



Opposition says foreign State-owned agencies should be banned from taking big stakes in Australian companies

Heat on Rudd over China deal

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The Rudd Government is under pressure to change foreign investment rules to block overseas state-owned companies such as Chinese aluminium giant Chinalco buying significant stakes in Australian companies.

The coalition's resources spokesman, WA senator David Johnston, said it was not right that Australian companies were prevented from buying Chinese utilities and resource projects unless partnered with a local company in a joint venture but Chinese companies were largely unencumbered in making Australian investments.

Senator Johnston said he was not opposed to state-owned Chinese companies buying into WA resource projects but that the level of ownership should be capped. He said the cap should apply to all state-owned companies, not just those from China, but also from other countries like Vietnam. "Kevin Rudd and Wayne

Swan need to look at this issue," Senator Johnston said. "The question is how far do you go? I think the defining feature is that we can't take an equity position in a Chinese utility or resource project."

Senator Johnston was talking after the Chinese Government-owned aluminium company announced on Friday that it had seized a 12 per cent stake in Rio Tinto, which controls the vast Pilbara iron ore industry with competitor BHP Billiton.

But fellow WA Liberal senator Alan Eggleston said Chinalco's \$16 billion deal was not unusual given there was a big amount of foreign investment in Australian resources, including from American, British, Dutch, Swiss and Japanese companies. "Clearly, the Chinese and the Japanese were going to be concerned about the creation of a monolithic iron ore exporter if BHP Billiton took over Rio," he said. "I don't think it's at all surprising the Chinese have taken some defensive

action.

"I don't think it's anything we should be too concerned about and it may be good for competition to preserve two great mining companies operating in the Pilbara."

The Foreign Investment Review Board, which can recommend that Treasurer Wayne Swan block the deal on national interest grounds, has been notified of Chinalco's share purchase. Under current rules, all investments in Australia by foreign government-controlled entities require FIRB approval.

Chinalco president Xiao Yaqing said in Sydney there was no move planned to go to 20 per cent and the purchase was merely a strategic stake. "We do not have plans to increase our stake in the company," he said.

However, the FIRB has been told by Chinalco it reserves the right to take the bid up to almost 20 per cent of Rio.