

Australian state government rejects Chinese bid for electricity company

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The Liberal-National government in the state of New South Wales announced on Wednesday that it had accepted the bid of Hastings, a consortium of Middle Eastern, Canadian and Australian investors, for a 99-year lease of the state-owned electricity transmission company, TransGrid, for \$10.258 billion. The pro-business move is part of the privatisation of the state's electricity network.

Three other bids for TransGrid, including one from Chinese company State Grid and its bidding partners Real Assets and Macquarie Infrastructure, were turned down. In the months leading up to the sell-off, the Chinese bid was the subject of a series of denunciations. Prominent commentators, along with figures with ties to the military and intelligence agencies, claimed that the sale of vital infrastructure to a Chinese company would pose an unacceptable threat to "national security."

The controversy is the latest in a series of revealing episodes that have pointed to discussions within the highest echelons of the political establishment, the military and intelligence agencies regarding the implications of Australia's complete integration into the US "pivot to Asia."

The Obama administration's "pivot" is an all-sided military, diplomatic and economic campaign aimed at subordinating China to Washington's dictates in the Asia-Pacific region. Developments in the South China Sea, where the US provocatively breached the 12-nautical mile exclusion zone around Chinese-claimed islands last month, have demonstrated that the US military build-up in the region includes preparations for a direct military conflict with China.

Before the sale's announcement, all four bids were cleared by the federal Foreign Investment Review Board, while New South Wales (NSW) Treasurer Gladys Berejikian played down the security threat posed by a successful Chinese purchase. It was widely reported in the financial press that State Grid's bid was considered the

most lucrative.

Following the announcement, *Business Spectator* reported that State Grid's bid was of a similar dollar value to that of the successful application, between \$10.25 and \$10.30 billion, but that the winning consortium had "lobbed a cleaner bid." NSW Premier Mike Baird talked up the "Australian-led" character of the successful consortium. Significantly, the presence of major investors from the Middle East in the consortium has not been the subject of "concerns" over "national security" because they are based in Kuwait and the United Emirates, both of which are client states of the US.

The Baird government has been widely praised for extricating itself from the controversy surrounding the Chinese bid. An *Australian Financial Review* article was titled "Baird dodges China security fears with knock-out TransGrid bid." A comment in the *Australian* opined that the "winning bid was more politically palatable" than the Chinese offer, and "avoids the regulatory and national security difficulties of a Chinese government-backed bid."

The defeat of the Chinese bid follows reports that defence and military officials were preparing to directly intervene in the controversy. On November 20, the *Australian Financial Review* stated that intelligence and defence officials were "set to advise the Turnbull and Baird governments there is 'no way' they can accept the Chinese bid ..." According to the article, the unnamed officials raised objections to a Chinese company operating NSW's electricity grid and fibre optic cables, which service "defence bases and defence intelligence centres."

An article in the Murdoch-owned *Daily Telegraph* on November 14 likewise sought to paint the Chinese bid as an "espionage" threat. The hysterical tone of the article, which focused on the supposed threat of cyber hacking was exemplified by its opening line, which declared: "Australia is under attack—right now."

The article featured the comments of Air Vice Marshall John Blackburn, a former air force deputy chief, who denounced the prospect of “critical infrastructure” being “owned and run by a foreign power” that could “take down the entire electricity grid.”

The *Daily Telegraph* article and other commentaries attacking the Chinese bid centred heavily on claims, promoted vociferously by the Obama administration, that China is a leading “cyber-hacker.”

Peter Jennings, executive director of the Australian Strategic Policy Institute, a leading government-funded think tank, declared on November 21: “American intelligence officials worry about the potential for a Chinese cyber attack on US electricity infrastructure, but many in Australia have a wide-eyed naivety about China’s capacity and interest in cyber espionage.” He characterized China as “one of the most aggressive intelligence gatherers globally” and warned of ties between State Grid and the Chinese Communist Party leadership.

The claims of cyber-hacking, which have never been substantiated, are utterly hypocritical. As the US National Security Agency whistleblower Edward Snowden revealed, the US government spies on millions of people around the world, including foreign heads of state. As part of the US-led “five eyes” global spy network, Australian intelligence agencies eavesdropped on Indonesian President Susilo Bambang Yudhoyono and other prominent figures in the Asia-Pacific.

According to Ross Babbage, a foreign policy analyst and former defence official who was quoted by the *Daily Telegraph*, security officials in both Australia and the US expressed “concerns” over the Chinese bid.

Babbage’s comment underscores the extent to which Australia is integrated into the US military and intelligence apparatus, and raises the possibility that the US directly intervened against China’s bid. In February, the Philippines, a close US ally that is playing a major role in Washington’s provocations against China in the South China Sea, expelled State Grid power grid technicians from the country, citing alleged security concerns.

The TransGrid sale controversy follows similar ructions within the political and military establishment regarding last month’s decision by the Northern Territory government to lease the commercial port in the strategic northern city of Darwin to a Chinese corporation.

Numbers of politicians and commentators, including Northern Territory Chief Minister Adam Giles, hailed the

lucrative deal for Chinese investment in the port. However a campaign was initiated by sections of the media, notably the *Wall Street Journal*, as well as pro-US strategists and Labor Party politicians, to claim that the deal threatened “national security.”

On November 18, US President Barack Obama personally reprimanded Australian Prime Minister Malcolm Turnbull for failing to give Washington advance notice of the leasing plan. Darwin’s port is increasingly used by naval vessels, and the city hosts six-monthly US Marine rotations, commenced in 2011 under an agreement between the Obama administration and the previous Labor government as part of Washington’s “pivot” against China.

Last week the federal Coalition government blocked the sale of S. Kidman & Co’s 101,000 square kilometres (about 40,000 square miles), Australia’s largest private landholding, to Chinese investors. The reason given was that one of the company’s properties was within the Woomera Prohibited Area, which has been used for military and intelligence activities.

The opposition Labor Party has been at the forefront of the allegations of a Chinese threat to Australian national security. Labor Party leader Bill Shorten raised “concerns” over the Darwin port lease, while prominent shadow minister Anthony Albanese condemned the government for failing to inform the US of the planned lease.

Labor made the prospect of “Chinese ownership” of TransGrid a central focus of its NSW state election campaign in March. Its xenophobic campaign, seeking to divert the hostility of workers to the corporate agenda of privatisation in a reactionary nationalist direction, also fed into the Washington-led drive to confront China.

Like the current claims of a Chinese threat to Australian national security, Labor’s pitch sought to obscure the aggressive character of the US-Australian preparations for war against China, and ideologically prepare the population for military conflict.



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