



## Push to tighten foreign investment rules after Rio arrests

CANBERRA

China's arrest of the Rio Tinto executive Stern Hu has hardened opinion on a key Senate committee in favour of stricter rules for investments by foreign government-controlled entities in Australia.

Nationals Senate leader Barnaby Joyce said yesterday the Hu case showed how the Chinese Government conflated its national interests with the commercial interests of its state-owned businesses.

Senator Joyce said he would push for the Senate economics committee, which is inquiring into foreign investment by state-owned enterprises and sovereign wealth funds, to recommend an overhaul of foreign investment regulations.

"Ownership of Australian businesses by state-owned enterprises is an inherently unhealthy thing and once you have ownership of our nation's resources by another nation's state-owned enterprises it is even more problematic," Senator Joyce said.

"It raises all sorts of complications with corporate issues becoming diplomatic issues. I don't have to prove that any more in the light of the Stern Hu case."

He said foreign investment rules should require "reciprocity" before any investment by a foreign government-owned entity was approved.

Another committee member, the South Australian independent Nick Xenophon, said principles the Federal Government adopted last year for investments by foreign government-owned enterprises were not working.

Treasurer Wayne Swan should have rejected the proposed tie-up between the Chinese aluminium producer Chinalco and Rio Tinto this year if he had been applying his guidelines.

But a WA Liberal senator on the committee, Alan Eggleston, said he would not support policy changes that would discourage foreign investment because this was critical to the mining industry's development.

The existing policy regime welcomed foreign investment while retaining a broad "national interest" power for the Treasurer to evaluate proposals.

The committee is due to report in September.

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