

Australian government invokes “national security” to ban Chinese infrastructure investments

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It was revealed this week that the Liberal-National Coalition government cited “national security” concerns to reject a \$300 million takeover of building contractor Probuild by one of China’s largest construction companies, the state-owned China State Construction Engineering.

The *Australian Financial Review* reported that the Probuild decision was just the tip of the iceberg. “The government has been privately rejecting other Chinese engineering, procurement and construction (EPC) contractors from local infrastructure and energy projects,” it declared.

In effect, Chinese investment is now being banned across most of the economy. In the words of one unnamed investment banker, quoted by the newspaper, “most of the economy is now not available to the Chinese.”

The banker’s statement reflects concern in sections of the Australian capitalist class about the impact on their lucrative exports to China. But the government is committed to ramping up the deepening conflict with Beijing, regardless of the fallout. Its previous bans on Chinese investment and other anti-Chinese measures have already triggered apparent Chinese measures to curb Australian exports, now including coal.

Both the timing of the announcement and the extension of “national security” assertions to the civilian construction industry are highly significant. The timing dovetails with escalating economic sanctions imposed on China by the Trump administration, and points to expectations in Canberra that a Biden administration will intensify the confrontation.

The invocation of national security by Prime Minister Scott Morrison’s government, to cover basic construction activity, is another indication of preparations being made for US military conflict with China. Australia would be on the frontline of such measures, because of its integration into US war plans throughout the Indo-Pacific region.

Probuild is a large South African-owned building company

operating in Australia. According to corporate media reports, Probuild’s construction of “sensitive” buildings, including the Victorian Police headquarters and the Melbourne offices of biotech company CSL, were key factors in Treasurer Josh Frydenberg rejecting its takeover.

This is the latest such decision, each effectively accusing Chinese companies of operating as espionage or sabotage fronts for Beijing. Chinese firms are being barred from any industry that would need to be mobilised for the war effort in the event of conflict.

Another recent ban involved a large Chinese power-generating firm, bidding for the construction of EnergyAustralia’s planned 400-megawatt gas plant at Tallawarra near Wollongong, south of Sydney. The government told the parties it did not intend to approve the deal, leaving other bidders to compete for the tender.

As of January 1, the guidelines applied by the government’s Foreign Investment Review Board (FIRB) have been drastically widened, responding to US complaints about some previous failures to block Chinese investments, including the 2015 purchase of a lease over the civilian port in the strategic northern city of Darwin.

All foreign investments, no matter how small, are now subject to FIRB review, and the industries covered extend across much of the economy. Assets defined as a “sensitive national security business” include banking and finance, communications, commercial construction contractors and commercial real estate.

Also on the list are “critical” minerals, critical service providers, critical technologies, defence providers, energy, electricity, gas, liquid fuels, energy market operators, health, higher education facilities, information technology, data and the cloud, nuclear, space, transport and water and sewerage.

The FIRB is now chaired by Australia’s former top intelligence chief—and ex-ambassador to China—David Irvine, who has close connections to the US military-intelligence apparatus. In addition, the new head of

Treasury's FIRB-linked foreign investment division, Tom Hamilton, has a military background.

The FIRB's new rules specifically insist that there are national security risks in the construction sector, including firms holding contracts with government agencies and infrastructure providers, with access to information such as building blueprints and supply chains.

"Such information may be of value to foreign intelligence services," the FIRB's website states. "Foreign intelligence services may also pre-position for future intelligence activities such as by building surveillance equipment into the premises during construction, in order to gather information on intended sensitive tenants."

The Probuild ban is a measure of the deepening anti-China shift since 2015, when US President Barack Obama personally rebuked then Prime Minister Malcolm Turnbull for not consulting Washington about the Darwin port lease.

In 2015, by contrast to the Probuild decision, Turnbull's government approved the China Communications Construction Company's \$1 billion purchase of a major construction company, John Holland, which is building the Victorian state government's \$11 billion Melbourne Metro rail tunnel and other large infrastructure projects.

John Holland was previously one of the Australian Defence Department's key providers of construction services and worked on military bases. Since being acquired by the Chinese company, it has been forced to withdraw from military projects.

Among recent Chinese investment bans are the refusal in April last year of China Mengniu Dairy Co's proposed \$600 million acquisition of Lion Dairy & Drinks, and Hong Kong-based CK Group's \$13 billion bid for Australia's east coast gas pipeline owner, APA Group, in 2018.

The most prominent and provocative measure was to bar China's Huawei, one of the world's largest telco equipment suppliers, from any involvement in Australia's proposed 5G network. That ban, imposed in 2018, was demanded by Washington and mirrored by other US allies.

All the moves against China have been backed by the Labor Party opposition, which is equally committed to participating in the US drive to prevent China from challenging the economic and military supremacy that Washington secured in World War II. The last Labor government—of 2007-13—also blocked certain Chinese takeover bids, including Chinalco's proposed merger with Rio Tinto, a major mining company.

Just last month, Labor helped the Morrison government rush unprecedented legislation through parliament to give the government sweeping powers to prohibit any agreement, or cancel any existing agreement, signed by a state, territory or local government, or a public university, with China.

As anticipated, the Probuild prohibition further antagonised China's government, which said Canberra had "weaponised the concept of national security." Beijing's Foreign Ministry spokesman Zhao Lijian said it was "the latest example of how the Australian government has been politicising trade and investment issues, violating market principles and the spirit of the China-Australia free trade agreement, and imposing discriminatory measures on Chinese companies."

Last year, China issued a public 14-point complaint against Australia, which included the Huawei and other investment bans. While the Australian media has falsely presented China as the aggressor in this conflict, denouncing Chinese moves against Australian exports, the US-backed Australian offensive has had a crippling impact on Chinese investment in Australia.

By the latest official statistics, Chinese investment fell 36.3 percent, or \$8.2 billion, in 2018, reducing it to around 2 percent of foreign investment in Australia.

This confrontation with China, which is being accompanied by barrages of anti-Chinese propaganda, can be understood only in the context of Washington's preparations for war against its perceived economic rival. Even in its apparent final days, the Trump administration this week intensified the economic and diplomatic offensive against China. It announced new sanctions on the China National Offshore Oil Corporation and further restrictions on Chinese tech firms, including the widely-used social media platform TikTok.

Another close US ally, the Canadian government, last month took similar action to that of Australia, citing "national security" to block the takeover of gold miner TMAC Resources Inc. by China's state-owned Shandong Gold Mining Co. Ltd.

These governments know full well that any incoming Biden administration will only take the confrontation with China to a new level. Last month, Biden's nominated officials protested and sought to halt a European Union-China agreement on an investment treaty. That deal threatens to cut across Biden's stated aim of constructing a global anti-China front.



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