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Chinese investment in Australia takes a dive

Data reveal 40 percent decline last year but see funds diversifying into healthcare, other services

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Far from taking over the country, Chinese investment into Australia last year fell by 40 percent, according to figures published on a new public database by the Australian National University (ANU) in Canberra on Oct 8.

Chinese investment Down Under peaked in 2016 at A\$14.9 billion (\$10.6 billion) before falling back to A\$8.9 billion last year.

The data's release comes at a time when considerable debate has ensued on the level of Chinese investment in Australia and investment by State-owned corporations.

The Australian government's recent decision to block telecom giant Huawei from taking part in Australia's new 5G mobile phone networks, citing concerns over national security, is a case in point.

Despite being the world's largest telecom company, Huawei remains privately held.

"The results are not surprising," said Peter Drysdale, emeritus professor of economics and head of the East Asian Bureau of Economic Research and East Asia Forum at the Crawford School of Public Policy at the ANU.

"But you'd never pick up the 40 percent drop over a year (in investment into Australia) from other official and non-official sources," he told *China Daily Asia Weekly*.

The Chinese Investment in Australia (CHIA) Database project, an initiative of the East Asian Bureau of Economic Research, received financial support from the Australian Treasury and was supported by various government agencies, including the Australian Bureau of Statistics and the Reserve Bank of Australia, and several industry partners.

Drysdale said what was significant

about the fall was that it was bigger than China's 19.3 percent drop in global foreign direct investment over the same period.

In an interview with the *Australian Financial Review* on Oct 8, Drysdale said: "In Australia, we have to be clear-eyed what it is we're trying to protect.

"Rather than close off Chinese investment in infrastructure, both countries need to frankly sit down and talk about how to manage the risks. There is a strong appetite for infrastructure investment funds and it can't all be sourced domestically. China is the largest source of new capital in international markets by a significant margin," he said.

Focus on healthcare

Between 2014 and 2017 there were 262 transactions, of which 70 percent were worth under A\$100 million, according to CHIA.

"State-owned enterprises and their subsidiaries made 40 investments across 10 sectors, but private Chinese investors were a more important part of the story, making 222 investments across 18 sectors," CHIA said.

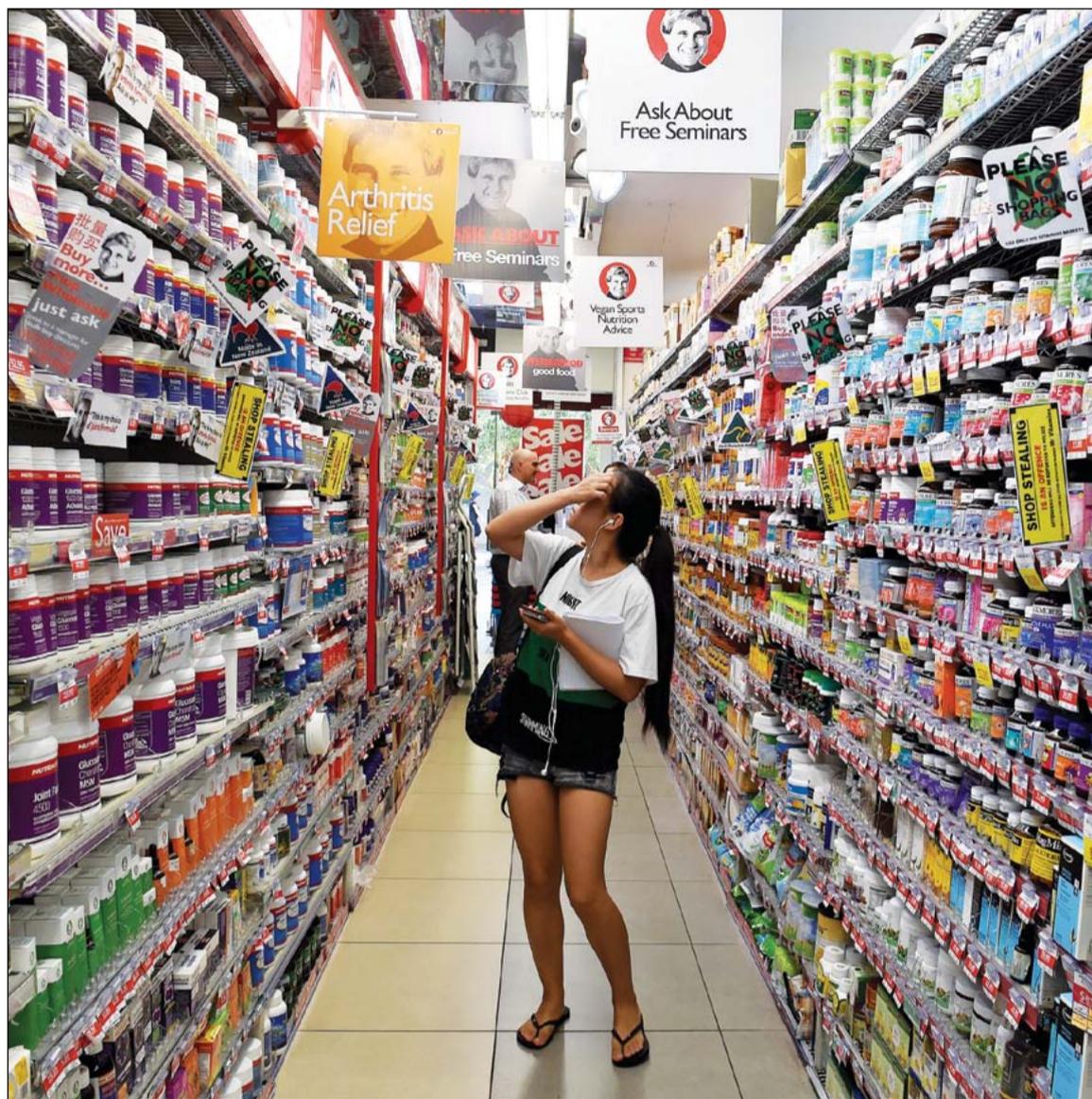
While Chinese investments in mining and real estate capture the headlines, they do not tell the whole story.

According to CHIA, Chinese investment in Australia's healthcare and other service industries is growing.

Drysdale told *China Daily Asia Weekly* that data show Chinese investment into Australia is "diversifying rapidly and is being increasingly driven by private sector investment".

"Dealing with the problems in infrastructure investment will be important for the future," he noted.

According to the *Australian Financial Review*, a key test of Aus-



A customer browses at a supplements outlet in Sydney. From 2015 to 2017, Chinese investment in Australia's healthcare sector totaled A\$5.5 billion, concentrated in the country's health supplement and healthcare service delivery sectors. AFP

tralia's openness to foreign investment in infrastructure will be whether Australia's new Treasurer, Josh Frydenberg, allows the A\$13 billion takeover of gas distributor APA by Hong Kong's CK Infrastructure (CKI) to go ahead.

CKI still needs to receive clearance from the foreign investment regulators.

Analysts say the takeover would create an energy infrastructure giant in Australia, combining APA's A\$20 billion portfolio of gas pipelines, power plants and wind farms with CKI's network of electricity and gas grids around Australia.

If approved, it would be the second-biggest takeover in Australia's history.

What makes the ANU's database different is that it tracks realized investments, whereas the Foreign Investment Review Board's figures are based on approvals for proposed investments, which can exaggerate the scale.

And unlike the Australian Bureau of Statistics, the new ANU database counts not only investments from the Chinese mainland but also those channeled through Hong Kong and other global financial centers.

Researcher Shiro Armstrong,

who worked on the project, said the database gives a more "nuanced and mixed picture than we're used to".

"And that's not surprising, because Chinese investment in this country is starting to mature a bit, just as other sources matured previously, like Japanese investment, (and) American investment before that.

"It starts to diversify across the sectors, across the economy," Armstrong told the Australian Broadcasting Corporation.

"Whereas we used to dig up a lot of rocks and ship them to China, that will still be a big part of our economic relationship, but their investment is largely coming into tourism, (and) the services sector," he said.

Sought-after destination

Chinese investment in the Australian healthcare sector has soared over the past three years, according to *Demystifying Chinese Investment in Australian Healthcare*, a report released by KPMG and the University of Sydney earlier this year.

It said Australia had become a "highly sought-after destination for healthcare investment due to the expertise of health professionals, availability of cutting-edge technology, and high regulatory standards".

"As China's aged care industry develops and its medical treatment sector matures, there will be a greater need for these high-quality products and services and more demand for the businesses providing them," the report said.

It found that from 2015 to 2017, Chinese investment in Australia's healthcare sector totaled A\$5.5 billion.

By comparison, Chinese investment in the United States' healthcare sector totaled \$4.5 billion over the same period.

The report said investment in Australia is concentrated in the country's health supplement and healthcare services delivery sectors, with no major investment in pharmaceuticals, biotechnology or aged care.

New South Wales attracted 49 percent of Chinese healthcare investment between 2015 and 2017, followed by Victoria with 45 percent and Queensland with 6 percent.

Chinese investors are predominantly private companies from diverse backgrounds, including hospitals, specialized healthcare providers, pharmaceutical companies, construction companies and private equity, the report said.