

Australian government blocks Chinese bids for electricity grid

Mike Head
13 August 2016

The Australian government announced on Thursday that it would block bids by two Chinese-based companies for a controlling stake in a major power grid network on unspecified “national grounds.” The decision, which has triggered deep disquiet in Australian business circles, is in line with Washington’s escalating confrontation with China throughout the region.

Prime Minister Malcolm Turnbull and Treasurer Scott Morrison both cited security concerns to justify barring the \$14 billion sale of a 99-year lease of 50.4 percent of Ausgrid to either of the bidders—China’s government-owned State Grid Corp and Hong Kong’s privately-owned Cheung Kong Infrastructure Holdings (CKI). They gave the two companies a one-week deadline to “mitigate” these concerns before making a final ruling—an indication that the outcome is already determined.

The Liberal-National government provided no explanation for an obvious shift in its stance. Both companies have been cleared in recent years to buy significant stakes in electricity and gas networks across the country, and were given initial clearances late last year to proceed with their Ausgrid bids.

These are not small firms. State Grid is the world’s second largest company, according to Fortune 500, and the largest electricity utility corporation, with energy assets in the Philippines, Brazil, Portugal and Australia. CKI is part of the CK Hutchison Holdings empire of billionaire Li Ka Shing, which has infrastructure and telecommunications operations around the world.

Turnbull and Morrison denied that the decision was “country-specific,” but this has convinced no one. Morrison declared that he could not reveal what the national security concerns were, not even to the two bidders.

Turnbull said the advice of Australia’s security agencies was “unequivocal,” but denied that the decision was aimed at China. Yet all these intelligence agencies have close ties to their US counterparts.

Peter Jennings, the executive director of the government-funded think tank, the Australian Strategic Policy Institute, was explicit that China was the target, however. “The danger for us is to pretend that there’s some sort of invisible separation barrier between how China behaves militarily in the region on the one hand and how it directs investment on the other,” Jennings told Reuters today.

Significantly Jennings spearheaded a campaign last November against the leasing of Darwin’s civilian port to a Chinese company—a move that had provoked outrage in Washington. Darwin, in northern Australia, is increasingly becoming a crucial hub for US military operations in Asia.

Jennings said the situation had altered since power grids in some Australian states were leased to Chinese companies. He told the *Weekend Australian*: “There’s been a change of leadership in China and under President Xi Jinping, and what we see is a much more assertive and aggressive Chinese foreign policy, particularly in the South China Sea. Now China’s foreign policy looks increasingly like (Russian President Vladimir) Putin’s foreign policy.”

While Jennings did not spell out the implications, his comments only have any meaning within the context of Washington’s accelerating preparations for conflict against China. Why else would a Chinese company pose an unspecified security threat to the Australian power grid, or carry out hostile actions that would forfeit its investment, except in conditions of all-out war?

After President Barack Obama personally

admonished Turnbull over the Darwin lease last November, the Australian government altered its Foreign Investment Review Board (FIRB) regime for approving overseas investments. First, former Australian Security Intelligence Organisation (ASIO) director-general David Irvine was added to the FIRB board. Then, in March, all state government asset sales were added to the lists of transactions that must be cleared by the FIRB.

The opposition Labor Party, which backs the US military build-up in Asia against China, quickly supported the Ausgrid ban. Shadow treasurer Chris Bowen stated: “Labor agrees that national security considerations must be paramount in foreign investment approval decisions.”

Beijing has reacted angrily. A comment in Xinhua, the official news agency, dismissed security concerns. “To suggest that China would try to kidnap the countries’ electricity network for ulterior motive is absurd and almost comical,” it stated. The article accused the Australian government of pandering to “paranoia over Chinese investment” and “the dangerous mindset of China-phobia.”

An element of the government’s decision might well be a bid to gain support from right-wing populists such as Pauline Hanson and Nick Xenophon who in last month’s election sought to channel widespread social discontent in economic nationalist and xenophobic directions. The promotion of economic nationalism, blaming China for the lack of jobs and deteriorating living standards, is itself a symptom of the deepening drive to war. Xenophon openly champions the building of the new Australian submarine fleet in his home state of South Australia as the means to ensure that the Australian navy has the capacity to assist the US to confront China.

Within leading business circles, however, the decision has aroused alarm because of its broad economic implications. These go beyond the prospects for multi-billion dollar privatisations, like Ausgrid, on which numbers of state governments are relying to offset falling tax revenues and rising debts. There are wider fears for the impact on inflows of Chinese and other foreign investment, under conditions of global slump including in Australia.

Prominent business leaders described the decision as “perplexing,” “shambolic” and likely to generate

“sovereign risk fears” among investors. The Business Council of Australia, which represents the country’s largest firms, said it “respected” the government’s decision, but “it is important to remember that throughout our history, foreign investment, particularly foreign direct investment, has been crucial for Australia’s economic growth.”

These fears were reflected in today’s *Australian Financial Review* editorial, which noted that “no Western country is as dependent on China as Australia is,” yet now “the underlying assumption is that China is a threat to Australia’s security.”

The ruling elites are caught in a basic dilemma—dependent, on the one hand, on the longstanding US military alliance as the means for pursuing Australian imperialism’s vital interests in Asia and globally, and, on the other, reliant on China as the country’s largest trading partner and increasingly as a source of investment.

In the *Weekend Australian*, editor-at-large Paul Kelly warned that the dilemma was becoming more profound and blamed China. “Having China as our major trading partner was relatively easy... Australia is now at the cutting edge of two big trends from China—as a creditor power it is surging across the world... yet as a rising military power it is militarising the South China Sea, flouting international arbitration and refining the techniques of cyber infiltration.”

In reality, it is Washington that has stoked territorial disputes in the South China Sea, including by orchestrating the recent Philippines legal challenge to Chinese maritime claims. This is part of Washington’s broader “pivot to Asia” to aggressively confront China, including through a military expansion across the region.

With Australian capitalism facing intense economic and strategic crises, the Ausgrid decision is another warning that workers and youth in Australia, and throughout the Asia-Pacific region, are in danger of being dragged into a potentially catastrophic military conflict between the US and China.



To contact the WSWs and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)