rio Tinto's 9% share at a cost of USD 14 billion. Xiao Yaqing called the secretary of the Treasury, Ken Henry, to inform the purchasing intention and requiring approval from Australia's FIRB in London on Friday.

This transaction happened in a sensitive period, while "Rudd had been asking treasury for a position paper outlining how to deal with a takeover bid for a major resource company coming from a Chinese government-owned company" (Uren 2012). When the Rudd government came into power in November 2007, in terms of foreign investment, the concerns by foreign sovereign wealth funds had been into hot discussion for the past year, and the new Labor government had to pay more attention to this issue and find out some sort of internal guidelines to appease public opinion and the Opposition. So, Treasury had to limit a classic liberal opinion that foreign investment was good for Australia and only extreme applications would need government impediments by some sort of measures under the Foreign Acquisitions and Takeovers Act. In addition, this transaction at the value of USD 14 billion was the biggest merger in the history of the London exchange and by far the largest offshore investment by a Chinese firm. The London market's takeover panel gave BHP a deadline on 6 February, the Wednesday following the raid, to make a formal offer. Failing it, BHP would have to pull out of the market for Rio Tinto for six months. So BHP recognized deeply the deal's implication and devoted to curb this transaction (Verrender 2008).

Chinalco's president Xiao Yaqing flew to Australia on Friday to meet the media and the government. On Saturday, BHP's chair, Don Argus, and its chief executive, Marius Kloppers, met Rudd and successfully advised Rudd that the future of Australia's mining industry depends on 'national champions' to avoid the local firms being absorbed or being subsidiaries of multinationals, with the increased force of globalization and acquisition and merger, and combination of BHP-Rio

Tinto showing the potential to reach Australia's national interest in the point of national champions. When Xiao arrived in Canberra on the Monday, the resource minister Martin Ferguson had a meeting with Xiao and informed him that assets of the London-listed company lay in Australia, like Rio Tinto, and it was within the Australian government jurisdiction to supervise the possibility of national interest for the nature of Chinese SOEs and sovereign wealth funds. So Chinalco should wait for a right answer than a quick answer from the FIRB, which cannot lodge an application without policy guidelines, so that FIRB was not under any statutory obligation to conclude a decision in 30 days.

The February statement triggered China's reaction at all kinds of level. Chinese ambassador in Canberra, Zhang Junsai, complained that the new guidelines were targeted specifically at Chinese SOEs. The Chinese Iron and Steel Association (CISA) and the Chamber of Commerce of Metals, Minerals & Chemicals had jointly issued a declaration to Chinese steel mills to boycott spot iron ore purchases from BHP and Rio Tinto. In April 2008, the National Development and Reform Commission (NDRC) issued a guidance note warning that it intended to exert greater control to restrict the surging investment into iron ore projects. Chinese concern about the February statement for SOEs had reached a pitch that Wayne Swan visited China to explain personally, and rejected the accusation of Australia's practising of a discriminatory foreign investment policy in breach of WTO rules, declared by the commerce minister, Chen Deming.

FIRB's delay gave Chinalco another chance of going the distance. By mid-2008, Rio Tinto was coming under heavy financial pressure because of the colossal debt burden it had taken on to acquire Alcan; Chinalco regarded the acquisition by a full cash takeover bid as a way of leaping to the forefront of world mining corporations in one bound. FIRB executive director Patrick Colmer worried about Chinalco's ambition. In August 2008, Chinalco received three messages. First, Chinalco's investment in Rio Tinto with 9% share at the cost of USD 14 billion (Rio Tinto's price dropping at their low point) would be reached with an agreement by the FIRB. Second, any possible bigger deal in the future cannot be acceptable by the Australian government. Third, Chinalco should keep secret on this deal. Even though a little bit light in the hall, there is a long way to go for Chinalco.

Additional circumstances of the unanticipated outbreak of the GFC hit greatly a blow on commodity prices and share markets, BHP announcing to give up its takeover bid for Rio Tinto, and Rio Tinto shareholders facing financial disaster without BHP's possible capital injection. On 12 February 2009, Rio Tinto announced that Chinalco will inject $19.5 billion into Rio Tinto through a convertible note issue following Chinalco's 9% investment, and its Board was unanimously recommending to shareholders a 'strategic partnership' with Chinalco, which involves Chinalco obtaining the ability to increase its shareholding in the Rio Tinto parent enterprises, acquiring economic interests in various assets of Rio Tinto, and entering into 'strategic alliances' with Rio Tinto in relation to those assets, nominating two directors to the Rio Tinto board.

FIRB's block was convertible notes with a value of $7.2 billion and necessary anti-competition check; there are lots of versions of what happened to prohibit approval. Chinalco started to compromise on key elements of the transaction, cutting its share in the Pilbara joint venture from 15% to 7.5%. Rio Tinto was ready to sign up to conditions more like those that Peter Costello had imposed on the BHP-Billiton merger. However, FIRB still viewed this deal as too big and too complex to come to a conclusion. Rio Tinto's big investor – the institutional shareholders based in the City of London – hit a heavy blow by refusing Chinalco's new president, Xiong Weiping, on its board. The changing market announced the collapse of the Rio Tinto–Chinalco deal, because Chinalco's financial significance in this deal became explicitly less valuable. Rio Tinto will launch a US$ 15.2 billion right issue and enter an iron ore joint venture with BHP Billiton, as it terminated its planned US$19.5 billion alliance with Chinalco, and will pay a US$ 195 million break fee. Negotiation of Rio Tinto–Chinalco from February 2008 to June 2009 drew a conclusion, publicly due to refusal of the Australian government; practically behind the deal there was fierce competition by all kinds of players for commercial and political considerations, market forces worked together with politics killing the deal.

Findings

. The motivation of fighting off the BHP–Rio Tinto merger in the London stock exchange by Chinalco and Alcoa is based on commercial interest for controlling supply and pricing right on raw material in the global market. The debt burden of Rio Tinto and BHP's deteriorated financial condition due to the outbreak of the global financial crisis forced their merger to end, and Rio Tinto had to seek for Chinalco's strategic alliance. The Rio Tinto–Chinalco deal was supervised by the Australian Competition and Consumer Commission (ACCC) on 18 February 2009, and ACCC confirmed that the Rio Tinto–Chinalco deal "would not be likely to result in a substantial lessening of competition" in the bauxite and alumina and iron ore industry according to the Public Competition Assessment released on 25 March 2009. FIRB kept on delaying the screening process in light of new foreign investment policy, tailored specifically to Chinese SOEs, in the way of discriminatory treatment in breach of WTO rules. The Australian government and Rio Tinto's institutional shareholders cooperated to kill this deal, prohibiting China's rapidly growing influence in the Australian resource industry for fear of the rising China.

What challenges did Chinalco meet during 16-months negotiation? First, the deal took place in London stock exchange related to London-listed Company Rio Tinto, and the Australian government insisted on its jurisdiction rather than respecting existing tradition of market hand. Second, Chinalco's acquisition Rio Tinto was delayed procedurally and substantially by FIRB, ignoring ACCC's competition assessment. Third, Chinalco was on the way to acquire Rio Tinto successfully with merger conditions satisfying Rio Tinto's hunger for capital, while the GFC was tumbling. Finally, when the resource market and financial circumstances were better, Chinalco was refused its application of a takeover bid by mixed market hand and government hand. Chinese firms again paid higher prices as international buyers to keep pace with China's rapidly growing industrialization and urbanization. We can imagine indignation stemmed from Chinese firms and government, if Australian nationalism regarded it as protection national interest; Chinese nationalism logically viewed it as being humiliated by Western countries. It is unimaginable that Australia self-proclaimed a perfect market economy and rule of law killed a deal by government hand and disguised market forces. As a matter of fact, Rio Tinto has a long cooperative history with the Chinese market, and is eager to expand Chinese market share with Chinese partners. The Australian counterpart also was angry with government interference, the Queensland mining magnate Clive Palmer accused FIRB as a 'racist body' and claimed to take FIRB's executive director, Patrick Colmer, to the High Court if he continued to impede Chinese investment in Australia (Marriner 2009).

6.2.2 Hunan Valin - FMG transaction and CNMC - Lynas Corporations transaction

Background of Hunan Valin Iron & Steel Group Company Ltd (Hunan Valin), The collapse of the Baosteel–Fortescur negotiation left space for Hunan Valin, and Fortescue Metals Group (AXS: FMG) also was in a trapped debt crisis hungering for financial injection and support. Fortescue and Hunan Valin reached an initial agreement, in that Hunan Valin invested A$1.2 billion on a strategic 15% stake and institutional investors considered whether to spend in a $500 million stake placement, in order to expand production to 120 million tonnes a year to meet market demand. Fortescue chief executive, Andrew Forrest, pointed out that the deal was tailored to be attractive to the Australian government and had been structured to avoid the backlash associated with the Rio Tinto–Chinalco deal (Freed 2009).

AnalysisThe ACCC confirmed that with Hunan Valin as an iron ore customer, its acquisition was unlikely to result in a substantial lessening of competition on the basis that Fortescue, as an iron ore supplier, would not have the unilateral ability to depress prices by increasing supply, and would not have the stimulants to depress prices due to the interest conflict among its shareholders. In the 30-days deadline, FIRB failed to draw a conclusion on this deal. However, Fortescue failed to raise $500 million from institutional investors at an appropriate price, so Hunan Valin issued an extra equity that should be approved by FIRB. The Federal Treasurer, Wayne Swan, finally approved the Hunan Valin bid for a 17.55% share at the cost of $1.2 billion, imposing a host of conditions, and prohibiting any potential conflict of interest related to 'marketing, sales, customer profits, price setting and cost structure for pricing and shipping' (Freed 2009). Hunan Valin became Fortescue's second-largest shareholder after it paid about $500 million for shareholding and had a seat on the board since 2009. The acquisition has been very successful for both, in terms of capital growth and dividend yield.

After 30-days deadline and 30-days extension, the FIRB approved the Hunan Valin–Fortescue deal through imposing a number of humiliating conditions. Hunan Valin did not withdraw their bid, but, another Chinese investor, China Nonferrous Metals Company (CNMC), said no, facing the same circumstances. CNMC was set up in 1983 and invests specifically in copper, aluminum, zinc, nickel, tantalum, niobium, and beryllium, mainly to implement international engineering business. It is the parent company of four listed firms in China and in Hong Kong, including China Non-ferrous Metals Industry's Foreign Engineering and Construction Co. Ltd., Ningxia Orient Tantalum Industry Co. Ltd., China Nonferrous Mining Corporation Limited and China Daye Non-ferrous Metals Mining Limited.The CNMC planned to buy 51.7% of Lynas Corporations, which was developing rare earths – widely used in electronics and military – projects in Western Australia and meeting a financial crisis because local banks were reluctant to lend money due to an opaque transaction tradition in the resource industry. Cooperation between CNMC and Lynas Corporation would resolve the debt of Lynas and also guarantee rare earths supply in the world. The FIRB had recommended approval for the CNMC–Lynas deal in the 30-days deadline; however, the Treasurer asked for FIRB's re-evaluating the strategic threat and reconsidering new recommendation. FIRB's final conclusion was CNMC's shareholding of no more than 49.9 % and less than four directors to the eight members' board. CNMC could not accept the stricter conditions and had to withdraw the proposal. When this final conclusion of the FIRB's deliberations on the Lynas rare earths project was announced, Patrick Colmer delivered a speech to an investment forum organized by the Australia China Business Council in Sydney. He said, in the resource industry, the FIRB attempted to maintain Australia's position as a reliable supplier to global customers, hinting China as a dominant world supplier of rare earths, and majority share of Lynas would likely have an impact on rare earths world supplier. He then went on "we are much more comfortable when the investment proposal are below 50% on greenfields development and around 15% on established projects". This is a new foreign investment policy, but only in Colmer's spoken words, not on the website of FIRB and Treasury. Jamie Freed (2009) analyzed the failure of the CNMC–Lynas deal by majority control, which was a crucial condition of CNMC's financial support. It is due to CNMC's unwillingness of proposed shareholding to below 50% that the deal failed. Undeniably, the Australian government holds a stricter stance towards Chinese investment.

Findings

Both cases have a common challenge, which FIRB presented as a veiled new foreign investment policy by imposed humiliating conditions on Chinese investors, depriving board membership rights and forcing harsh obligations. This disguised discrimination was accepted by Hunan Valin, which is a provincial state-owned company to implement local development strategies and fulfil local welfare requirements, but was refused by CNMC because its strategy was based on the vast majority of share and board membership rights. China is the world largest rare earths supplier, and this position guarantees Chinese firms' capability of market and technology advantages in the rare earths industry. Lynas Corporation became a victim of government intervention in expropriating a cooperative opportunity with industry's top partner in the world. New foreign investment policy should be shown in the way of visible, accessible, transparent and accountable contacts, according to OECD's guidelines for multinational corporations.

In addition, in the case of the Hunan Valin–Fortescue deal, FIRB failed to consider ACCC's competition assessment. In terms of competition, ACCC's conclusion was based on the information provided by merger parties and information arising from its market inquiries, and section 50 of the Trade Practices Act 1974. FIRB or the Treasurer imposed an added competition condition on Hunan Valin and Fortescue with price-setting, market control and board member obligation. The contradiction between ACCC and FIRB signified Australia's bureaucratic discretion on the process of investment screening, which plays a negative role on attracting and liberalizing foreign investment.

Finally, in the case of the CNMC–Lynas deal, FIRB had recommended approval for the Treasurer based on this proposal not in opposition to national interest according to foreign investment policy The Treasurer refused this proposal because an article of the *New York Times* suggested that China was cornering the world supply of rare earths, and this triggered security-related concern by the Treasurer individually, who intended to deny this acquisition for fear of China's growing influence in the world rare earths market.

6.2.3 China Minmetals - OZ Minerals transaction and Wuhan - Western Plains transaction

Background

China Minmetals Corporation is one of the largest metals and mineral trading companies on earth and the largest iron and steel trader in China. It is the parent company of Hong Kong-listed Minmetals Resource Ltd and Shanghai-listed Minmetals Development, Minerals and Metals Group, and is focusing its overseas expansion on Latin America and Africa to secure natural resources.

OZ Minerals faced a crisis refinancing its bank debt in early 2009 (Yeates 2008). China Minmetals, a state-owned company, was bidding for 100% of the business, including its Golden Grove base metals mine in Western Australia, its Martabe gold project in Indonesia, its Prominent Hill Copper-gold mine in South Australia (Freed 2009), Sepon, Century, Rosebery, Avebury, Dugal River, High Lake and Izok Lake Mines. FIRB recommended for approval, but the Department of Defence questioned the China Minmetals–OZ Minerals deal, because the Prominent Hill mine locates within the WPA. Defence decisions based on this would have given Chinese intelligence analysts the chance to grasp possible military activities. An American company might not have such a concern, but Chinese firms should be cautious. Eventually, the deal was approved and excluded Prominent Hill by the Treasurer. There are several versions of why the Department of Defence refused. Some consider really the Americans disagreed, while others regard it is not on the Americans' business, just presumed judgement by the Department of Defence. Another version is that the Department of Defence was hostile to its minister, Joel Fitzgibbon, who was in trouble for his relations with a Chinese business woman (Uren 2012). According to Australian Securities Exchange (ASX) release on 17 June 2009, OZ Minerals announced the completion of deal after settled adjustment, at the value of US$ 1,354 million, and all of OZ Minerals bank loan facilities have been repaid in full. OZ Minerals will have a cash balance following completion and other finance index, principally to arrive at the company's mining regulatory obligation.

Wuhan Iron and Steel Group, a Chinese SOEs, invested $45 million in a 50-50 joint venture with Western Plains Resources to develop an iron-ore project on the WPA, the world's largest land-based weapons testing area by the military and key Australian allies; an area the size of England. Australia's Defence Department refused this project due to its incompatibility with defence activities on safety, operational and national security grounds (Taylor 2009). The Advertiser's reporter asked Defence whether it would still oppose the project if all capital came from within Australia. Defence indicated that the proposed project of Hawks Nest mine, located in South Australia's Far North, is on the center line of the WPA; any mine with developing plan would create a serious safety issue (Rsell 2009). Actually, the Stuart Highway ran through the middle of its leases and the Ghan passenger train passed through twice a week. Traffic on the Stuart highway can be seen from Hawks Nest because of its short distance to the highway, and Western Plains cannot imagine that "Defence would deliberately arrange weapons trials in the Hawks Nest area because of the possibility of such test causing harm or inconvenience to persons legitimately using the highway" (Rsell 2009). Western Plains was also surprised that Defence's refusal was shared by the South Australian government and the Federal Department of Resources.

According to a spokesman for the Resource Minister, there had been consultation at high levels of government (Murphy 2009; Yeates 2009). The refusal happened at a time of strained diplomatic ties between Canberra and Beijing after Stern Hu was arrested in China, accused of spy behaviour. In April, another deal between China Minmetals and OZ Minerals also related to the WPA, and its revised proposal finally was approved by the Australian government (Taylor 2009).

Findings

Both deals related to the WPA, the world's largest land-based weapons testing area, resulted in opposed conclusion. The deal between China Minmetals and OZ Minerals was granted by the Treasurer in spite of Australia's Defence Department objection in April 2009, while Wuhan Iron and Steel Group acquisition of Western Plains was refused just because of Australia's Defence Department objection in September 2009. Perhaps, Australia's Defence Department objection is not the main reason, and aftermath of the Chinalco-Rio Tinto deal led to this result. The veto of the Chinalco–Rio Tinto deal meant the Chinese government and Chinese firms must respond to this signal. In addition, two deals were related to security-connected problems, again, and Australia's bureaucratic discretion on the process of investment screening plays a negative role in attracting and liberalizing foreign investment.

Discussion

ISI of the China Action Plan in the Hawke government designed Australian iron ore-specific furnace and relevant equipment in Chinese Iron and Steel firms through technology transfer, and technological assistance and cooperation, for the majority of Chinese firms. Australian iron ore is the best choice, not to mention its high quality, transport advantage and cooperative exploration history, so the Rudd government interfered in a series of Chinese investments in the mining industry, violating a promise of ISI of the China Action Plan, and this inconsistency affects bilateral economic interaction. In addition, China's rapidly growing momentum since access to WTO in 2001, and China's stimulating package against the GFR, also illuminated investment impetus in Australia in 2008-2009. Australia, which shared with China's rapidly growing and stimulating package, avoided economic recession, compared with other Western economies, due to the predecessor's political and economic design. It is arbitrary that the Rudd government neglected a symbiotic economy between Australia and China.

6.3 Huawei Cases

6.3.1 Huawei's ban from NBN

Background

Before Christmas in 2011, Huawei Australia's chairman, retired rear admiral General John Lord, was told not to submit bids for any new NBN supply contracts by the Attorney General's Department deputy secretary. Australia's NBN project aims to roll out high-speed internet access throughout the country; it is so ambitious that criticism and controversy accompany the process, including a strong argument coming from the leader of opposition, Tony Abbott. The Labor government explained that telecommunications infrastructure is a critical national security asset, in particular cyber security, which exemption from terrorism attacks is in the top concerns about national security identified by intelligence departments globally. So the Gillard government blocked Huawei's involvement with the multi-billion-dollar NBN project in light of these concerns, which followed security recommendations from the Australian Security Intelligence Organization (ASIO). Huawei as a Chinese-owned company, was considered a potential security threat based on a belief that cyber-attack by the Chinese government is possible. However, Huawei Australia never given up lobbying the new coalition government, permitting Huawei into the less sensitive outer access layer of the NBN, which would help reduce the costs of the project without damaging national security. The outer access layer of the NBN, which refers to links between households' modems and the immediate local area nodes, is distinct from more sensitive points of access, which are central control systems through managing the information and whole network. Finally, Huawei failed to persuade the coalition government to change existing policy. This means that it is a bipartisan decision to kick Huawei out of the new Australian telecommunication infrastructure.

AnalysisUS embassy cables released by WikiLeaks in 2011 reveal that in 2008 cyber security officials in the Federal Attorney-General's department were investigating Huawei as part of a national security review of the then NBN project, which supported relevant information to the Australian government in mid-January, suggesting exclusion of Huawei from the latest NBN. At the same time, intelligence co-operation between Australia and US played a critical role of forbidding Huawei's involvement in the NBN. Under the Howard government, information exchange among two intelligence agencies reached a high level; Australia always deliberately protects this important security relationship and pays attention to any American reaction related to China. Because the CIA alleged that Huawei's chairman, Sun Yafang, was a member of China's foreign espionage service and Huawei's founder, Ren Zhengfei, was an important figure in the People's Liberation Army's information Engineering Academy, this defined Huawei as a security risk.

Behind Huawei's ban from the Australian NBN project, there is a far wider and more complex conflict between China and US in the global telecommunication competition for control of the digital universe, through most human activity and many military capabilities. Practically, sovereign states' telecommunications assets should be exempt from invasion for economic and security concerns. In addition, the two main competitive companies are American and China's national champions: Cisco and Huawei. Cisco supplies switches and routers for the core networks, and Huawei is a supplier of equipment to the outer access layers, both of them competing for commercial benefits.

6.3.2 Huawei's ban from 5G network

On 23 August 2018, Huawei Australia announced on Twitter: "We have been informed by the government that Huawei and ZTE have been banned from providing 5G technology to Australia". Communications Minister, Mitch Fifield, confirmed publicly that Huawei could not adequately protect the new 5G network from foreign governments' interference. This speech hinted China's 2017 National Intelligence Law, which requires that "any organizations or citizen shall support, assist, and cooperate with state intelligence work". So, Huawei cannot balance the requirement of national loyalty and its clients' protection demand. Actually, it is a common expression like "any organizations or citizen should support, assist and cooperate with state" in the Chinese laws and regulations, including civil laws and criminal laws. At the backdrop of hot discussion towards Chinese influence or Chinese interference in Australia, Australia's government cited national security concerns as measures to forbid any possible Chinese influence or Chinese interference, regardless of Huawei's security management by Australian security or intelligence department assessing, just as a model in the United Kingdom and Canada to allay security concerns.

Huawei Australia complained that the Australian government's decision is motivated politically, ignoring Huawei's 15 years operation in Australia and its ability of innovation on 5G. In addition, this decision signifies xenophobia, which supports local businesses in the Australian market by disengaging competition. The Chinese government made a complaint of violating global trade rules on Australia's restriction towards Huawei 5G technology at the World Trade Organization, addressing that it is obviously discriminative and its negative impact on the global industrial chain.

Discussion

The definition of cyber security intends to restrict open trade and investment in certain circumstances; also, this definition does not conform to the existing rules at the framework of WTO on trade and investment promotion. Behind this disguised definition, it is with economic and technological competitiveness that the American government tried its best to contain China's capacity threatening American primacy in relation to new technological change, particularly, as triggered by 5G meaning China and US together will be in a primacy position. It is unacceptable for US and the West that a non-Western country challenges world superiority economically, politically and technologically. The Australian government triggered the first security and defense fight in order to coordinate an American containment strategy.

6.4 Mengniu Cases

6.4.1 Mengniu and Burra Foods transaction

BackgroundOn 15 August 2016, the FIRB approved the acquisition between Burra Foods Australia and China's Inner Mongolia Fuyuan Farming company, which is a subsidiary of the Mengniu group. Fuyuan farming owns a 79% of stake in Burra Foods, while Burra's existing shareholders, founder Grant Crothers and Japanese dairy distributor Ityochu Corp, and hold 21% of the company's share.

Burra Foods is a supplier of fresh milk, cheese and milk powder from its plant in Korumburra, which produces dairy ingredients for the global food manufacturing market, specializing in "the functional and sensory characteristics of fresh milk". Its founder, Grant Crothers, was pleased with FIRB's approval, as means that cooperation with the Chinese company will provide great opportunities to access the world's fast growing and most dynamic market through a very cautious approach, which will mitigate possible commercial risks of operating in the high-growth Chinese dairy market, while at the same time maximizing the increasing market opportunities available. The company is now poised to be in an even stronger position to meet its current and future development by access to markets, capital and technology.

6.4.2 Mengniu and Bellamy's Organic transaction

On 15 November 2019, Treasurer Josh Frydenberg approved a $1.43 billion acquisition between Mengniu and Bellamy's Organic, which is one of Australia's largest baby formula producers. At present, the Tasmanian Company is a wholly owned subsidiary of Mengniu group. Bellamy's, as a dairy marketing and brand organization, has recently founded a manufacturing plant in Sydney. This deal did not trigger an Australian assets concern in relation to land and sensitive infrastructure.

Bellamy's products, such as baby formula milk powder, are welcome in China, but its presence is in China via e-commerce channels. Bellamy's has plans to expand the Chinese market share in physical retail outlets; this plan would promote its growth and wider market reputation over the long term. However, regulatory approval processes in Chinese retail stores lasted 20 months after Bellamy's original application without official reply. So it is a good choice for Bellamy's to expand in the Chinese market through cooperation with Mengniu. Bellamy's shareholders voted 99.23% supporting the deal at a meeting on 5 December 2019, regarding Mengniu as a significant business partner. Mengniu is founded by Niu Gengsheng, and its operation met huge difficulties in 2008 because the Chinese milk industry scandal almost destroyed the whole sector. With the Chinese government assistance of injecting new capital, Mengniu revitalized and its 16% stake is held by the Chinese government-owned food company, China Oil and Foodstuffs Corporation.

However, the transaction between Mengniu and Bellamy's caused political controversy. Tasmanian parliamentarians Andre Wilkie and Peter Whish-Wilson have been against the deal. Senator Jacqui Lambie criticized the Morrison government for approving the deal, calling for more detail disclosure about the deal and warning against a "communist Chinese takeover" of Australian companies. 174 petitioners asked for withdrawal of the sales of Bellamy because Mengniu as a state-owned enterprise will make Australian dairy industry farmland and freehold land under the control of the Chinese Communist Party and make Chinese people access Australian assets easily.

6.4.3 Mengniu and Lion Dairy & Drinks (LDD) transaction

On 25 November 2019, Mengniu Dairy Group publicly announced that an agreement between Mengniu and Kirin Holding had been reached for the purchase of Kirin Holding CO's Australian beverage unit Lion Dairy & Drinks (LDD) at the price of $600 million. Mengniu's strategic plan aims at Lion's milk, yogurt and juice business, while Kirin will still keep Lion's beer, wine and spirits products.

Kirin has struggled to achieve a satisfactory return on its investment, after it invested $2.8 billion for the then National Foods in 2007 and $910 million for NSW-based cooperative Dairy Farmers in

2008. In 2018, Kirin planned to sell LDD in its entirety and reorganize the proceeds into its Australian and overseas beer, wine and non-alcoholic beverages businesses, rather than increasing investment into the business. Lion also faces operation difficulty; its sales and earnings have dropped for years as the business struggled to cover rising costs amid stiff competition from other processors and pricing pressure from supermarkets. For the sake of commercial risks, Lion has shut down some plants, turned off its international unit, decreased staff and scaled down the number of product lines to bridge cost challenges, reinvesting the savings into innovation and new product development. Lion is Australia's second-largest milk processor with an estimated 19% share of the milk processing market, as well as annual sales of about $1.8 billion. LDD hopes to find a right new owner, which will guide it forward and release its full potential by injecting new capital to take advantage of changing consumption trends. Lion chief executive, Stuart Irvine, is confident with the potential in terms of transaction with Mengniu, benefiting Lion's business growth over the long term and accelerating Lion's pivot to becoming a leading global adult drink business. Mengniu chief executive, Jefferey Minfang Lu, said the takeover would benefit both dealers as well as improve opportunities for Australian dairy farmers and fruit growers, by satisfying the domestic market and international market, particularly, building up a significant channel to China.

On 17 December 2019, for the sake of acquisition between Mengniu and Lion, the Australian Competition and Consumer Commission sought for an interested party view of the impact on prices or terms of supply for farmers in the Gippsland region of Victoria, for their raw milk and any other competition concerns. After a total 55 days review, ACCC's conclusion declared that the proposed acquisition is unlikely to substantially lessen competition for the acquisition of raw milk in the Gippsland region. The proposed acquisition would combine the raw milk processing facilities of Burra Foods Pty Ltd and Lion, a combined Mengniu-Lion accounting for less than 25% of raw milk in the Gippsland region, which represents a relatively low level of aggregation, and a combined Mengniu-Lion will continue to be constrained by Canada's Saputo and New Zealand's Fonterra, as well as a number of smaller raw milk processors.

Dairy farmers are welcoming the takeover between Mengniu and Lion, who believe it is a good chance to end cheap milk and open up new export markets. Farmers need the support of setting up a floor milk price to resist the increasing feed costs, which lead to farmers quit the industry after struggling to make a living; in particular, feed costs in NSW and Queensland have doubled because of the drought and the industry is facing its lowest annual production over the past three years. However, politicians hold on to the opposite view towards the acquisition between Mengniu and Lion. Their concerns include that the sale of more Australian dairy assets to foreign buyers, the extent of the control and influence from Mengniu in the Australian dairy industry and possible impact on Australian jobs when a multinational regards their share holders' needs over the needs of Australian producers. Politicians also know the big advantage of the deal; there are Chinese companies that can greatly overcome barriers to Chinese making access. They prefer Australian dairy assets in Japanese firm hands because Mengniu, as a state-owned enterprise, is not always acting in response to prices and market forces but seeking national interest. If Mengniu acquires Lion successfully, it will become one of the largest dairy processors in Australia after Murray Goulburn and Fonterra, with about 10% of the Australian milk pool and annual sales of almost $2 billion. In addition, Mengniu will possess Lion's 13 manufacturing facilities and milk-based beverages, yogurt, white milk and plant-based products. The transaction includes two points ventures – Bitasoy Australia Products and Capital Chilled Foods Australia, as well as Lion's brand such as Big M, Pura Milk, Dairy Farmers, Vitasoy soy milk and coconut milk, Berri and Daily Juice, and Yoplait Yogurt.

In the end, Treasurer Josh Frydenberg didn't grant the proposal between Mengniu and Lion in April 2020. There are some speculative comments attributed to the refusal; firstly, in spite of being uninvolved in the sale of agricultural land or agricultural assets, the deal is likely to be more sensitive than Bellamy's because of Lion's large share of the Australian milk and juice markets and its international supply chain channels and strategic manufacturing assets. Secondly, the purchase of Bellamy's and Lion by the same acquirer, Mengniu, would evoke a new round of doubt with Chinese investment in Australia, and why baby formula and dairy companies have been taken over by Mengniu. The dairy deals suggest how economic engagement can allow Australia to have a strong but not subservient relationship with China. Probably, Mengniu is doing a good business – purchase of Lion – at an improper time, within 2 months completion of Bellamy's.

6.5 Chinese Investment in Agriculture

6.5.1 The case of Kidman takeover

S Kidman & Co limited ('Kidman') is Australia's largest private landholder and Cattle Empire. In November 2015, a Chinese-led consortium acquired Kidman, but the Treasurer rejected this proposal due to it being contrary to national interest. The total portfolio of Kidman properties is too sizable and significant to be sold for Australia's national benefit and the Woomera Prohibited Area ('WPA') in the properties has a sensitive contribution to Australia's defense.

In April 2016, a revised proposal was knocked back again by the Treasurer due to being contrary to national interest. The new bidder of Chinese-based DaKang Austria Holdings ('DaKang') and

Australian Rural Capital, with an 80% and 20% share, respectively, proposed to acquire Kidman (WPA excluded). The Chinese investor majority ownership is a big problem.

In December 2016, a further revised proposal was eventually approved by the Treasurer, Scott Morrison, and the purchase design consisted of two parts: one is Kidman's largest station, which was acquired by local farm operator, the Williams family; another is the remainder of the business, which was acquired by joint-venture company Australian Outback Beef (AOB). Australia's Hancock Beef Pty Ltd (owned by mining magnate Gina Rinehart) and Shanghai CRED Real Estate Stock Co Ltd (a listed company in Shanghai stock exchange) hold the share of Australian Outback Beef Pty Ltd; respectively, 67% and 33%. It is worth mentioning, Shanghai CRED holds the 49% share of DaKang (a private company), and private ownership might be targeted by the national interest test as the Kidman case indicated, even though Australia's flexibility and pragmatism showed up.

6.5.2 Sino-Australian 100-Year Agricultural and Food Safety Partnership (ASA 100)

The Sino-Australian 100-Year Agricultural and Food Safety Partnership is an initiative of promoting co-operation in agriculture, founded by mining billionaire Andrew Forrest in September 2015; this initiative originated from a meeting between Andrew Forrest and Chinese Premier Li Keqiang, who expressed deep concerns about "food security" (Wen 2014). China's biggest private agribusiness New Hope Group is a member of the strategic partnership, which will give agribusiness giant New Hope Group and Fortescue Metals Group access to assets and operations across the dairy supply chain. Liu Yonghao and Andrew Forrest co-chair this strategic partnership, which aims to promote international trade in Australian agriculture and manufactured food products, with a particular focus on the Chinese market by investing in Australian dairy farms to increase milk supply and value-added dairy products. New Hope Group has won approval to build up a bonded Sino-Australian Modern Industrial Park on the Zhoushan Island located close to Ningbo port.

Chinese investment in Australian agriculture has always triggered controversy fiercely, but New Hope Group has remained immune from criticism because of its investment model, which preferred to invest into business not acquire business by cooperating with local great partners to enlarge leveraged effects on resource and market potentials respectively.

In 2013 New Hope Group paid $98 million for a controlling stake of Kilcoy Pastoral Company, which is Australia's fourth biggest beef processor in Queensland. This investment has created 130 jobs for local community, and enabled Kilcoy Pastoral Company to gain access to Chinese and global financiers, business partners or future customers or suppliers.

In 2015 Kilcoy Pastoral Company paid a more than $100 million deal with two of Australia's biggest dairy farming families – the Moxeys and Perichs in New South Wales – funding a majority share of Australian Fresh Milk Holdings. This investment came at the right time for the Moxey family, who was expecting outside investors to expand its business, which increased 10,000 cows on the basis of a 3,500 cow operation at Gooloogong in central New South Wales on 22 March 2021.

6.6 Chinese Investment in Infrastructure

Background

Chinese private company Landbridge acquired a 99-years lease of Darwin port in November 2015, and American President Obama reproached Prime Minister Turnbull, offering a good surveillance chance for a Chinese company to monitor American military activities in the Port of Darwin. The accident triggered an Australian defensive measure of eliminating all state and territory critical infrastructure transaction examinations individually, and FIRB review of critical infrastructure transactions by foreign investors since March 2016.

In 2016, the Coalition government held deep national security anxiety. Technological change triggered by 5G evoked Australia's concerns about cyber-attack threats in the critical infrastructure. In addition, intensified geopolitical competition between China and America, as well as China's presence in the South Pacific, provoked Australia into defensive and interventionist measures in response to any possible anxiety.

Analysis

Based on a geopolitical competition pattern, Australia seeks its own geopolitical interest and views China as a barrier to acquire geopolitical interest. While Australians were discussing China's possible economic coercion, the Australian government started economic decoupling with China to some degree. In 2020, a trade war between Australia and China was not beyond Australia's unpredictability. In China's pattern, Chinese people cannot understand what kinds of geopolitical interest are for Australia. China has border disputes with Japan and India, and it has great power rivalry with America. Australia is not in this catagories; why does Australia overact? Perhaps, there is a cognitive difference between Australia and China. Australians regard geopolitical competition as a spirit of liberal democracy; Chinese regard Australian action as seeking publicity.

6.6.1 Ausgrid objection in 2016

Many questions follow Treasurer Scott Morrison's decision to refuse Chinese state-owned State Grid and CKI from 99 years leasing a 50.4% stake in NSW-based electricity distributor Ausgrid. China State Grid is the largest company in terms of revenue on the earth, and invested a controlling stake in ElectraNet in 2012 , 19.9% of SP AusNet (SPN) and 60% of the privately held Jemena business from Singapore Power, SPI (Australia) Assets Pty Ltd, in 2013.

Question 1: While State Grid was always open to double-check on national interest grounds, why reject privately owned CKI, controlled by Li Ka-Shing who has a 50% stake in Vodafone?

Question 2: Why do State Grid and CKI own much of Australia's poles and wires already? Question 3: Why was State Grid allowed to buy into the South Australian grid, ElectraNet, three years ago, which supplies Woomera missile test range? Except for questions, there had been a lot of facts.

Fact 1: the NSW government went to China to find potential buyers, presumably, due diligence relating to two bidders must have well done and obviously getting a good price unmatched by other bidders.

Fact 2: it was a coincidence that this decision came after a push against foreign investment during the election campaign by senators with whom the government needs to work: Pauline Hanson, Jacqui Lambie and Nick Xenophon.

Fact 3: the Port of Darwin was leased by Chinese company Landbridge in November 2015, which displeased the Americans. Within weeks, the government quietly carried out foreign investment regime reforms, and the former ASIO head, David Irvine, was appointed to the FIRB.

Fact 4: China's increasingly aggressive tactics in the South China Sea and actively pursuing infrastructure and port acquisitions throughout the Asia Pacific provoked Australia's concern.

The two bidders' failure provoked strong criticism of the Treasurer's intervention in the Ausgrid sale. Polling firm Ipsos carried out a survey on Australian attitudes towards foreign investment in new infrastructure. When Ipsos asked Australians whether they supported foreign investment in new infrastructure, which means faster, more convenient and more comfortable, only 27% said ok. 'That was well below the global average support of 45% and ranked Australia 24th out of 26 countries surveyed on that measure. This makes Australians one of the least open to foreign investment' (Wade 2016). The Ipsos poll also found 70% Australians agreed that investment in infrastructure was critical to the nation's future economic growth. The three top infrastructure priorities were motorways/major roods, railway and broadband. But Australians are lukewarm about the whole state ownership of national infrastructure, with 33% satisfied with it and 29% dissatisfied, respectively. There was qualified support for the Australian government borrowing more to fund the upgrade and expansion of new infrastructure, with 36% supported and 22% opposed, respectively. Support for public borrowing for Australia's infrastructure investment was consistent with the global average. Respondents to the Ipsos poll were strongly in favour of local communities taking part in decisions in infrastructure construction, and local communities' attitude will play a vital role of promoting or delaying the infrastructure projects.

After refusal of the Ausgrid bid, an Australia-based Chinese adviser warned Beijing that "frequent changes of government, political leadership instability, a lack of certainty about the Turnbull government's longevity, and fickle application of non-transparent foreign investment rules, were frightening investors away with other countries becoming more attractive" (Kenny 2016). In fact, the Chinese truly believed the Ausgrid decision was discriminatory, but Beijing kept a more realistic attitude towards the Ausgrid decision. Only China's new ambassador, Cheng Jingye, pleaded for more political mutual trust between Australia and China and called for the two countries to resist protectionism (Wroe 2016).

A sudden veto on Ausgrid's mystery was unveiled until the Federal Government set up a new CIC to advise FIRB and the Treasurer to help owners and operators better manage risks. According to the Security of Critical Infrastructure Act 2018, the CIC manages a Register of Critical Infrastructure Assets. The Federal Government has long maintained a national list of critical infrastructure, including Ausgrid, which is a significant support to the Joint Facilities at Pine Gap base, an extreme secret centerpiece of the Australia–US alliance and central to US nuclear war-fighting capability. The US had lost face when a Chinese firm, Landbridge, was allowed to hold operational control of the Darwin Port in November 2015, because it put the Chinese company in a legitimate position to monitor American military activities throughout the port. How would the US react if the Federal Government permitted State Grid as critical support to Pine Gap? "It was a deeply unsettling moment when the top officials of Australia's national security system realized that this was exactly what was about to happen" (Hartcher 2018). So it was the Australia Signals Directorate (ASD), Australia's electronic spy agency that rang the alarm to rebuff the Ausgrid deal.

6.6.2 APA objection in 2018

CKI was carrying out due diligence on APA, a gas pipelines company, for a proposed $13 billion takeover, which would take about nine weeks, ahead of an application of FIRB. Observers analyzed the main issue in gaining FIRB approval as likely to be energy security – guaranteeing the gas keeps flowing from malicious groups – which was cited as one of the reasons for the refusal of the CKI bid for Ausgrid in 2016 (Latimer 2018). In spite of CKI being a Hong Kong listed company, concerns over mainland Chinese interference were still there. ACCC also examined whether CKI's takeover APA would affect competition in the gas market. The ACCC decision was expected on September 13, with the FIRB recommendation to the Treasurer, and this final decision predicted to follow soon after. It would also be the first major test of the new CIC, which provides national security advice on foreign investment proposals (Latimer 2018). However, CKI was confident with its decades of operations in Australia to pass through stringent review, and has learned a number of lessons from the successful takeover of the Duet Group in 2017 and the failure of Ausgrid takeover in 2016. CKI has also committed to divesting APA's West Australian pipeline assets to ensure competition in the national gas market. With CKI's long history in Australia, the operational relationship composed of its bid for Duet, and its running of South Australia's only electricity supplier, SA networks, and Victoria's largest electricity distributors Citypower and Powercor, the firm is not an unfamiliar quantity for FIRB (Latimer 2018).

Finally, Treasurer Josh Frydenberg blocked the CKI–APA deal, after the Treasurer's announcement that APA Group shares slumped 10% "the slide in the share price indicates there are few bets being placed that either CKI will be able to join with a local bidder to revive its bid, or that a local infrastructure buyer will be prepared to pay a premium" (Chambers and Williams 2018). The Cooper boss, David Maxwell, hinted the rejection of the deal could restrict investment and undoubtedly, APA relating to gas pipeline assets, as it is a key piece of critical infrastructure that the Federal Government keeps vigilance on. Credit agency's Moody said "APA's rating did not incorporate the credit impact of the proposed acquisition, given the uncertainties associated with whether key regulatory approvals would have been forthcoming, as such, government's likely rejection of the proposal has no ratings – impact." Presumers view possible Chinese mainland intervention as one of reasons doomed to CKI's failure. This is another mystery of rejection to Chinese investment in Australia.

6.6.3 China State Construction Engineering Corporation and Pro-build transaction

Treasurer Josh Frydenberg privately informed the China State Construction Engineering Corporation (CSCEC) that its proposal bid for Probuild was contrary to Australia's national interest. The transaction between CSCEC and Probuild, which is owned by Wilson Bayley Holmes-Ovcon, a Johannesburg-listed company in South Africa, is worth $300 million and proceeds 8-months review by FIRB until Treasurer's rejection announcement on 13 January 2021. After indication, CSCEC withdrew its application for Probuild, which is one of Australia's largest construction companies and its national pipeline of projects is worth around $5 billion, including a headquarters for the Victorian police and the building for a new headquarters of bigoted giant CSL in Melbourne. Wider speculation regarding both building programs, Victorian police headquarters and CSL headquarters, triggered alarm bells in Canberra.

CESEC is a state-owned enterprise, which was founded in 1957, and expanded overseas operations in the late 1970s. With the policy incentive of the Chinese government and financing encouragement from Chinese banks in the 21st century, CSCEC has made significant progress as a builder, developer and investor of overseas projects. In Egypt, its projects include construction of the proposed new capital of Egypt and Cairo international conference center. In Ethiopia, there are projects of AU conference centers and Office Complex, Commercial Bank of Ethiopia Headquarters and Addis Ababa National Stadium. In United States: renovation of the Alexander Hamilton Bridge, New York; One Thousand Museum, Miami; Haier companies building, South Carolina; as well as mixed-use real estate development in Australia, worth $466.8 million.

In 2009, the World Bank blacklisted CSCEC for six years for its impropriety in the bidding process for the Philippines National Roads Improvement and Management Project. On 28 August 2020, the United States Department of Defence indicated the company had ties to the People's Liberation Army operation, directly or indirectly, in the US. According to an executive order in November 2020, any American company or individual was forbidden from owning shares related to this company. The above mentioned gives another clue for explaining Australia's security concern and anxiety. The Probuild decision coincides with a growing movement against Chinese investment in Australia. The majority of Australians complain that there is too much Chinese investment in Australia. CSCEC as Chinese state-owned enterprises will meet more difficulties of making acquisitions linked to sensitive sectors. The Australian government carries out a new national interest test for foreign investment in the sensitive national security business, such as the defence, energy, telecommunications, agriculture and data privacy industries, implementing more vigilant FIRB's scrutiny.

The transaction between the China Communications Construction Company (CCCC) and Leighton Holdings, a Spanish-controlled Australian-listed building giant, was approved by Treasurer Joe Hockey in April 2015, in which CCCC subsidiary CCCC International acquired Leighton's John Holland, worth $1.15 billion. Leighton's three big subsidiaries, which include John Holland, This and Leighton Contractors were put on a sale list for strengthening the balance sheet, streamlining the operating model and improving project delivery, and better financial future growth. Brisbane's

ATEC Rail Group, CCCC and Samsung have emerged as the final bidders for Leighton's $1 billion John Holland construct business, which includes tunnels and stations for Sydney's North West Rail Link, building Perth's new children's hospital and developing part of Victoria's new Regional Rail Link. China-Australia's free trade agreement also support CCCC's Australian market access, because the agreement permits Chinese construction worker entry into Australia to build projects. In addition, the Chinese construction worker group had a good track record on building projects quickly and within budget with cheaper labor. For CCCC, this is a wonderful deal. CCCC will become the first big Chinese group in the Australian market, around 4100 John Holland employees will transfer to CCCC international Holding Limited, which strengthens CCCC's expertise in roads, bridges and high-speed rail networks. CCCC would make use of John Holland's road and rail projects, as well as tunneling and water infrastructure projects in Asia.

In the media report, Joe Hockey indicated CCCC having been barred by the World Bank in 2008 for eight years due to fraud on highway projects in the Philippines. This record had been taken into account in the Treasurer's decision for approval of the transaction.

Findings

Australian foreign investment authorities face the challenge of reconciling economic opportunities with the management of political, security and other risks. The increasing complexity of correlated risks, coupled with anxieties about China's expanding influence domestically and regionally, have resulted in Australian policymakers responding to the challenge with a more defensive and interventionist model than in the past.

The sudden veto of the Ausgrid–China State Grid deal gave birth to the CIC and the Security of Critical Infrastructure Act 2018. And the veto of CKI takeover for APA signified that Australia's prudence is in an excess of necessity of vigilance on the Hong Kong-listed company. The transaction between CSCEC and Probuild, including a headquarters for the Victorian police and the building for a new headquarters of bigoted giant CSL in Melbourne, related to critical infrastructure and evoked security anxiety. Australia's anxieties towards China seem bottomless; it is hard for Chinese investors to predict the results.

6.7 Summary

Political distrust led to refusal of Chinese investment on the basis of Australia's security concerns, by both the Labor government and Coalition government, while assessing opportunities and risks that came from foreign investment. Additionally, economic competition between Australia and

China enhanced political distrust. The Chinalco–Rio Tino deal is cited for this point; the precondition of this deal is based on the intended combination of BHP and Rio Tinto, the top first and second world resource providers, which will absolutely control the world market, such as pricing, information and economies scale. In order to pursue economic interest, excluding Chinalco as a potential competitor to cooperate with Rio Tinto is a maximum choice for BHP and Australia. Imposing stricter conditions on the China Nonferrous Metal Company bid for Lynas also is in this catagory. China is the dominant world supplier of rare earths, and in order to prohibit China cornering the world supply of rare earths, Australia defines the deal as likely national security. While refusing proposals and investments coming from Chinese investors, both the Labor government and Coalition government conducted a new policy – setting to curb Chinese investment through redesign of the FIRB review process.

Except for common measure and national security anxiety, there is a clear distinction to support strategy shift. For the Labor government, attempting to resolve the politicized issue of foreign investment in relation to sovereign wealth funds and government – connected enterprises, they had made an effort of communication actively with Chinese counterparts at the different level in order to reduce divergence and delete unnecessary misunderstanding. It is misconception on Chinese SOEs, which operate political consideration and strategy rather than commercial objectives that Australian government resulted in discriminatory treatment towards Chinese investors.

The Coalition government views Chinese investment as a security-related challenge, reflecting a redefined economics-security nexus in the China policy from economy and security integration to separation from it. As a matter of fact, a unique environment of economy and security integration between China and Australia has been building up for common welfare since the establishment of PRC. This shift signifies over-action towards China’s re-emergence, and the Australian government is misinterpreting and misjudging China’s implications to Australia and bilateral tradition for lack of adequate and rational knowledge.

CHAPTER 7 DISCUSSION

7.1 Introduction

Historically, Australia views foreign investment as 'on the tiger's back' in spite of its economy having benefited from massive investment. This main concern stemmed from economic security, for which it is hard to reach the balance of foreign controlled domestic assets, as well as different interest groups' political stance. The Australian government faced the difficulty of balancing advantages and disadvantages from foreign investment at certain times and conditions by deliberately implementing a policy design, in order to confirm public and protectionism opinion that governments play a key role of attracting sufficiency foreign investment subject to national interest. The nearly 50-year-old policy is successful in that it facilitated capital inflow to support domestic economy expansion with an ambiguous terms in response to possible resistance. Thoughtful Australians have a deep recognition that Australia's prosperity depends on overseas capital as a necessary supplement of promoting economic productivity and competition.

The Rudd government needed to address the issue of foreign investment coming from a sovereign wealth fund and government-connected enterprises by focusing on what problems might be of concern, and some sort of internal guidelines to deliver the problems and where the boundaries of a national interest test should be in place. The burgeoning Chinese SOEs investment flooding into the Australian mining sector intensified the intention, how to respond to business opportunities associated with uncertainty and risk, and how to engineer increasing price of commodities enhanced the government's anxiety because a transitional China economy means possible uncertainty and risks for Australia, in light of the scale and speed of China's economic expansion. So the Rudd government conducted a repeated strategy of prohibiting Chinese SOEs investment in the Australian mining sector. FIRB implemented a national interest test on a case-by-case basis, focusing on issues of national security.

Since 2016, national security has become an increasingly important consideration while reviewing foreign investment proposals, as part of the national interest test, and how to balance the evolving natures of opportunities and following risks again was exposed before the Coalition government. On the one hand, Australian state and territory governments attracted Chinese investment through privatization or long-term leases of major infrastructure projects for reducing government debt and increasing local growth. In relation to the critical infrastructure, the federal government keeps a cautious eye on foreign interest. On the other hand, intensified competition between China and

America, such as technological change triggered by 5G, as well as China's presence in the South Pacific, provoked Australia into defensive and interventionist measures in response to any possible anxiety.

Australian scholars have profound implications of negative effects on the process of policy decision with an ambivalent attitude towards Chinese investment in Australia, and the anxiety can result in uncertainty and complexity for investors from the point of commercial appeal. The facts of dependence on foreign investment in the Australian economy mean that Australia faces loss of economic productivity, competitiveness capability and international participation. A relatively few handful of studies call for accumulation of nuanced understanding related to China's investments; warning of this asymmetry originated from political, historical and cultural background, which plays a negative role of mutual understanding and trust, perhaps misunderstanding that causes worse judgement.

7.2 Australia's Protectionism Tradition and New Trend

7.2.1 Australia's anti-investment tradition

Australia's anti-investment tradition and force, which view foreign investment as 'on the tiger's back' affects Chinese investment in Australia. Uren (2015) shines a clear light on the current investment review system, in which investment can be blocked as vague as possible and gives politicians options to tighter restriction on foreign investment. Sadleir (2017) illustrates the detailed evolution of foreign investment policy, which the Gorton government deliberately designed to practice both accommodating and basing on guidelines rather than legislation, in order to pacify opposition and lessen concerns, limit negative effect on international business activity and attract foreign investment. So Chinese investors' frustration also happened among American and Japanese investors.

According to Uren (2015), Australia has run a deficit – a current account deficit – in its trade and financial relations with Australia's partners throughout its 225-plus years of financial history. This is a unique phenomenon among the developed countries because of the abundant investment opportunities made for Australia to acquire profitable rewards of foreign investment. These international deficits were within control by way of either borrowing overseas or foreign investment; actually, the deficits have been financed by both borrowing and investment. So foreign investment is a necessary part of Australia's economy for a long time with the crucial significance of creating employment and tax, providing goods and services, and improving technical, industrial capacity. However, Australian holds a strange attitude towards foreign investment, and there are three forces attributed to Australia's intricate approach to foreign investment. On the left, they claim that major banks and multinational corporations are out to exploit their superior position in Australia, maximizing their profit with no regard to the national interest. On the protectionist right, they are supporters of economic nationalism, and regard foreign investment as a threat to local interest. The free traders emphasize the significance of embracing a global economy which complies to weigh national interest, and protecting domestic interests can be left to market forces rather than intended protective measures. These forces are deeply rooted in Australia's political history from the 19th century to present, and are mixed with identifying who we are and what our place is in the world. Protectionism has been a powerful political force since the 1860s and was the dominant force designing Australia's economic policy until the 1980s. The left doubted global capital since the late 19th century and has emerged as the suspicion to global business ever since. Free traders also have their firm stance to support foreign investment in Australia's history. The different political forces reflect and exert an influence on public opinion, which is built on the long histories of certain political culture; sometimes anti-investment, sometime pro-investment.

With the implementation of the Marshall Plan and tax law favouring off-shore earnings for American business, US-based multinational firms emerged with strong flows of foreign investment. And Australia's economic policies, which consist of tariff protection, foreign exchange controls and other import barriers made Australian manufacturing profitable. The increasing US investment in Australia evoked public concern from 1948 to 1969; the arguments focused on the possible loss of national control and the level of investment. In response to the challenge, request for reshaping economic management and the role of the national government promoted the Gorton administration to pursue a more substantive policy instead of the existing non-intervention policy and a revised set of guidelines on foreign investment to address concerns about foreign ownership (Sadler 2017). This reflected that economic nationalism was on the rise in the era of Gorton, and economic nationalism reached the peak under the Whitlam administration, calling for regaining ownership and control of Australian resources that had fallen into the hands of foreign investors.

Japanese investment in newly discovered mineral new sources in the late 1960s, then real estate and tourism, also evoked Australian anxiety on foreign investment. Polling revealed public concern about the amount of property bought by non-residents of Australia, with too much overseas ownership of business in Australia, and whether such foreign investment was in Australia's best interests, and the source of foreign investment (the nationality of investors) and the sector of the economy into which foreign investment should flow (Goot 1990). After the Garnaut Report was published, public opinion was shown up in opposition to foreign investment in Australia, centred on opposition to investment from Japan. This antipathy towards Japanese investment has been recognized in Japan; the Japanese Ministry advised Japanese investors to rethink their investment sector into manufacturing and service industries instead of real estate, commercial property and mining. They also realized that racism prevailed in Australia. So Australia has missed out on the $100 billion flood of Japanese manufacturing investment during the 1980s.

7.2.2 Anti-globalization trend in the West after the 2008 GFC

Anti-globalization always has been associated with the development process of globalization. After the 2008 GFC, the new round of anti-globalization was prevalent in developed countries, in which nationalism had become a stronger political force and protectionist sentiment was revived. Australia benefited from the dynamic and strong growth in the Asia Pacific region, and even though its economic performance was better than other Western countries during the devastating GFC, its anti-globalization emerged to some extent and focused on national security in the particular condition. The tradition of key assets under Australian control is rooted deeply in policymakers' minds, and stimulated by the GFC aftermath, this added the difficulty of approval investment applications in an interdependent economic environment. In practice, Australia is proud of its abilities on competition, efficiency and productivity within the market force. Improving control on critical infrastructure implies that Australia keeps a vigilant eye on the regional integration and volatility of globalization. It is hard to predict the costs and benefits between over-action and less vigilance on foreign money inflows, so it will take time to reassess Australia's refusal of Chinese investment in infrastructure assets. However, in controlling foreign investment it is easy to slip into protectionism in the name of addressing economic security, and rationalizing protection is challenging for policy design.

The 2008 GFC had another impact of worldwide protectionism on trade and investment; in particular, the developed countries' focus on investment restriction of core technology, and critical infrastructure. In Australia, foreign investment in agriculture, residential real estate and critical infrastructure has long been a traditionally sensitive protectionist area. Australia's administration carried out a series of protectionist policies for which the top priority was to provide greater visibility of who owns and operates Australia's assets. The Agricultural Land Register requires that foreign persons with an interest in agricultural land have to register as a land holder regardless of the value of the land. The Water Entitlement Register requires that foreign persons register their interests in registering water entitlement, contractual water rights, and certain changes in those interests. The

Residential Land Register requires ATO to undertake data management on sales and transaction of real property and foreign persons have to register the information of real property in Australia. The Register of Critical Infrastructure Assets requires that the CIC manages challenges and registrations in the electricity, gas, ports and water sectors and any other assets.

7.3 Politics of Chinese Investment in Australia Since 2008

Rejection of Chinese investment in Australia repeated the same stories of the Japanese and Americans in terms of economic security, which explain Australia's ambivalent concept towards foreign inflow, of either opponents or proponents to satisfy specific aims. Conceivably, the main concern of assets which are out of control and possibly with negative results always has been alarm. Australia's foreign investment policy is more restricted than other developed countries among the OECD.

Historically, Australia views foreign investment as 'on the tiger's back' in spite of its economy benefiting from massive investment. This main concern stemmed from economic security, which is hard to reach from the balance of foreign controlled domestic assets. Australian governments faced the difficulty of an economic transformation deliberately implemented policy design, such as FIRB, to confirm the public and protectionism opinion that governments play a key role of attracting sufficient foreign investment subject to national interest. The nearly 50-year-old policy is a successful one that facilitated capital inflow to support domestic economy transition and expansion with vague terms responsive to possible resistance. Thoughtful Australians have a deeper recognition that Australia's prosperity depends on overseas capital as a necessary supplement of promoting economic productivity and competition.

7.3.1 Political controversy on Chinalco and Rio Tinto

Four Chinese investments in the resource sector were rejected between April 2008 and June 2010 (Reilly 2012). Australia's anxiety of China's rise propels political concern aimed at curbing Chinese acquisition of the strategic resource sector, regarding it as threat rather than opportunity. Take the rejection of Chinalco's bid for Rio Tinto for example, according to leaked US cables released by Wikileaks; the Australian government's refusal of Chinese firms exposes the political issue in a discriminatory way and the Australian media is very sensitive to Chinese investment in Australia with negative news and comments (Wong 2012; Reilly 2012). The same story happened in the 1970s, when Australia opposed Japanese investment. This reflects the government's repeated failure of "neither a coherent vision of the future direction nor a sufficiently nuanced knowledge of China to be able to formulate that vision" (Tubilewicz 2010; Drysdale and Findlay 2009; Mendelsohn and Fels 2014; Bloomfield 2016). Australia's dilemma of responding to China's rise lies in Chinese opportunities economically and China's threat politically (Goodman 2017; Uren 2012; McDougall 2012; Manicom and O'Neil 2010). The implication of China's rise shows up not only Australia's economic concern, historically a fear of foreign-controlled Australian assets, but also regional order concern in which China is endowed by economic strength and will compete with the US.

Behind Chinalco's failure to acquire Rio Tinto, a physiological war of national champions was rolling out. When BHP's chair, Don Argus, had a meeting with Rudd, giving him a courtesy warning that created large-scale organizations, like Chinalco cooperation with Rio Tinto, in small economies like Australia resulting in a big challenge. Every small economy is too small to grow champions of scale. Local companies' destinies in small countries are doomed to being absorbed or becoming subsidiaries of multinationals, at the backdrop of increased globalization and acquisition. After being purchased, they quickly become a branch office and lose ability for market and pricing; there will be less and less investment choice as a result of large multinationals' control. Argus' argument on "national champion deeply touched Rudd and the former Treasurer, Peter Costello (2009), who said 'if a country wants to see itself and be seen as significant in the global economy, it needs to have companies that are known around the world - flag carriers - that show the entrepreneurial character of its people and business leaders'". Rudd bluntly said that he does not hope Australia becomes a southern province of China. The leader of the Coalition, Malcolm Turnbull (2009), disagreed on the transaction between Chinalco and Rio Tinto, saying "the object of Chinalco acquisition is plainly strategic. This will give Chinalco, and hence the Chinese government, the seat of greatest influence and access to information about production, costs, pricing and marketing strategies of our second largest resource company". He concluded a speech on the Coalition's approach to the rising superpower by saying "The Australian people have stood up".

The National Party senator, Barnaby Joyce, is strongly against Chinese investment and devoted to take his campaign opposing the Chinalco-Rio Tinto deal. He announced "the Australian government would never be allowed to buy a mine in China. Why would we allow the Chinese government to buy and control a key strategic asset in our country? Stop the Rudd Labor government from selling Australia". The Australian Workers Union (AWU) also attacked the deal of Chinalco and Rio Tinto, and AWU's national secretary, Paul Howes (2009), warned that "a last desperate action of a doomed management that has stopped at nothing to preserve itself, to the detriment of shareholders, employees and the national interest … Having a foreign government simultaneously as the primary investor, making decisions as the primary producer and being the company's primary customer is a serious conflict that has to be looked at. Chinalco is not an independent entity. It is a state-owned corporation integral to Chinese economic policy".

When the Greens party's leader, Bob Brown, put a motion to the Senate advising the government to refuse the takeover between Chinalco and Rio Tinto, Rio Tinto made use of this opportunity to defend this deal by providing a submission to the Senate inquiry. The key points in the submission comprised, first, Australia had always depended on foreign investment, and China was a welcome source of foreign capital, particularly in the midst of the GFC. Japanese investors had been very helpful in the development of the Pilbara, and they owned a 47% share in the Robe River iron ore operation and had a better and more rapidly business than the mines of either Rio Tinto or BHP. During the 1970s-1980s, Japanese investors played a significant role of coordinating the market supply and accessing financial support, much like the Chinese investors today. Second, ACCC will supervise any expansion and competition activities of Rio Tinto's operation if it affects the market prices. Third, it was misguided to regard Chinese SOEs as policy tools of the state that China's membership of WTO ensured China's responsibility and obligation in the rule-based system. In addition, Australian regulation of competition, tax, environmental standards and workplace supervision also ensure legitimately commercial operations within Australia. Finally, Australia's long-term security would be based on strong linkages with China, built on trade and investment. A broader economic and political relationship built upon the stable foundation necessary for trade and investment. The interdependence of these relationships increase the integration of Australia and China; at the same time, the integration enhances a much more strong economic incentive for both countries to strengthen harmonious relations (Uren 2012).

There are a number of determinants attributed to Rudd government's decision on refusal of Chinese investment. First, at the political level, they need to address the issue of foreign investment coming from sovereign wealth fund and government – connected enterprises by focusing on what problems might be of concern, some sort of internal guidelines to deliver the problems and where the boundaries of the national interest test are. Second, the burgeoning Chinese SOEs investment flooding into the Australian mining sector intensified the existing political issues. How to respond to business opportunities was associated with uncertainty and risk coming from Chinese SOEs investment, and how to engineer increasing prices of commodities in the international market enhanced the government's anxiety because a transitional China economy means possible uncertainty and risks for Australia, in light of the scale and speed of China's economic expansion. Third, the Rudd government conducted a retreated strategy of prohibiting Chinese SOEs investment in the Australian mining sector by FIRB screening process, implementing a national interest test on a case-by-case basis, focusing on issues of national security in the new foreign investment regime. Finally, a foreign investment regime was carried out in the way of discriminatory and obscure approaches; additionally, bureaucratic discretion enhanced the discriminatory and obscure processes.

Characteristic of China's transition from a central-planned economy to a market-oriented economy, as well as from a low-productivity agricultural economy to a higher-productivity industrialized economy means opportunities mixed with huge challenges for China and its neighbours and business partners, and it takes time to overcome these challenges because of lack of experience, lack of blueprint, and absence of theory. Also, it seems that a contemporary economy in China shows outsiders all kinds of enigmas and miracles that they cannot find answers to by all means, and given this environment, Western suspicion and distrust is inevitable. Even Chinese economist, Lin Yifu, describes the Chinese economic reality metaphorically, like a blind man touching an elephant; every Chinese economist only touches one part of economic facts without understanding completely. China should recognize the negative impact on partners and understand precisely their reaction to pressure coming from a colossal economy scale.

7.3.2 Continued controversy on Chinese investment

In 2012, Japan-owned Lempriere Pty Ltd joined with a private Chinese company, Shandong Ru Yi, in a bid for Cubbie Station, a large Queensland cotton-producing farm, which also was resisted by Barnaby Joyce. In the same year, he opposed the negotiation between China Investment Corporation and Van Diemen 's Land Company, who owns Australia's largest dairy operation in Tasmania. Actually, Australian agricultural sector greatly hungers for capital for both national investment and foreign investment. In the Coalition debates, Malcolm Turnbull defended foreign investment as so essential for Australian agriculture that Chinese investments are welcome. The Resource Minister, Martin Ferguson, pointed out that Australia is a nation built off the back of foreign investment. In a word, Chinese investment in Australian agriculture is overwhelmingly in Australia's interest.

In the agriculture industry, Gina Rinehart, Australia's biggest mining magnate, bid for Kidman cattle station with Chinese firm Shanghai CRED Real Estate Stock, and is symbolic of a shift: Australia's economic transformation from energy resource to agriculture in the post-mining boom period. 'The key to our biggest economic challenge could lay hidden in the humble Aussie farm. Yet, in order to unlock the full economic potential of our agriculture industry, it seems even Rinehart needs some help from China' (Brethren 2016).

According to the Business Council of Australia, there is a capital demand for $1 trillion worth of investment in agriculture between 2015 and 2050. ANZ estimates that the capital gap between Australia's available domestic savings and the required amount in agriculture is about $850 billion. In 2014-15 China's investment became the largest source of foreign capital in agriculture, whether we like it or not, with much foreign capital supported to Australia not coming from the US or New Zealand, it was coming from China. As National Farmers Federation (NFF) chief executive, Tony Mahar, has said, "Foreign investment should be seized as fuel to further stoke the Australian agriculture fire." However, a Lowy Institute Poll revealed that 69% respondents strongly attacked the foreign acquisition of Australian farmland, which reflected the public concern about this issue. How to balance public xenophobia and capital hunger in agriculture by the Australian government signifies policy-developing in Australia's agriculture to attract and facilitate foreign investment.

The Chinese SOEs Mengniu experienced a successful takeover of Bellamy and a failed bid for Lion Diary & Drinks during November 2019 and April 2020, which illuminates the tough task to balance public xenophobia and capital hunger in agriculture by the Australian government. The Mengniu bid for Bellamy was granted by the Treasurer on 15 November 2019; however, on 25 December 2019, 174 petitioners required withdrawal of the approval between Mengniu and Bellamy, and forbid the sale of Australian assets and land to foreign interests. In terms of Mengniu and Bellamy, they argued that Mengniu as a state-owned enterprise will make the Australian dairy industry, farmland, and freehold land under the control of the Chinese Communist Party and make Chinese people access Australian assets easily. In the long term, probably Mengniu will damage the reputation of the Australian dairy industry, given China's 2008 milk scandal. This petition (EN1182) was submitted to the House of Representatives on 10 February 2020. It is hard to judge if this petition had an impact on the refusal of Mengniu and Lion Diary & Drinks, but one thing is sure, for Australians and the Australian government, it is comfortable to hold Australian assets in a Japanese company's hand rather than a Chinese company.

The One Nation senator Pauline Hanson strongly disagreed with the proposal of Ausgrid acquisition by China State Grid Corporation and Hong Kong- based company, Cheung Kong Infrastructure, saying, "Why would communist China want to own our electricity? Are you concerned? You should be. So am I. Alarm bells are ringing. No foreign government, especially communist China, should own and have control of our electricity here in Australia" (Nicholls 2016). In 2016, it was a tough year for Chinese investment in Australia. National security had become an increasingly important consideration while reviewing foreign investment proposals as part of the national interest test, and how to balance the evolving natures of opportunities and following risks again was exposed before the Coalition government.

There are a number of factors attributed to national security anxiety. First, Australian state and territory governments attracted Chinese investment through privatization or long-term leases of major infrastructure projects for reducing government debt and increasing local growth. In terms of critical infrastructure, the federal government came to recognize the potential uncertainty and risks along with privatization or long-term leases of major infrastructure projects. The state of Victoria is struggling for survival of agreement with China's One Belt and One Road, because the federal government forced the state government to withdraw it, overlooking advantages for local prosperity. The Northern Territory government also is facing the same dilemma, for the 99-years lease of Darwin port between the Territory government and the Chinese private Landbridge Company, under withdrawal pressure coming from the federal government. Second, technological change triggered by 5G evoked Australia's concerns about cyber-attack threats. Finally, intensified geopolitical competition between China and America, as well as China's presence in the South Pacific, provoked Australia into defensive and interventionist measures in response to any possible anxiety. The Turnbull government recalibrated the China policy, which was initialized by the Hawke government in endeavouring to trade and investment liberalization and facilitation on the basis of economics and security integration between Australia and China, due to complexity and uncertainty of geopolitical competition. On the issue of the South China Sea, Australia criticized publicly Chinese assertiveness in alliance with the American condition. Australia evolved an Indo-Pacific strategy to strengthen the idea of Australia's concerted power in Asia in the 2017 Foreign Policy White Paper.

7.4 Australian Awkwardness under the Sino-American Competition

Australia's vigilance towards Chinese investment also stems from an emphasis on geopolitics in the Howard Administration (1997-2006), followed by the collapse of the Soviet Union. China played a united role of confronting the Soviet Union in the period of the Cold War, and the end of the Cold War meant China was not an ally but a possible negative power. To some extent, the Howard Government changed its China policy from idealistic pragmatism to geopolitical strategy in 2000 Australian Defense White Paper. Hugh White, the author of this White Paper, emphasized the power shift between China and the USA, following regional and global uncertainty and turbulence, which will have negative impacts on Australia. Facing the rise of China, Australia's policy adjustment on China had to be more cautions and with nuanced attention. Economically, Australia shared the potential of China's growth as a resource supplier. Strategically, Australia is anxious about US primacy in Asia and is challenged by China's strength followed by its economic success; this means the regional order will be reconstructed (White 2005, 2009). While Australia is involved with Asia deeply because of its location, how to protect Australia's interests in this strategic transformation is a big task. 'Australia want Asia to keep growing strongly, and for Australia to be part of that growth. And Australia want America to stay engaged in Asia, to prevent domination by China, but not in a way that forces Australia to choose between America and China, or inhibit Asia's economic growth'(White 2005).

Promoting Australia's interest in this complicated circumstance to calibrate foreign and strategic policies emerged from the John Howard government. The successive governments persisted in the opinion of power shift, especially, the 2009 Defense White Paper stepped further, viewing China as a threat. The 2017 Australian Foreign Policy White Paper straightened out Australia's choice in the Indo-Pacific, broadening and deepening economic and security engagement with the United States as an alliance, while strengthening its Comprehensive Strategic Partnership with China.

Under the Rudd-Gillard government, the 2008 global financial crisis provoked worldwide economic panic, and anti-globalization protests prevailed in the Western nations. China's stimulation package in response to the global crisis acquired a great achievement, which propelled regional economic growth in the East Asia, included Australia. Rudd's management of Australia's choice between China and US was beyond expectation, and as a China expert and mandarin speaker, Rudd showed up the opposite extremity; which on the one side, he viewed Australia's alliance with the US as primacy, and on the other side, he set himself up as the global statesman on China. Practically, Chinese investment in Australia was curbed without hesitancy, regarding China as a threat in the 2009 Australian Defense White Paper, and setting up a joint working group for closer military collaboration between Australia and the US (Uren 2012; White 2011; Tubilewicz 2010; Manicom and O'Neil 2010; McDougall 2012; Bloomfield 2016). Prime Minister Kevin Rudd curbed four Chinese investments within one year, which implied Australia's conundrum of calculation of economic benefits and strategic benefits. Rudd's miscalculation lies on denial of Australia's position as China's growth supplier in order to placate national opposition and American ally; the same story also happened with Japanese investment in the 1970s, which forced Japanese investors to seek natural resource opportunities in Brazil (Drysdale 2009). And closer connection with America may be unwise strategically, as Malcolm Fraser (2005) pointed out that it is critical for Australia to make sure that America's involvement in Asia in balanced and constructive ways and American policies do not introduce his own liberal democracy into this region and support the general aspirations of most of people and countries of the region. If not, Australia should stop thinking that we have to do certain things to keep America involved. Perhaps America has an option in its own right, sometimes there is an imperative involvement of her power, and sometimes there is a wish for withdrawal from Asia. So "we need to learn by how to deal with this Super Power with an equality of mind and spirit and with a determination that will not be put aside.... we need to work to make sure that relationships between these countries are so advanced that their security is guaranteed and there is no further need for external participation".

When Donald Trump came into power, Australia was forced to choose between China and the US and this will happen regularly. Fraser (2014) stated that 'strategic dependence on a great and powerful friend has a number of problems associated with it. Being seen to be a surrogate of the United States is not good for relationships in East and Southeast Asia. It also, more importantly, involves following US decisions in foreign and security policy issues, irrespective of whether these decisions relate to a part of the world important to us or to our national interests.' In fact, Australia's option is not only between China and the US, but also between East and West. The West offers Australia psychological certainty and accountability; however, the East strengthens Australia's Asian anxiety. Only Australians by themselves can cure the Asian anxiety syndrome; China cannot help it. India and Japan, too. Globalization once intensified the convergence of East and West, but divergence of them never diminishes. While power and wealth of distribution between East and West is inevitable, Australia's disappointment lies in the decline of the West in the West Pacific and spending more time and energy to accommodate Asian neighbours.

Australia steps into a history labyrinth unwittingly with the liberal democracy ideology and conscientiousness, and persists in an old-fashioned hostility of communist party's reign indistinctly. The failures and tragedies of the US-led liberal democracy movement in Latin American countries reveal that liberal democracy is not universal, but optional. Also Southeast Asian nations' histories illustrate that cultural and historical traditions inevitably conclude their own options in terms of political and economic systems in globalization. As a country with more than 200 years history, Australia is predetermined to perplex the issue of China, particularly contemporary Chinese complexity. It is far beyond Australia's knowledge to be limited by industrialized civilization without agricultural civilization history. It is a clear reality that Australia has no immediate geopolitical threat, only a pragmatic economic interest, unlikely Japan and India, which had a war history and disputed border with China; also unlike the US, which regards China as a threat and competitor in spite of broadening economic interdependence and cooperation.

In the next 10 years, competitiveness will outweigh cooperation between China and US and will be inevitable in the political, economic, strategic, financial and technological fields. With the end of neoliberal globalization, economic competition between China and US embodies sustainable development and innovation in science and technology as well as financial measures. Political competition between China and US embodies advantages and disadvantages between a liberal democracy party and a one party system (Garnaut 2018). Given this condition, Australian awkwardness will deteriorate; on the one hand, Australia cannot choose to side with either. On the other hand, Australia has to endure the squeeze of two superpowers directly and indirectly. Australia, as a member of 'Five Eyes ally' and in a quadrant ally with US, India and Japan, will face pressure coming from China. From the viewpoint of Australians, it is China's bullying and aggressiveness. From the viewpoint of China, it is a strategic choice to counter American containment action and grab competitive opportunities.

7.5 Summary

We can seek answers from historic records. Both Australia and China are beneficiaries of globalization, which was guided by America and the Great British since 1980s, embracing Neo-liberal economic theory and liberal democracy. Australian institutional innovation in terms of APEC and G20 promoted the process of globalization, contributed to worldwide prosperity and shared interest. Also, Chinese institutional innovation, such as integration into the West and globalization, had fulfilled the goal of industrialization and urbanization through building up world manufacturing and technological transcendence. So, Australia had guaranteed economic growth of more than 30 years, exceeding greatly other Western countries, and China came true in economic growth and social prosperity with indefatigable working hard.

However, successful economic cooperation and integration between China and Australia never results in cultural understanding and acceptance of each other, and this leads to political distrust among public awareness and controversial politics. While economic competition and political competition among both countries is emerging, political hostility is popular inevitably. Lack of cultural understanding and acceptance becomes an insurmountable obstacle to reduce political distrust and to broaden economic cooperation and integration. In particular, xenophobia toward China is on the rise, its disadvantages outweigh advantages having negative impacts on regional integration at the basis of RCEP. How to deepen cultural understanding and acceptance and how to avoid political distrust from developing to political hostility, is needed to be addressed through bilateral hard work.

CHAPTER 8 CONCLUSION AND RECOMMENDATIONS

The study yields the following conclusions and recommendations:(1) Successful economic cooperation and integration between China and Australia never results in cultural understanding and acceptance of each other. For the purpose of economic interest, bilateral economic cooperation and competitiveness coexist. Economic cooperation and cultural communication coexist with each other, but cultural communication arriving at cultural understanding and acceptance between China and Australia needs to bridge the gap by all means. Misconception of economic competition is attributed to cultural and political difference, and roots in lack of cultural understanding and acceptance. A Chinese sociologist 费孝通（Fei xiao tong）proposes that every nation not only respects its own culture, but also other's culture, appreciating and accepting cultural diversity, mirroring each other in an inclusive direction, in order to build-up a diverse, energetic and attractive world (各美其美，美人之美，美美与共，天下大同).

(2) Given China's history and culture pattern, and China's economic structure shift, cultural conflict between Australia and China will increase inevitably; particularly, deeper economic integration strengthens this trend not eliminates it.

China has 5,000 years history, and China's history background is related to her unique political philosophy. In terms of a state model, Chinese people place emphasis on national unity, regarding national disruption as an unnatural phenomenon. Chinese people also place emphasis on ethnical integration culturally and economically; Chinese people regard a specific party on behalf of a specific interest group as a symptom of declining state. Accordingly, China's culture supports this political philosophy and institutions with a practicable test. To some degree, China's cultural spirit pays more attention to some kinds of collectivism; in a word, collectivism is embedded in Chinese cognition after long-term practice.

This kind of collectivism is associated with China's thousands of years of agricultural economy. Chinese people came to realize that industrialization, market economy and capitalism can promote productivity and wealth by increasing economic efficiency. China's collective cognition appreciates economical effect following industrialization at first, then Chinese people adjust to this shift, innovate institutional change and a practicable style under the collectivism by remedial action. It is hard for Western scholars and academic groups to understand China's collectivism, which created China's 40-years 'economy miracle' and will reshape political institutions in relation to modern requirements. If Western scholars and academic groups intend to understand China's history and cultural spirit, they will be better getting to know China's presence and future.

Taking Chinese SOEs for example, Ross Garnaut said Chinese state-owned firms are a necessary part of the domestic economy to satisfy employment and social stability for such a populous nation. This is only one side, and another importance of Chinese SOEs lies in completing long-term investment missions that private investment cannot afford. More importantly, profits of Chinese SOEs guarantee governments to implement social allocation and regional developmental balance. Compared to Australia, China is the latter of industrialization and urbanization. China's long history and matured culture decided its own character and path choice of industrialization and urbanization. To be honest, majority of Chinese people can not understand the previous and current China totally, for foreigners, it is a tough task.

(3) Given different political systems, security issues between Australia and China, which originate from political distrust, will continue to exert an impact on the bilateral relationship. Australia's anxiety towards China's presence in the South Pacific is attributed to Western thinking not Chinese logic. Political competition between Australia and China also is attributed to political distrust. The reality of different political systems cannot change, just acceptance of the reality through cultural inclusiveness. Take the misconception of China's foreign policy for example, western scholars concluded that Chinese foreign policy has changed under Xi jin ping administration, from "hiding China's ambition and waiting time" to assertiveness. As matter of fact, current foreign policy conforms to Deng xiao ping's principle, that is "calmly observing the circumstances, more deliberation to decide, more cautiousness to react, keeping a low profile, attaining some achievement"(冷静观察，稳住阵脚，沉着应对，韬光养晦，有所作为). It is Chinese philosophy "the unity of knowing and doing"(知行合一) that current and future China's foreign policy will be guided, particularly, dealing with difference in culture, tradition and social cognition.

(4) Intensified geopolitical competition and technological competition between China and America deteriorates the relationship between China and Australia economically, politically and culturally. Australia faces an unprecedented challenge because its largest trading partner is an Australian intimate alliance's competitor, potential enemy and challenger. When President Trump came into power, America always forced Australia to choose between China and the US, and this strengthens difficulty between Australia and China. After Trump left his position, Trump's heritage remains to influence, and this uncertainty shows up extremism and intricacies.

While we are trying our best to reap bilateral economic potential maximally and fight back global recession, we should keep an eye on economic decoupling since 2016, in which Australia emphasized national interest geopolitically and ideologically in the name of avoiding over-dependence on the largest trade partner. Australia's economic decoupling with China also responded to American-led global supply-chain reorganization. The rising economic conflict between Australia and China is an immediate outcome of economic decoupling and containment of China siding with America. Many Chinese investors regard Australia as an unwelcome investment; for example, Chinese company Huawei and Mengniu have given up their investment proposals in response to an unfriendly political environment.

In the next 20 or 30 years, there are economic cooperation, economic competition and economic decoupling, and economic conflict among both countries. It is necessary for both countries to improve economic interest and political trust through cultural understanding and acceptance.

The declining Chinese investment in Australia will be worse and worse for decades. Internationally, the global pandemic and Russia-Ukraine conflict deteriorated possibility and predictability of the global economic recovery. Domestically, China's changed economic policy emphasized on national consumption by decreasing governmental spending and outward investment. The Australia's Foreign Relations (State and Territory Arrangement) Act 2020 imposed a negative impact on Chinese investment in Australia. In particular, the sanctions to Russia after Ukraine crisis alarmed that open trade and investment will be in danger. However, it is a good time to adjust and test resilience of economic interdependence. Moreover, future research should develop a more consolidated conceptual framework.

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Appendices

Table 1：Major Chinese Investment in Australia: 1 January 2011—31 December 2018

sector	Investor/Ownership	Target	Transaction Value(millions)
2011			
Energy	China Datang Corporation/ SOE	CBD Energy Ltd	A$6000
Energy	Sinopec Corporation/ SOE	Australia Pacific LNG	A$1765
Food	Bright Food Group/SOE	Manassen Foods Group	A$530
2012			
Mining	Yanzhou Coal Mining Co/SOE	Gloucester Coal	A$8000
Mining	Guangdong Nuclear Power Group/ SOE	Extract Resources	A$2200
Energy	PetroChina/ SOE	Woodside Petroleum Ltd	US$1,630
Energy	Sinopec Corporation/ SOE	Australia Pacific LNG	US$1,100
Energy	State Grid Corporation/ SOE	ElectraNet	A$500
2013			
Energy	State Grid Corporation/ SOE	SPI(Australia) Assets Pty Ltd	US$2,856
Energy	China National Offshore Oil Corporation Ltd/ SOE	BG Group	US$1,930
Mining	China Molybdenum Co, Ltd/ SOE	Northparks Cooper Mine	US$820
Mining	Tianqi Industrial Group	Talison Lithium	A$815
Real Estate	Bright Ruby Resources	Two properties in Sydney	US$279
2014			
Infrastructure	CCCC International Holding Limited/ SOE	John Holland Group	A$1150
Leisure	ID Leisure International Capital	Hoyts Group	A$1000
Mining	Guangdong Rising Assets management/ SOE	PanAust Ltd	A$1055
Mining	Baosteel (with Australian partner Aurizon)/SOE	Aquila Resources Ltd	A$910
Infrastructure	China Merchants Group(partner with Hastings Funds Management)/SOE	Port of Newcastle	A$875

Energy	Fosun International	Roc Oil Company Ltd	A$489
Real Estate	Dalian Wanda Group	Commercial property in Sydney	A$425
Real Estate	Fu Wah International Group	Park Hyatt Melbourne	US$114
2015			
Renewable Energy	State Power Investment Corporation/ SOE	Pacific Hydro	A$3000
Real Estate	China Investment Corporation('CIC') /SOE	Investa office portfolio	A$2450
Healthcare	Biostime Group	Swisse Wellness	A$1380
Healthcare	Luye Medical Group	Health Care	A$938
Infrastructure	Landbridge Group	Port of Darwin	A$506
Real Estate	Bright Ruby Resources	Sydney Hilton	A$442
2016			
Infrastructure	Consortium including China's CIC Capital/ SOE	Asciano Ltd	A$2400 (CIC's equity is 16%)
Infrastructure	Consortium including China's CIC Capital/ SOE	Port of Melbourne	A$1940 (CIC's equity is 20%)
Real Estate	Yunnan Metro Construction Investment/ SOE	Homebush City Garden, Lidcombe	A$660
Mining	Tianqi Lithium Corporation	Kwinana Lithium Plant	A$400
Healthcare	JV between Macquaire Capital Group Pty Ltd& China Resources (Holdings) Co Ltd/ SOE	Genesis Care	A$383 (China resources holding 50%)
2017			
Mining	Yancoal Australian Limited	Coal&Allied Industries Limited	A$3400
Healthcare	CITIC Capital Partners Limited& Humanwell Healthcare	Ansell Sexcual Wellness Division	A$800
Transport	HNA Group	Automotive Holding Group Limited	A$400
Healthcare	Hengkang Medical Group Co., Ltd	PRP Diagnostic Imaging Pty Ltd(70% stake)	A$337
Mining	Shandong Tianye Real Estate Development Group Co Ltd	Hanking Gold Mining Pty Ltd.	A$330
Mining	Tianqi Lithium	Talison Lithium	A$320
Infrastructure	Beijing Enterprises Water Group	Trinity Group	A$250

Education	China First Capital Group	G8 Education Limited	A$245
Infrastructure	State Grid	Darling Downs, Origin Energy	A$235
Renewable Energy	Goldwind	Stockyard Hill Wind Farm from Origin Energy	A$110
2018			
Healthcare	CDH Investment China Grand Pharma	Sirtex Medical (Liver Cancer treatment device)	A$1900
Healthcare	By-Health	Life-Space Group	A$702
Energy (oil and gas)	ENN	Hony's shares in Santos 4.8%	A$619
Healthcare	China Jianyin Invetsment Ltd (JIC) and Tamar Alliance Fund	Nature's Care	A$600
Mining	Chifeng Jilong Gold Mining Co Ltd	MMG Lane Xang Minerals Limited(90% Stake)	A$375
Renewable Energy	Power China	Cattle Hill Wind Farm of Goldwind Australia	A$330
Infrastructure	John Holland/CCCI	RCR O'Donnell Griffin Rail	A$100

Source: Sydney Morning Herald and KPMG and University of Sydney data

Table 2: Major Chinese Investment in Australian Agricultural Industry

Target	State	Investor	Final Value (AUD Million)
Galong and Binalong Farmland	NSW	Union Agriculture	13.8
Greg Greg east of Wodonga	NSW	Union Agriculture	7
Kyabra Station(prime sheep and cattle-breeding	NSW	Union Agriculture	11
Wollogorang and Wentworth Station	NT	TBG Agri Holding Ltd(Owned by Xingfa MA)	47
Balfour Downs	WA	TBG Agri Holding Ltd(by Xingfa MA)	18
Emu Downs	WA	TBG Agri Holding Ltd(by Xingfa MA)	
Wandanya Station	WA	TBG Agri Holding Ltd(by Xingfa MA)	20
Glenrock Station (Cattle-breeding property)	NSW	Dashang	45
The Van Diemen's Land Company	TAS	Moon Lake Investment(Owned by Xianfeng LU)	280
Fomterra		Beingmate Infant&Child Co Ltd.	700(18.8% stake)
Elizabeth Downs(grazing property)	NT	Yiang Xiang Assets Pty Ltd	11.5plus
Cubbie Station(Auatralian's largest cotton farm)	QLD	Shandong Jining Ruyi Woolen Texitile Company, Ltd(Chinese and Japanese-backed consortium	230
Undabri cotton farm	QLD	Orient Agriculture	30
Burra Foods Australia		Mengniu Dairy Group	300
Hollymount Station(cattle and cropping land)	QLD	Hailiang Organic Farming Company	28
Yakka Munga and Mt Elizabeth Station	WA	Shanghai CRED Investment	
Kidman's Station	WA	Shanghai CRED Investment (33% stake)	128.80
The Second Stage of the Ord River Irrigation Area	WA	Kimberley Agricultural Investment Pty Ltd(Owned by Shanghai Zhongfu Group)	700

The Real Pet Food Company	NSW	New Hope/Temasek/Hosen Capital	1000
Kilcoy pastoral Company	QLD	New Hope	98
Australian Fresh Milk Holdings		New Hope	100
Australian Natural Care		New Hope	
Bellamy		Mengniu Dairy Group	1500
Lion Dairy & Drinks		Mengniu Dairy Group	600

Source: Sydney Morning Herald and KPMG and University of Sydney data

Table 3: Rejected proposals

1	In 2008-2009, Chinalco's US$19.5 billion bid for Rio Tinto.
2	In 2009，China Nonferrous Metal Mining Company bid for the majority stake of rare earths producer Lynas Corporation.
3	In 2009, Hunan Valin's A$1.2 billion share acquisition 16.5% stake of Fortescue Metals Group.
4	In 2009-2010, Wuhan Iron and Steel Group acquire A$40 million an iron-ore project near the Woomera missile test range.
5	In 2012, HUAWEI Technologies of China bid for Australian National Broadband Network.
6	In 2016, State Grid Corporation of China bid for 50.4% of Ausgrid the electricity network in the New South Wales.
7	In 2016, Hong Kong-listed Cheung Kong Infrastructure (CKI) bid for 50.4% of Ausgrid the electricity network in the New South Wales.
8	In 2018, Hong Kong-listed Cheung Kong Infrastructure (CKI) bid for gas pipeline APA with the value of $ 13 billion.

Source: Sydney Morning Herald