

WHEN GREED MEETS FEAR:
POLITICALIZATION OF CHINESE INVESTMENT IN AUSTRALIA

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Since the 2010s, Chinese companies have invested heavily in Australia, bringing considerable economic benefits to its growth and prosperity. Meanwhile, Chinese investment has been one of Australia's most contentious political issues over the past decade, resulting in a series of policy restrictions. What has motivated Australia's strong political opposition to Chinese investment and subsequent policy restrictions? To existing economic, socio-psychological, and geopolitical explanations, I add the role of fringe parties and national security agencies and propose two domestic processes through which they have seized the opportunity to shape Australia's policy responses to Chinese investment. In the first process, fringe parties emphasize social-cultural concerns to mobilize the public and pressure major parties to shift their policy positions. In the second process, defense and intelligence bureaucracies use national security narratives to persuade political elites into adopting their desired policy positions. Using a combination of elite interviews, archival research, and process tracing, I illustrate the mechanisms by which fringe parties and national security agencies have contributed to the tightening of Australia's foreign investment regulations in three case studies: mining (2008-2010), agriculture (2010-2015), and critical infrastructure (2015-2019). My findings advance the understanding of economic policymaking and have important policy implications for the China debate in the developed world.

BIOGRAPHICAL SKETCH

Minqi Chai is a political scientist specializing in economic nationalism and backlash politics. She began her graduate education in the Department of Government at Cornell University in 2015. She was a visiting PhD fellow at the School of Politics and International Relations at Australian National University in 2019. Her research has been funded by Judith Reppy Institute for Peace and Conflict Studies, the East Asia Program, the Southeast Asia Program, and Qualitative and Interpretive Research Institute at Cornell University. Prior to beginning her PhD, she received a BA in International Politics from Fudan University in 2015.

To my parents

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LIST OF ABBREVIATIONS

ABC	Australian Broadcasting Corporation
ABS	Australian Bureau of Statistics
ACCC	Australian Competition & Consumer Commission
ACRI	Australia-China Relations Institute
AIIB	Asian Infrastructure Investment Bank
ALP	Australian Labor Party
ANZUS	Australia, New Zealand, United States Security Treaty
APA	Australian Pipeline Trust
APEC	Asia-Pacific Economic Cooperation
ASD	Australian Signals Directorate
ASIO	Australian Security Intelligence Organisation
ASPI	Australian Strategic Policy Institute
ATO	Australian Taxation Office
AUD	Australian Dollar
AUSMIN	Australia–US Ministerial Consultations
AWU	Australian Workers' Union
BCA	Business Council of Australia
BHP	Broken Hill Proprietary
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CCTV	China Central Television

CFIUS	Committee on Foreign Investment in the United States
CGTN	China Global Television Network
CHAFTA	China–Australia Free Trade Agreement
CIC	China Investment Corporation
CKI	Cheung Kong Infrastructure Holdings
CPPCC	Chinese People's Political Consultative Conference
DFAT	Department of Foreign Affairs and Trade
DHA	Department of Home Affairs
FATA	Foreign Acquisitions and Takeovers Act
FATFIA	Foreign Acquisitions and Takeovers Fees Imposition Act
FDI	Foreign Direct Investment
FIPA	Foreign Investment Promotion and Protection Agreement
FIRB	Foreign Investment Review Board
FOI	Freedom of Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GRAIN	Genetic Resources Action International
IPAC	Inter-Parliamentary Alliance on China
IPE	International Political Economy
IR	International Relations
ISDS	Investor-State Dispute Settlement
KUKA	Keller und Knappich Augsburg

LNC	Liberal-National Coalition
LPA	Liberal Party of Australia
MCA	Minerals Council of Australia
MFP	Multifunction Polis
MITI	Ministry of International Trade and Industry
MNC	Multinational corporation
MOFCOM	Ministry of Commerce of the People's Republic of China
MP	Member of Parliament
NDRC	National Development and Reform Commission
NFF	National Farmers' Federation
NPA	National Party of Australia
NSC	National Security Committee
NSW	New South Wales
NT	Northern Territory
ODI	Outbound Direct Investment
OEP	Open Economy Politics
OFDI	Outward Foreign Direct Investment
OIO	Overseas Investment Office
ONA	Office of National Assessments
ONI	Office of National Intelligence
PLA	People's Liberation Army
PM	Prime Minister

PRC	People's Republic of China
SAFF	South Australian Farmers Federation
SOE	State-owned enterprise
SWF	Sovereign Wealth Funds
UAP	United Australia Party
UNCTAD	United Nations Conference on Trade and Development
VDL	Van Diemen's Land
WPA	Woomera Prohibited Area

CHAPTER 1

INTRODUCTION

In the same moment, Australians can be welcoming of China's current contribution to our economic growth, fearful of Chinese investment, anxious about China's future military might and hopeful that a bright economic future for them can mean a bright economic future for us.

— Julia Gillard, *My Story*, 2014

1.1 The Australian Question

Overview

China's rapid economic development, combined with the "Go Out" strategy and the "Belt and Road" initiative (BRI), has prompted a surge of Chinese overseas investment in the past decade. Australia, with abundant resources and strong trade ties with China, has attracted many Chinese firms to seek investment opportunities. The level and stock of Chinese direct investment in Australia have burgeoned since 2007. At its peak, Australia became China's fifth largest destination of outward investment in 2017.¹ This has brought enormous economic benefits to Australia. Foreign investment is critical to Australia's economic growth, according to the Department of Foreign Affairs and Trade (DFAT), because it creates meaningful jobs, drives regional development, supports the development of new industries, and helps Australian businesses innovate with new technologies.² China's booming economy and rising

¹ Based on the Australian Bureau of Statistics, the stock of foreign investment (including both direct, portfolio investment and other investment) in Australia from Hong Kong reached 116.6 billion AUD and that from mainland China was about 65 billion AUD at the end of 2017. At the end of 2020, China was Australia's ninth largest foreign investor, accounting for 2 percent of Australia's foreign investment stock.

² The Department of Foreign Affairs and Trade, "The Benefits of Foreign Investment," Australian Government, accessed October 12, 2022, <https://www.dfat.gov.au/trade/investment/the-benefits-of->

demand for minerals also aided Australia’s escape from the Great Recession (Cleary 2011; Walter 2017).

However, the growing presence of China’s economic influence, particularly its foreign direct investment (FDI), has been a prominent political issue in Australia over the last decade. To some extent, Chinese investment has been constructed “ontologically and ideologically as a threat” in Australia (McCarthy and Song 2018, 325). In particular, political controversies over Chinese investment in mining (2008–2010), agriculture (2010–2015), and critical infrastructure (2015–2019) dominated political headlines and generated national discussion.³ According to Lowy Institute national polls, the proportion of Australians who believe the government is “allowing too much investment from China” increased from 50 percent in 2009, 56 percent in 2014, to 72 percent in 2018; foreign investment even became a constant nomination as “possible threats to Australia’s vital interests” (Hanson 2009; Oliver 2014; 2018). In the parliament, foreign investment and Chinese FDI were heatedly debated, resulting in a slew list of acts, bills, motions, and divisions. Eventually, the contention translated into comprehensive restrictions in Australia’s foreign investment review mechanisms, as well as stringent scrutiny of foreign takeovers in resources, agriculture, and critical infrastructure.

To summarize, Australia’s response to Chinese investment exemplifies the paradox of “fear and greed.”⁴ That is, despite enormous economic benefits, what

foreign-investment.

³ For example, high-profile cases include Chinalco’s bid for Rio Tinto, Shandong Ruyi’s bid for the Cubbie Station, three bids for the Kidman & Co, and the lease of the Port of Darwin to the Landbridge Group, which will be elaborated on in subsequent chapters.

⁴ In a conversation with the Chancellor of Germany, Angela Merkel, during the G20 summit in 2014,

drives the strong political opposition to Chinese investment and subsequent policy restrictions in Australia? Empirically, addressing the Australian case will deepen our understanding of the China debate in the developed world. Theoretically, the Australian question requires us to reflect on what motivates changes in FDI policy, or more broadly, economic policy in host countries. Current literature in the field of international political economy (IPE) provides three types of explanations: economic, socio-psychological, and geostrategic explanations. Although they can explain some aspects of the Australian case, these accounts cannot provide the full picture. In the parts that follow, I will elaborate on the limited explanatory power of conventional explanations, as well as the theoretical value of providing a new approach to supplement economic, socio-psychological, and geostrategic explanations.

OEP and economic explanations

The Open Economy Politics (OEP) approach provides rationalist explanations for economic policymaking by emphasizing the distributional consequences of given economic activities. Different economic models, in particular, produce different economic coalition identification strategies, and competition among economic coalitions filters through political institutions and thus shapes economic policies (Lake 2009). Hence, this approach suggests that changes in FDI policy in host countries can be attributed to bargaining dynamics between the winners and losers of foreign investment. In the case of Australia, economic factors, such as industry growth and

Abbott characterized “fear and greed” as the drivers of Australia’s China policy. John Garnaut, “‘Fear and Greed’ Drive Australia’s China Policy, Tony Abbott Tells Angela Merkel,” *Sydney Morning Herald*, April 16, 2015.

productivity as well as labor wages, are often cited to support FDI openness and have largely shaped its FDI policy. However, economic models are insufficient to characterize the bargaining process of Australia's policy response to Chinese FDI.

For example, a common proposition derived from the specific factors model is that workers, especially the skilled labor, tend to welcome FDI inflows because FDI boosts labor demand and increases labor wages, whereas local capital tend to seek protection (Lipsey 2004; Lipsey and Sjöholm 2004; Pandya 2010; 2013; Pinto 2013).⁵ However, Australia's domestic capital has been the leading advocate of Chinese investment in the national debate, as represented by the Business Council, the mining lobby, the farm lobby, and property developers. By contrast, empirical evidence suggests that the majority of Australians are skeptical of Chinese FDI,⁶ and many are even unconvinced of the benefits of FDI in general (Kirchner 2008; Uren 2015). An alternative argument is that FDI may threaten the job security and bargaining power of workers because domestic firms may lay off employees due to intense competition, implying that local workers may support FDI restrictions (Owen 2015; Pandya 2016; Scheve and Slaughter 2004). Nonetheless, Australia's labor unions have mainly remained silent in the country's policy debate over Chinese investment.⁷ Therefore,

⁵ Building on a specific factors model that assumes industry-specific capital and labor mobility, foreign firms pay higher wages and hire more workers to expand production than their local counterparts. Moreover, as foreign investment boosts labor productivity, the demand for skilled labor is even higher, granting skilled labor the largest beneficiaries of FDI.

⁶ As previously stated, Lowy Institute national polls over the last decade show widespread public opposition to Chinese investment in Australia.

⁷ According to public records, Australia's labor unions appear uninterested in lobbying for changes to FDI policy, though they are very vocal and active in trade policies. Indeed, unions have expressed strong opposition to the China-Australia Free Trade Agreement (ChAFTA), as well as other FTAs. The Investor-state dispute settlement (ISDS) and the temporary work visa were two notable items related to Chinese FDI in the ChAFTA. As a result of the unions' objections, they were both removed from the ChAFTA. Interview with Patricia Ranald, Convener of the Australian Fair Trade and Investment Network, Canberra, ACT, 13 November 2019.

neither the level nor the elasticity of labor demand explains the FDI attitudes in Australia.

Other OEP studies suggest sectoral differences (e.g., low-skill-intensive vs. high-skill-intensive) and firm-level factors (e.g., firm size and levels of product differentiation) can shape FDI preferences (Griffith 1999; Kim 2017; Melitz 2003; Zhu 2011). However, sectoral factors lack explanatory power in the case of Australia because there is no clear evidence of any Australian industry lobbying against foreign investment. Take agriculture as an example; while we often assume that domestic agricultural producers are inclined to tighter restrictions on foreign investment inflows, Australian agriculture is one of the most liberalized and competitive industries in the world; within the agricultural industry, both large agribusinesses and small and family farms have a track record of endorsing FDI and calling for a calmer discussion on Chinese investment in Australia.⁸

Socio-psychological explanations

The second set of conventional explanations, which incorporates social psychology and the behavioral revolution, criticizes the overemphasis of material interests and shifts its focus to the social and cultural consequences of economic globalization. At the micro level, affective and symbolic predispositions, as well as social dispositional differences, such as national identity (Helleiner and Pickel 2005; Herrmann 2017; Rankin 2001; 2004), symbolic feelings toward foreign cultures (Sabet 2016), and community and regional attachments (Mayda and Rodrik 2005), are

⁸ There will be more discussion on their lobbying in Chapter 3.

prominent factors in shaping individual attitudes. Specific to FDI preferences, existing studies find that non-economic contextual heuristics carry more weight than economic considerations (Jensen and Lindstädt 2013; Li and Zeng 2017). The emerging racial agenda in mainstream IR scholarship also adds to the socio-psychological approach by centralizing and illustrating the role of race and racial hierarchies in shaping both global power relations and domestic policy outcomes (Anievas, Manchanda, and Shilliam 2015; Barder 2021; Bell 2013; Buzas 2021; Zvobgo and Loken 2020).

These studies provide some plausible explanations for why Chinese investment has been met with hostility and skepticism in Australia. The social and cultural implications of foreign investment, in particular, play an important role in shaping FDI attitudes. Agriculture and mining, to which many Australians attach social identities and cultural values,⁹ are thus more likely to elicit public opposition to Chinese FDI, despite the fact that the scale of Chinese FDI in these industries has been much smaller than public perceptions.¹⁰ Furthermore, racial nationalism against Asians, Muslims, and indigenous people has haunted Australian society for more than a century, from the notion of the “yellow peri” during the gold rush period to the antipathy of the “boat people” in the modern period (Betts 2001; Fitzgerald 2007; Poynting and Mason 2007; Walker 1999). It is also not surprising that the nationality of Chinese investment bears more of a “liability of foreignness” because China is an authoritarian, state-

⁹ Agriculture and land have taken on symbolic roles in Australian national identity as a result of the Bushman myth's essential role in the creation of Australian folklore (Aitkin 1985). Similarly, the mining industry, which has been a cornerstone of Australia's prosperity since the gold rush era, is often blended with a sentiment of resource nationalism (Wilson 2011).

¹⁰ The following empirical chapters will demonstrate the disparity between statistics and public perceptions of Chinese FDI in mining, agriculture, and critical infrastructure in Australia.

capitalist, and non-Caucasian investor nation (Feng, Kerner, and Sumner 2021; Zaheer 1995).

However, arguing that “Aussies just do not like FDI or China” or assuming that public resentment will necessarily translate into policy outcomes is oversimplified. As a matter of fact, since its liberalization reform in 1983, the overall trend in Australia’s FDI policy before the 2010s was towards liberalization, though the government imposed a few restrictions targeting Japanese FDI in the mid-1980s and early 1990s.¹¹ More importantly, if Sinophobia were a sufficient explanation, we should have observed a backlash against trade with China as well. In fact, China’s trade with Australia was widely accepted in Australian society,¹² and the China-Australia Free Trade Agreement (CHAFTA) was successfully signed in 2015 at the same time as the heightened discussion on Chinese FDI in agriculture and farmland. Hence, the missing link is how the public resentment of Chinese FDI has been activated to shake Australia’s status quo economic agenda.

Geoeconomics and the “China shock”

Aside from rationalist and socio-psychological explanations, geostrategic explanations contend that foreign states may utilize economic policy instruments to

¹¹ The previous waves of opposition to American and Japanese FDI also imply that racial discrimination and ideology are insufficient explanations. Chapter 5 will address the two historical cases in detail.

¹² Although there is no Australian public opinion poll asking directly about trade with China, Australian Election Studies has tracked “attitudes towards more trade relations with Asia” since the 1992 federal election. It illustrates that, from 1992 to 2015, the support rate for trade with Asia has consistently ranged between 60 and 70 percent, with the exception of 1997 and 2000 during the Asian financial crisis. According to the 2015 telephone Roy Morgan poll, more people were in favor of the FTA with China than against it. That said, given the worsening of Australia-China relations and the “trade war” between the two nations after 2020, this might no longer be the case.

pursue geopolitical goals and advance national interests (Baldwin 1985; Blackwill 2016; Hirschman 1980; Mastanduno 1999). In the realm of foreign investment, such goals could be achieved by seeking control over assets and technologies in strategic industries, maintaining preponderance in host countries' economy, and developing potential capabilities of surveillance and sabotage (Copeland 2014; Gilpin 1987; Krasner 1978; Moran 2009). China's economic statecraft has generated widespread concern around the world in recent years (Norris 2016; Reilly 2017; 2021; Wong 2019a; Yang and Liang 2019), and its growing influence activities and assertive foreign policy have posed national security challenges to many countries (Brady 2017; Chubb 2021; Diamond and Schell 2018).

In this sense, it is very reasonable for Australia and other host countries to adapt their FDI review mechanisms to China's complex security challenges. Even China Matters, an Australian think tank that has been criticized to be soft on China, cautioned that "Beijing will increasingly look to exercise its economic hard power in a variety of ways to achieve its overall interests" (Gill and Jakobson 2017, 155). Moreover, because the definition of national security is often ambiguous, broad interpretations of national security are not uncommon and are very likely to drive FDI restrictions (Danzman 2021; Graham and Marchick 2006). Political relations, according to empirical studies, will shape public attitudes toward FDI from various source countries (Jensen and Lindstädt 2013; Li and Zeng 2017; Tingley et al. 2015).

Australia's policy response to Chinese FDI, however, cannot be fully explained by Beijing's growing assertiveness or geostrategic causes alone. In fact, it was not until the emergence of the Chinese influence debate in 2017 that national security

concerns were frequently cited to characterize Chinese investment in Australia. Previously, national security concerns were rarely raised in Australia's policy debates over Chinese FDI in mining and agriculture. Lowy Institute national polls also indicate a disparity in public opinion about China and Chinese FDI. Although the majority of Australian respondents have complained about excessive Chinese investment since 2009, most respondents saw China as more of an economic partner than a security threat to Australia between 2015 and 2020. In 2014 and 2016, China was still perceived as Australia's best friend in Asia by many respondents, despite the heightened debate over Chinese FDI (Oliver 2014; 2015; 2016; 2017; 2018; Kassam 2019; 2020). Therefore, geostrategic arguments, similar to rational and socio-psychological explanations, cannot adequately explain Australia's policy responses to Chinese FDI.

1.2 Argument: Two Domestic Processes

Generally, the above approaches are useful in illustrating the multiple dimensions of Chinese FDI – its economic, social-cultural, and national security implications. They are, however, insufficient to explain the Australian case, given that Australia's response to Chinese FDI over the last decade has deviated from predictions made by the OEP, socio-psychological, and geostrategic approaches. This manifests several theoretical weaknesses in existing research on host countries' responses to FDI. Primarily, the construction of individual preferences for FDI may consist of multiple issue dimensions, so it is arbitrary to assume the preponderance of one

dimension.¹³ We shall not only be aware that economic, social-cultural, and national security factors interact to shape FDI preferences,¹⁴ but also further investigate under what conditions one dimension of FDI will prevail. More importantly, how are micro-level sentiments activated or represented in the political sphere and how do they influence policy changes? Domestic institutions are viewed as the primary mechanisms that aggregate individual interests and condition the bargaining of competing coalitions in both the OEP and socio-psychological approaches,¹⁵ whereas the geoeconomics literature tends to take a statist view and regard domestic institutions as tools to advance national interests.

In this study, I challenge the assumption that political institutions are either filters of public opinion from the bottom up or the will of the state from the top down. Domestic institutions and political elites play an active role in shaping political discourse and influencing economic policy changes. In particular, I have observed two domestic political processes in shaping Australia's policy response to Chinese FDI in the past decade: a) party competition and popular politics; and b) bureaucratic competition and expert politics. I find that economic issues are not only dominated by

¹³ For example, Owen and Walter (2017) examined the Brexit vote and discovered that most Leave voters are concerned with immigration and British sovereignty, whereas Remain voters are more concerned with the economy and the UK's global influence. The implications of rational material issue dimensions can also be contradictory. Similarly, Naoi and Kume (2015) found that when the concerns of job threat are primed, low-income citizens in advanced economies are more likely to oppose foreign trade; conversely, activating a consumer perspective predisposes them to support foreign imports.

¹⁴ This is already supported by a few empirical studies. For example, Sabet (2016) finds that economic self-interest is conditioned on the strength of individual attitudes toward foreign cultures. Ardanaz, Murillo, and Pinto (2013) demonstrate that individual material concerns (i.e., position in the economy) affect their sensitivity to new information regarding trade policy.

¹⁵ For example, a few studies have examined how regime type and veto players (Mansfield and Milner 2012), partisanship (Garrett 1998; Pinto 2013), level of unionization (Owen 2013; 2015; Dean 2016), compensation and profit-sharing institutions (Margalit 2012; Dean 2016) can amplify or weaken the expression of public opinion at the policy level. Another exception is the Rio Tinto case, which will be addressed in Chapter 2.

mainstream parties or commercial and diplomatic bureaucracies. Instead, I underscore the neglected role of fringe parties and national security bureaucracies in shaping economic policies.

In the first process, the formation of a neo-liberal consensus between mainstream right and left parties has enabled parties and politicians on the periphery to shape economic issues. When the major parties' positions on a given issue converge on the center, peripheral parties and politicians¹⁶ seize this opportunity and mobilize the issue to advance their parties' positions, pursue personal gains in political campaigns, or seek specific policy goals. In their mobilization, they tend to construct and adopt emotive and nativist narratives, which are more likely to resonate with the general public. Faced with electoral challenges, mainstream parties are therefore likely to recognize the importance of the issue and further adjust their policy positions to appease the public.

The second process is characterized by the intervention of national security agencies and bureaucrats in economic policies. Normally, economic policymaking is owned by commercial and diplomatic bureaucracies. However, geopolitical changes have complicated economic issues, necessitating the knowledge and expertise of security and defense bureaucrats, who tend to interpret economic issues through the lens of national security. By emphasizing the national security implications of foreign economic issues, national security bureaucracies can persuade political elites to adopt their desired policy positions.

¹⁶ This mechanism is not limited to niche parties, but also independent MPs and Senators.

Overall, my findings add to the existing IPE literature by highlighting two unconventional economic policymakers who emphasize non-economic dimensions. By uncovering the mechanisms through which fringe parties and national security bureaucracies shape economic policies, this study also advances the literature on party and bureaucratic competitions. In the subsequent sections, I will elaborate on the two political processes, including the political environment that enables the given issue entrepreneurs¹⁷ to shape FDI policy; the incentives and interests that drive their action; and the mechanisms through which they affect policy changes.

1.3 Popular Politics: Mobilization of Fringe Parties

Convergence enables radicalization

The primary issue entrepreneurs in the first process are fringe parties, which I define as parties on the periphery of electoral competitiveness as opposed to mainstream parties, which typically dominate the winning positions in political competition.¹⁸ Existing IPE studies on party competition mainly focus on the left-right partisan divide and neglect the role of fringe parties in influencing economic issues. For instance, empirical studies suggest that right-leaning parties consistently take more free trade stances than left-leaning parties do (Boix 1998; Garrett 1998; Hibbs 1977; Milner and Judkins 2004), while others find that left-wing governments typically

¹⁷ I define issue entrepreneurs as those who are “advocates for proposals of the prominence of an idea” (Kingdon 1984, 45:122).

¹⁸ I interchangeably refer to minor, peripheral, niche, fringe, radical, and challenger parties in this study. However, it is worth noting that some party scholars provide nuanced definitions and conceptualizations of these terms. For example, Adams et al. (2006) define niche parties by their “non-centrist” or extreme ideologies; Meguid (2005) emphasizes that niche parties focus on a narrow range of issues and tend to disregard economic issues; Meyer and Miller (2015) contend that niche parties emphasize policy areas neglected by their competitors.

advocate for economic policies in favor of liberalization (Pandya 2010; Pinto 2013; Pinto and Pinto 2008). Likewise, literature on fringe parties in comparative politics often focuses on their influence and mobilization in noneconomic and cultural issues, including environment, abortion, race, and religion (Art 2011; Carter 2013; Spoon 2011; Wagner 2012). This is largely because major parties used to battle on economic matters; the mainstream left and the mainstream right often covered the entire political spectrum of economic issues.

However, globalization has provided political opportunities for actors to restructure the political issue space and reshape the party dynamics (Farrell and Newman 2017; Inglehart 1971; Kriesi et al. 2006). The Third Way, a rising convergence of the mainstream left and right in the industrialized world, has formed on economic issues (Giddens 2013). When the mainstream left and the mainstream right converge on the center, it leaves room for parties and politicians at the periphery of electoral competition to shape economic issues, which were previously dominated by mainstream parties (Berman and Kundnani 2021; Carmines 1986; Carmines and Stimson 1989; Garrett 1998b).

In the case of Australia, the two major parties – the Australian Labor Party (ALP) and the Liberal Party of Australia (LPA) – used to hold opposing views on economic policy. The ALP often endorsed protectionist economic policies, employed economic nationalist narratives, and was prudent in financial deregulation, whereas the Liberal Party was supportive of free trade, liberalization, and deregulation in general. It was not until the election of the Hawke–Keating government in 1983 that the issue space was restructured: Bob Hawke and Paul Keating introduced the

liberalization reform in response to Australia's economic crisis and stagflation in the 1970s, signaling a fundamental transformation of the Australian economy to cater to the global economy and a dramatic shift of the ALP's party platforms towards the center. When the Liberal Party under John Howard's leadership defeated the ALP in 1996, it chose to preserve the legacy of Labor's economic reform and further embrace the market economy (Kelly 2008). Therefore, the convergence of the ALP and the LPA has paved the way for the rise of non-mainstream parties on economic matters.

Fringe parties mobilizing the public: incentives and mechanisms

According to the issue evolution theory, political losers in the current party system may adopt a strategy of issue entrepreneurship—"mobilizing new policy issues that have been largely ignored by the political mainstream or the mobilization of a policy position on an issue that is substantially different from the current position of the mainstream"—to advance their positions in electoral politics or seek their desirable policy goals (De Vries and Hobolt 2012, 250). Although the theory of issue evolution was first raised to explain the rise of issues championed by opposition parties in American politics, such as racial segregation, abortion, slavery, and cultural backlash,¹⁹ its logic is equally applicable to multi-party systems. It has been discovered that fringe parties, which do not dominate the winning positions in political competition, also employ the strategy of issue entrepreneurship. In fact, it is also much less costly for fringe parties to adopt the strategy of issue entrepreneurship than it is

¹⁹ For example, see Adams 1997; Carmines 1986; Carmines and Stimson 1990; Lindaman and Haider-Markel 2002; Riker 1988.

for major parties, given that major parties may become internally unstable and see their political coalitions shattered if they advocate for narratives that strongly deviate from the political mainstream (De Vries and Hobolt 2012; Hobolt and De Vries 2015).

As discussed above, the convergence between the mainstream right and the mainstream left on economic issues has provided political space for fringe parties. Moreover, globalization has enabled party competition to shift from materialist considerations to value-oriented considerations (Inglehart 1971), resulting in the ascendance of cultural dimensions in party platforms (Rovny and Polk 2018). In particular, I find that peripheral parties and politicians mobilize the public and shape economic policies by constructing narratives that emphasize noneconomic logics and emotive sentiments. The Australian Greens, the National Party, Bob Katter's Australian Party, and One Nation, along with a few independents, have formed an informal alignment to politicize Chinese investment and advocate for stricter FDI regulations in Australia.

Economic ideas, knowledge and paradigms can effect changes in economic policies. They define what an economic issue is about, what the problems are, and the corresponding policy solutions (Blyth 2002; Goldstein 1993; Herrmann, Tetlock, and Diascro 2001; Skonieczny 2001; 2018). Hence, by emphasizing the social-cultural components of foreign investment, crossbenchers' mobilization can alter the perceived distributional effects of Chinese investment on people's minds. Moreover, in political campaigns, appeals that are high in emotional content are more likely win over partisans and uncommitted voters (Chong and Druckman 2007; Jerit 2004; Kuklinski and Quirk 2000). Emotions constitute and color beliefs; they shape how individuals

process and interpret information. The “othering”²⁰ of foreign economic activities is more likely to resonate with the public when identity threat is activated. For example, some issue entrepreneurs use nativist narratives that victimize “real” Australians and Australian values, neatly blending fears of globalization with ethnocultural anxiety and white protectionism.²¹

Responses from major parties

How do mainstream parties respond to the public pressure driven by niche parties’ issue entrepreneurship? According to Meguid (2008), there are three major response strategies: dismissive (i.e., disregard the issue), accommodative (i.e., pose a similar policy position), and adversarial (i.e., confront the issue positions of niche parties). Essentially, electoral success is the key determinant of party behaviors (Abou-Chadi and Orłowski 2016; Downes and Loveless 2018). When the change of mass opinion on the given economic issue does not present electoral challenges that threaten the winning positions of mainstream parties, they are inclined to adopt a dismissive strategy. Parties, after all, are institutions that by default favor the status quo and resist change (Fagerholm 2016). For instance, when calls for curbs on Chinese investment were initially made by crossbenchers, both the ALP and the LPA chose to downplay them in parliamentary debates. By contrast, when the shift in

²⁰ Othering is defined as follows: “when one group of people—usually a majority group or an in-group—treats another group of people—often a marginalized group or an out-group—as though there is something wrong with them” (Dionne and Turkmen 2020, E214).

²¹ The expression of white supremacy and white protectionism are distinct in subtle ways. White protectionism portrays traditionalist white people, either Americans or Australians, as victims of the secular globalists with foreign ties (Smith and King 2021). It breeds the fear that “today’s white majorities will be tomorrow’s minorities” (Buzas 2021, 456).

public opinion on the given economic issue threatens the winning positions of mainstream parties, mainstream parties will have to recognize the importance of the issue. In the case of Australia, when Chinese investment became so controversial that both major parties chose to shift their positions. This is consistent with other empirical studies that major political parties do adjust their issue profile to the issue agenda of radical parties (Abou-Chadi and Krause 2018; Carter 2013; Meijers 2017; van Spanje 2010). Essentially, the change of dominant faction and intra-party structure will affect whether parties change their policy positions (Fagerholm 2016). The Liberal Party has long been aligned with the National Party, which runs a conservative and traditionalist party platform, forming a center-right coalition against the ALP; within the Liberal Party, the conservative faction was on the rise, which further contributed to the Liberal Party's decision to accommodate the conservative faction. The Labor Party, with less ideological division internally, generally defended the status quo policy. That said, during election season, Labor leaders also shifted to echo the concerns of Chinese FDI.

Regardless of how major parties respond, to accommodate or to confront, the salience of the issue will increase. Even if niche parties succeed in advancing their positions in electoral politics, they are less likely to soften their positions because doing so is very costly (Adams et al. 2006). Therefore, once an economic issue has been activated and mobilized, it is unlikely to be deactivated and depoliticized in the short term. At the same time, the policy changes motivated by crossbenchers are probably modest. This is because, peripheral parties and politicians have little electoral power and need to rely on mass mobilization to indirectly affect policies. Although

emotive and nativist narratives can be appealing, their competing narratives—which highlight the economic benefits of foreign investment under the big umbrella of neo-liberalism—are supported by major parties and also have some level of popularity. Moreover, once any mainstream party adopts an accommodative strategy, niche parties no longer exclusively own the given issue. Hence, government parties can simply implement some performative and symbolic policy adjustments, namely, “red tape,” to appease the public.²²

Throughout the past decade, a few peripheral parties and politicians have continued to politicize the issue of Chinese investment in Australia. Although the political contestation on the issue has been significantly influenced by their mobilization, no legislation to limit Chinese FDI proposed by fringe parties or lawmakers has ever been approved by the Australian parliament. All legislative changes are relatively more moderate proposals launched by the ruling party.

1.4 Expert Politics: Persuasion of the National Security Apparatus

No longer business as usual: bureaucratic politics amid geopolitical changes

The second proposed domestic process features bureaucratic competition and expert politics. In international relations studies, bureaucratic politics — its routines, culture, and bargaining—is an important analytical perspective and level of analysis (Allison 1969; Allison and Halperin 1972; Barnett and Finnemore 1999; Cooley and Ron 2002). In particular, scholars often concentrate on the behaviors of economic

²² The subsequent case study chapters will further examine and interpret the nature of regulatory changes in Australia’s FDI review mechanism at different stages.

agencies or foreign affairs bureaucracies to understand economic decision-making.²³ Similar to other economic issues, FDI policy has been generally regarded as low politics, where commercial and diplomatic bureaucracies play a predominant role. In Australia, foreign policy-making is dominated by a small circle of political elites in Canberra (Beeson and Hameiri 2017; Firth 1999). The Treasury and the Department of Foreign Affairs and Trade (DFAT), together with the agencies that specialize in particular invested industries (such as the Department of Agriculture and Water Resources and the Department of Industry, Science, Energy, and Resources), design and shape the review mechanisms for foreign investment.²⁴

Meanwhile, defense and intelligence agencies, which play a crucial role in determining decisions on strategy and security, appeared to have no influence on the formulation of economic policy. Studies on the military-industrial complex illuminate the vexed interest of national security bureaucracies in industrial development and foreign economic relations (Adams 1968; Kober 1992; Weiss 2014), but these studies are largely limited to the U.S. context, which has a distinctive national security state; and their influence on FDI policy in the past is found to be marginal and indirect. However, as circumstances define a bureaucracy's tasks, goals, and situational imperatives (Wilson 1991), a fundamental change of national security circumstances can alter the game.

The global landscape underwent a significant turning point in 2016, with a more assertive China and a more uncertain United States. China began to embrace the

²³ For example, see Centeno 1993; Centeno and Maxfield 1992; Evans and Rauch 1999; Hopkins 1976; Katzenstein 1977; Knoke et al. 1996; Moe 1985; Vogel 2018; Wilson 1984; Wang 2021.

²⁴ There is an overview of Australia's FDI review mechanisms in Chapter 2.

“wolf warrior diplomacy” and act more assertively in its foreign policy. In 2016, China militarily rejected the Hague’s ruling on the South China Sea disputes, and in 2017, it normalized its military presence in the region. Economically, its expansive economic statecraft and audacious “Belt and Road” initiative aroused widespread suspicion and fears in many countries. At home, the regime tightened internal controls and shocked the world with the turmoil in Hong Kong and Xinjiang. On the U.S. side, Trump’s victory in 2016 signaled a huge shift in American grand strategy and foreign policy. His attacks on globalization, decision to withdraw from a few international institutions, and mismanagement of alliance relations brought great uncertainty to the U.S.-led world order.²⁵ More importantly, the tech-trade war between the two countries escalated their conflicts into overt rivalry, signaling the return of geopolitics and the shift towards a geoeconomics order (Roberts, Moraes, and Ferguson 2019).

The geopolitical shift has enabled national security agencies to shape economic policymaking because host countries need their knowledge and expertise to assess and manage the national security risks of foreign economic activities. According to Max Weber’s conceptualization, bureaucracy is idealized for its technical superiority and procedural rationality.²⁶ The notion that bureaucracy provides relatively scientific and

²⁵ One could counter that China’s and the U.S.’s actions since 2016 have not fundamentally altered their grand strategies and foreign policy principles. As a matter of fact, the U.S. had a record of disregarding alliance commitment and bypassing international institutions. Similarly, China’s new assertiveness in foreign policy can be questioned (Johnston 2013), or its ambition may have long existed (Pillsbury 2015). Additionally, it is discovered that China’s economic statecraft is mostly exaggerated and ineffective, which I will discuss in the subsequent chapters. These assertions, however, do not weaken my argument. Regardless of whether the nature of Chinese or American foreign policy has changed, the perception has changed. With the prevailing narratives and memes of China’s aggression and America’s uncertainty, U.S.–China security dilemma and strategic rivalry materialized (Allison 2017; Breuer and Johnston 2019), which also shook the consensus on the liberal international order (Lake, Martin, and Risse 2021; Weiss and Wallace 2021).

²⁶ Weberian bureaucracy as an ideal type “signifies a distinct organizational setting, the bureau or office. Its attributes include formalized, rule-bound hierarchical authority, standardization, and

rational expert-based solutions is the main source of its authority (Hill 1991; Huber and Shipan 2002). As a middle power in the constant “fear of abandonment”²⁷ (Carr 2014; Gyngell 2017), Australia has been in dire need of complex policy advice to adapt to Beijing’s aggression and Washington’s uncertainty, which has empowered the Australian Security Intelligence Organization (ASIO) and the Department of Home Affairs (DHA) to play an unprecedented role in shaping its foreign economic policy.

National security agencies in policymaking: incentives and characteristics

However, assuming that bureaucracy is impartial and rational in advocating policies and providing policy advice. What motivates security and intelligence agencies to take an active role in economic policymaking? And what are their preferences or inclinations in interpreting the national security implications of FDI transactions? My subsequent analysis of their material incentives, organizational culture and beliefs, and cognitive bias will explain their strong motivations to intervene in the realm of economic issues and their tendency to emphasize national security dimensions.

First, the economic model of bureaucratic behavior contends that bureaucratic agencies seek to increase budgets, personnel, and institutional power (Blais and Dion 1991; Cooley and Ron 2002; Downs 1957; Niskanen 1975). For national security

specialization with a clear functional division of labor and demarcation of jurisdiction.” It also refers to “a professional, full-time administrative staff with lifelong employment, organized careers, salaries, and pensions. Bureaucrats are appointed to office and promoted on the basis of formal education, merit, and tenure, with legal protection against discretionary dismissal” (Weber and Fischhoff 1978, 971–72).

²⁷ This term is frequently used to characterize the nature of Australia’s foreign policy. In other words, Australia’s grand strategy is motivated by its fear of being abandoned by its most important ally—Great Britain in the past, and now the United States.

bureaucracies, their budgets are largely associated with the perceived international threat environment and domestic bargaining (Adams and Williams 2009; Fordham 2002; Nordhaus, Oneal, and Russett 2012). In order to convince leaders of the necessity to allocate more resources to them, national security agencies are incentivized to emphasize threat perceptions (Lopez, McDermott, and Petersen 2011; Sagan 1996). Moreover, regulations and rulemaking grant involved bureaucracies more discretion and legitimacy.²⁸ The increasing number of legislations stemming from the executive branch of government is often correlated with its increasing power. To preserve and enlarge their organizational interest, defense and security agencies are further incentivized to actively seek institutional access to economic decision-making.

Second, the purposive incentive and organizational culture of a bureaucracy define its primary ideological goals and determine its task priorities (Barnett and Finnemore 1999; Schein 1990; Wilson 1991).²⁹ Indeed, the correlation between military experience and elites' propensity is contested,³⁰ and it is also arbitrary to assume that military organizations inherently prefer offensive doctrines (Kier 1995; 2017). However, there are a few important findings in current literature that implies the hawkish tendency of Australia's national security apparatus. For instance,

²⁸ See the following studies: Gailmard and Patty 2007; Haeder and Yackee 2015; Huber and Shipan 2002; Schneiberg and Bartley 2008; Vogel 2018.

²⁹ To presume the homogeneity among bureaucrats within the same bureaucracy is obviously oversimplified. Chapters 4 and 5 will also discuss the opposing opinion within Australia's national security community. However, because hierarchy is one of the defining features of bureaucracy, my analysis only focuses on a small number of recognizable high-ranking individuals to infer national security bureaucracies (Bendor and Hammond 1992; Olsen 2008). Essentially, self-selection and socialization both contribute to the distinctive culture of the military (Lupton 2021; Jost, Meshkin, and Schub 2022; Krcmaric, Nelson, and Roberts 2020).

³⁰ While some studies find military veterans and combatants to be more war-prone (Sechser 2004; Kriner 2010; Grossman, Manekin, and Miodownik 2015; Jost, Meshkin, and Schub 2022), others observe the pacifying effect of military experience (Gelpi and Feaver 2002; Horowitz, Stam, and Ellis 2015).

Horowitz, Stam, and Ellis (2015) find that leaders with military training yet no direct combat experience are most war-prone. Australia can be a typical case, for its direct military involvement in war and conflicts has been very limited in the past few decades. White (2021) observes that military officers' increasing influence outside of defense will increase conflict propensity, which implies the reinforced hawkishness of Australia's national security agencies as a consequence of their expansive power in other issue areas.

Moreover, bureaucracy's social structure is an open system that is susceptible to external ideational factors. Transnational socialization, in particular, can influence a bureaucracy's common values (Centeno and Maxfield 1992; Nelson 2014).

Unsurprisingly, the ASIO and the DHA, which have close ties with defense and security elites in Washington and whose bureaucrats often travel to meet their U.S. counterparts (Hartcher 2021), tend to align with U.S. strategic interests and perceive China as a strategic competitor. Another important factor is domestic leadership changes. Evidence shows that bureaucracies may adapt their political ideology to new leadership (Aberbach and Rockman 1976; Golden 2000; Maranto and Hult 2004); and leaders may utilize bureaucratic appointments to balance or appease party factions (Saunders 2018). Australia's security agencies have seen a right swing in their political ideology since the Liberal Party came to office in 2013. By reshuffling key leadership positions, the conservative faction within the Liberal Party also projected its influence on the national security apparatus.³¹

³¹ Simon Benson, "Network of Influence," *The Australian*, December 7, 2019. More discussion in Chapter 4.

Meanwhile, cognitive factors and psychological predispositions lead national security bureaucrats to emphasize the national security dimensions of economic issues. At the individual level, with bounded rationality, people rely on heuristics to interpret information and make decisions (Tversky and Kahneman 1974). In a similar vein, policymakers use historical analogies and prior beliefs to filter information and produce solutions in foreign policy (McDermott 2001; Davis and McDermott 2021; Jervis 2017).³² Immersed in espionage and sabotage files, defense and security bureaucrats are prone to confirmation bias and wishful thinking.³³ Such bias may mislead Australia’s national security bureaucrats into overestimating the security risks of Chinese FDI.

The power of persuasion

With strong incentives to influence foreign economic policies, how do national security agencies achieve their policy objectives? The main mechanism is persuasion, which is defined in this study as “a successful intentional effort at influencing another’s mental state through communication in a circumstance in which the persuadee has some measure of freedom” (O’Keefe 2016, 4). The effectiveness of political persuasion depends on its setting, content, and the power and techniques of

³² Although there may exist elite-public gaps in strategic bargaining (Hafner-Burton, Hughes, and Victor 2013), the latest empirical findings show that the magnitude of elite-public gaps in decision-making is overstated (Kertzer 2020; Sheffer et al. 2018). In fact, due to their overconfidence, elites are occasionally less “rational” than the general public (Hafner-Burton, Hughes, and Victor 2013).

³³ In bureaucratic politics, “what you know depends on where you sit” (Schub 2017). Due to their bureaucratic specialization in security risks, national security agencies are more likely to receive information that emphasizes the security attributes of foreign economic activities. Furthermore, even if they are presented with contradictory evidence, they will be less receptive to the evidence that contradicts their preconceived notions.

the persuader (Druckman 2022; Krebs 2015). Primarily, as discussed above, the geopolitical change and the shift towards a geoeconomics order has blurred the dividing line between security interest and economic interest. This enables security and defense agencies to redefine the narrative landscape of economic policy.

Moreover, defense and intelligence bureaucracies can frame foreign economic activities as potential threats to national security. At its core, national security is a malleable concept “constructed through a process of social interaction” (Katzenstein 1996, 2), and its ambiguity allows for political maneuvers (Buzan, Wæver, and Wilde 1998; Weldes 1996; Wolfers 1952). Ultimately, securitization³⁴ of a given issue entails an existential threat that necessitates emergency action, which legitimizes the drastic policy and institutional changes desired by the persuader. The use of national security narratives is also accompanied by the priming of national identity and threat perceptions. When national identity is activated, even partisans in a polarized democracy are likely to band together against the perceived threat (Geis, Müller, and Schörnig 2013). In this sense, national security narratives are far more incontestable than nativist narratives and thus more likely to overshadow their competing narratives.

National security agencies can be very powerful and skillful persuaders compared to most other political actors. Bureaucratic expertise and information monopoly in their specialized issues are the primary source of their authority in intra-elite interactions and influence (Berinsky 2007; Guisinger and Saunders 2017; Hoyt

³⁴ Securitization refers to the process that an existential issue in politics is dramatized, incorporated into the security agenda, and lifted above everyday politics through “speech act” processes (Buzan, Wæver, and Wilde 1998; Williams 2003).

and Garrison 1997; Maoz 1990; Niskanen 1975; 2007). With their control over intelligence disclosure, national security agencies may shape policy simply by strategically and selectively sharing information (Kato 1994; Moe 1984). Apart from information control, they can also manipulate foreign policy by interpersonal maneuvers and agenda control (Hoyt and Garrison 1997; Maoz 1990). Particularly, security and intelligence agencies may build and reward coalitions that support their desired agenda and policy directions,³⁵ sway and pressure those who are undecided and hesitant,³⁶ and marginalize countervailing voices.³⁷ In the case of Australia, defense hawks linked Chinese FDI to foreign interference and labeled it as an “existential threat” to the country. In cabinet meetings and parliamentary submissions, they have actively advocated for more restrictions and institutional reforms. While doing so, they discouraged Australian businesses from collaborating with Chinese investors and disparaged their “opponents” for being weak and even unpatriotic. Eventually, their forceful persuasion managed to securitize Chinese FDI and led to FDI restrictions unprecedented in the past few decades.³⁸

³⁵ Socialization with peers is a crucial mechanism for shaping one’s opinion about foreign policy (Kertzer and Zeitzoff 2017). Other political elites with similar views on Chinese economic influence will readily support the activation of national security narratives. The political coalition also reaps material advantages, as was previously mentioned.

³⁶ Based on the affective intelligence theory, the use of threatening appeals will enhance policymakers’ anxiety. They will seek out new information, especially negative, threatening information. Under such circumstances, their trust in expert opinion will also increase (Albertson and Gadarian 2015; Marcus, Neuman, and MacKuen 2000). As securitization implies emergency action, political persuasion by national security bureaucracies will be even more effective.

³⁷ Even when the persuader’s opponents have not internalized the proposed issue framing and policy solutions, persuasion still works. As explained by Krebs and Jackson (2007, 36), “rhetorical coercion occurs when this strategy proves successful: when the claimant’s opponents have been talked into a corner, compelled to endorse a stance they would otherwise reject. It is the public nature of rhetoric that makes this possible, as the relevant audiences impose limits on the arguments that can plausibly be advanced.” Even if some political elites are not entirely convinced on the subject of national security, they will choose to remain silent out of fear of being seen as weak (Saunders 2022).

³⁸ In the subsequent chapters, I will elaborate on the effectiveness and outcomes of the two processes in

1.5 Methods and Data

This study presents a narrative account to explicate how two domestic processes have brought about the change of economic agenda in Australia. I do not intend to determine whether the intervention of fringe parties and national security agencies is sufficient or necessary condition for FDI policy changes. Instead, I seek to illuminate the underlying factors that constrain and enable the change in Australia's FDI regulations. This study is devoted to tracing how fringe parties and national security bureaucracies can influence economic policies rather than testing whether fringe parties and national security bureaucracies matter in economic policymaking. The causal mechanisms presented in my findings carry more comprehensive and valuable insights than merely testing causal effects.³⁹ Overall, my pattern recognition on the mechanisms and processes by which issue entrepreneurs (i.e., fringe parties and national security agencies) politicize Chinese foreign investment not only helps us to understand Australia's policy responses to Chinese FDI, but also sheds light on the making of foreign economic policy and the political contention over China's economic influence in the developed world.

The overarching empirical strategy of this project is the case study method. Compared to large-N cross-unit studies, case studies have the advantage of making descriptive inferences, providing in-depth analysis, examining causal mechanisms, and exploring new theories (Gerring 2004). Australia, one of the most frequently studied

detailed case studies. Chapter 5 will assess and discuss the political consequences of these two processes from different perspectives.

³⁹ Based on the taxonomy of descriptive arguments in Gerring (2012), my findings are close to an associational argument which has causal implications yet focuses more on demonstrating mechanisms and processes than causations.

single countries since 1965 (Pepinsky 2019), is a particular focus of the case studies in this project. Essentially, Australia is a deviant case in studying the “China shock.” The majority of research on the “China shock” is based on the contexts of the U.S. and Europe; and these studies typically focus on job loss and trade deficits, fear of technology transfer, or local industry lobbying (Colantone and Stanig 2018; Jensen, Quinn, and Weymouth 2017). Nevertheless, these conclusions do not apply to Australia, which has a trade surplus with China, low risks of technology transfer to Chinese investors, and highly liberalized mining and agricultural sectors.

On the one hand, Australia is the only developed nation unaffected by the global financial crisis, largely driven by China’s booming demand for energy and minerals. Prior to the pandemic, Australia used to be the most China-dependent developed nation in the world in terms of exports and foreign income. Australia had, compared to other developed nations, a relatively cordial relationship with China before the emergence of the Chinese influence debate. On the other hand, Australia has been a pioneer in restricting Chinese investment and its economic influence in the developed world. “Australia was the canary in the mine,” said former Trump White House chief strategist Steve Bannon. “It played an important role in the awakening of America to what China was doing.”⁴⁰ In the wake of global land grabs, Australia was one of only two developed countries to block farmland investments.⁴¹ It was the first

⁴⁰ Cameron Stewart, “Australia the Canary in China’s Coalmine: Bannon,” *The Australian*, June 1, 2019.

⁴¹ Australia and New Zealand are the only two developed countries that are recorded to reject land deals, according to GRAIN’s dataset of land grabs. This list also includes Algeria, Argentina, Benin, Bolivia, Brazil, Columbia, DRC, Ecuador, Hungary, Paraguay, Peru, Poland, Romania, Rwanda, Tanzania, Ukraine, Uruguay, etc.

country to release regulations on critical infrastructure investments and foreign interference in response to Chinese espionage and influence activities. As early as 2018, it was also the first nation to ban Huawei from its 5G network. Overall, both theoretically and empirically, the findings generated from the Australian case will have some very important implications for the backlash against Chinese economic influence in other developed countries.⁴²

Within Australia, my examination begins in 2007-2008 because the amount of Chinese FDI in Australia was negligible before then; and ends in 2019 due to the COVID-19 outbreak in 2020. I divide the political controversies over Chinese investment in Australia by its most contentious industries: mining (2007-2010); agriculture (2010-2015); and critical infrastructure (2015-2019). In all three cases, I have observed the mobilization of niche parties, though in the critical infrastructure case, their influence is much less significant; by contrast, the persuasion of national security bureaucracies is only salient in the most recent case. Regarding the confounders in these three cases, prominent domestic factors such as the change in the governing party⁴³ and the frequent change in prime ministers⁴⁴ have had little impact on the politicization of Chinese FDI in the past decade.

I generated the empirical findings based on various qualitative sources.

Between December 2018 and December 2019, 60 interviews were conducted, of

⁴² Chapter 5 will discuss how my findings in Australia may apply in other cases.

⁴³ In 2013, the Liberal-National Coalition (LNC) replaced the ALP as the party in power. Even though we can see a divergence between the ALP and the LNC in areas such as agriculture and critical infrastructure, every informant I spoke with, regardless of their political views and affiliations, insisted that if Labor had been in power, it would not have implemented an FDI policy that differed significantly from the Coalition's. Their intra-party conflicts have been more significant than their inter-party competition.

⁴⁴ In fact, it has left more room for issue entrepreneurs to maneuver.

which 55 took place in Canberra, Sydney, Melbourne, and Brisbane, four in Beijing, and one in Auckland. The interviews were set up through a snowball design⁴⁵ so that I was able to speak with important stakeholders and learn insider information. Retired civil servants and politicians, active practitioners, think tank experts, journalists, academics, and activists are among the respondents. Australia is generally a friendly place for elite interviews; even though I am a Chinese citizen without security clearance,⁴⁶ I have conducted valuable interviews with former Australian foreign ministers, the former leader of the LPA, the former chief staff of the Foreign Investment Review Board (FIRB), and leading figures in the anti-China campaign. The corpus of parliamentary debates is another primary source I relied on in process tracing. Between 2006 and 2019, I gathered the Hansard records of the Australian Senate and House of Representatives, and I singled out all the discussions about China's economic influence.⁴⁷ In my analysis, I also drew on parliamentary reports, policy statements, media interviews, memoirs, and archives.⁴⁸

⁴⁵ I intentionally socialized with both “China hawks” and “China doves” in Canberra so that the sampling of respondents would not be skewed in one direction.

⁴⁶ After the anti-foreign interference law went into effect and while the Chinese influence debate was still raging, I started my field research. I have also seen the rise in anti-China sentiment during my time in Australia as a result of the 2019 protests in Hong Kong and the abuses of human rights in the re-education camps in Xinjiang. The main barrier to interviewing current policymakers and bureaucrats was my citizenship. Nevertheless, it did not prevent me from interviewing key advocates from both sides of the debate, including retired bureaucrats and politicians.

⁴⁷ One important challenge of text data is determining what politicians say is what they genuinely believe. However, this empirical challenge will not lessen the validity of my findings as long as their statements on public platforms have political outcomes and serve political objectives (Grimmer 2013). As a matter of fact, in my informal conversation with a member of the parliamentary staff in charge of drafting speeches on restricting Chinese FDI, he revealed that his boss (i.e., one senator who is keen on FDI restrictions) had asked him to read Clive Hamilton’s “Silent Invasion” on his first day of work. This suggests that politicians do exert their political will in their public speeches.

⁴⁸ The beginning of Chapter 5 will discuss the backlash against American and Japanese investment in Australia. Over 300 declassified documents I gathered in the National Archives of Australia served as the foundation for the analysis of these two shadow cases.

1.6 Chapter Outline

The remainder of this dissertation is divided into four chapters. Chapters 2 and 3 address how Australia's fringe parties contributed to the politicization of Chinese FDI in mining and agriculture respectively, while Chapter 4 discusses the securitization of Chinese FDI in critical infrastructure, featuring the prominent role of national security bureaucracies. Each empirical chapter begins with an overview of Chinese FDI in the relevant industry both globally and in Australia, as well as an introduction to the Australia-China relations at the time. The core of each case study chapter is to unravel the domestic processes that shape Australia's policy responses to Chinese FDI. I discuss issue entrepreneurs, their advocacy strategies and mechanisms, the bargaining processes, and the ultimate policy outcomes. Besides overarching FDI restrictions, I also elaborate on Australia's political debates over the most important FDI transactions⁴⁹ in different phases to illustrate the mechanisms by which crossbenchers and national security bureaucracies affect economic policymaking.

Chapter 2 examines the political controversy over Chinese investment in the Australian mining industry in the 2000s. Chinese investors' quest for foreign resources, accompanied by China's "Go Out" strategy to encourage outbound investment, sparked a new round of Australia's mining boom. Although the influx of Chinese investment in minerals and energy was welcomed by local industry groups, peripheral parties and politicians (i.e., the Greens, the National Party, One Nation, Katter's Australian Party, and a few independents) resisted it based on noneconomic

⁴⁹ Given that the focus of this study is FDI, I do not go into detail in the case study chapters about the Huawei ban or Australia's decision not to join the BRI. They are nevertheless important cases in Australia's political debates over China's economic influence.

rationales. By emphasizing the social-cultural aspects of Chinese FDI in emotive sentiments, they mobilized the public's anxiety and pressured major parties to strengthen the "national interest test" when reviewing foreign investment. I also elaborate on the failed takeover of Rio Tinto to illustrate the political contention over Chinese investment in Australia's mining industry.

Chapter 3 traces the politicization of Chinese investment in Australian agriculture between 2010 and 2015. "Chinese are snatching up our land!" Such fear has dominated the headlines and evoked public resistance in Australia during this period. Australia's agricultural businesses and farmers' groups were supportive forces of globalization and viewed Chinese investment as a hailing development opportunity. It was the National Party, the Australian Greens, One Nation, and independents that raised social-cultural concerns and mobilized opposition to Chinese investment in agriculture both inside and outside of the parliament. Under election pressure, the ALP and the LPA conceded by accommodating their concerns. Eventually, their mobilization pushed the FIRB to introduce a series of restrictions on agricultural investments. To further illustrate the political process, I examine the controversial bid for Cubbie Station in 2012 and the failed bids for Kidman Co. in 2015.

Chapter 4 analyzes the securitization of Chinese investment in critical infrastructure since 2015. Encouraged by the BRI, Chinese capital poured into the critical infrastructure sector, triggering security concerns in the shifting geopolitical landscape. In the meantime, Australia's heated debate over Chinese influence strained ties between China and Australia and spilled over into the economic realm. The security and intelligence community has been taking an active role in shaping

economic policies for the first time in Australian history. On the grounds of national security and anti-foreign interference, defense hawks have securitized China's economic activities and persuaded the government into tightening rules on critical infrastructure investment. I elaborate on the controversial lease of the Port of Darwin and CK Infrastructure Holdings Limited's unsuccessful bid for the Australian gas pipeline company APA for further illustration.

Chapter 5 summarizes the descriptive findings and extends the discussion beyond the Australia-China case. It first addresses the two historical waves of backlash against foreign investment in Australia: the so-called "MNC-bashing" against the U.S. in the 1960s and 1970s and Japan in the 1980s and 1990s. Both cases illuminate the power of nativist narratives and party competition in shaping economic policies. Then I discuss the securitization of Chinese investment in other developed countries since 2017 and the prominent role of national security bureaucracies in policymaking. After discussing how my findings travel elsewhere, I move on to analyze the political consequences of the two observed domestic processes, whether they are intended or not. Finally, I discuss some possible future research directions.

CHAPTER 2

DEBATING CHINESE SOES TAKEOVERS IN MINERAL RESOURCES

We should never forget that freedom from foreign ownership and control of China's resources was a key objective of Mao's revolution. No wonder his first words as he stood, triumphant on Tienanmen, were "Zhongguo renmin zhan qilai le" - The Chinese people have stood up!

...

So in summary; in dealing with China, as with all great powers, we should be straightforward and strong in clearly articulating our own national interest. If we wish to express our approach in Chinese, then we could paraphrase Mao Zedong and say: "Aodalia renmin zhan qilai le" - The Australian people have stood up.

— Malcolm Turnbull, 2009⁵⁰

This chapter is a case study to illustrate the domestic process of popular politics in shaping economic policymaking. By examining Australia's most contentious foreign economic issue in the 2000s, namely, the political contention over Chinese investment in the Australian mining industry, this chapter demonstrates how Australia's fringe parties and politicians mobilized the issue and affected FDI policy changes. Specifically, the first section addresses the "going out" of Chinese investors, with a particular focus on Chinese SOEs and their quest for foreign resources. Then I contextualize the political contention by providing an overview of Australia's mining boom as well as the economic partnership between Australia and China at that time. The third section discusses Australia's political alignment on economic issues and illustrates the nativist responses from peripheral parties and politicians. Following the

⁵⁰ Malcolm Turnbull, "Power Balance in Asia: The Coalition perspective" (speech, Sydney, May 1, 2009), Lowy Institute.

discussion on party competition and their debates over Chinese FDI in mining and energy, I scrutinize the complex social, cultural, and political roots underpinning the mobilization by fringe parties, which resulted in rising public anxieties about China's quests for Australian resources. In the fifth section, I discuss the accommodative responses from the two major parties and investigate the policy restrictions associated with the politicization of Chinese FDI. The sixth section examines the Chinalco-Rio Tinto takeover, the most important and contentious case at the time, for further illustration. I conclude the chapter and discuss the broad implications in the last section.

2.1 Here Comes China's Resource Quest

The "going out" of Chinese FDI

The astounding growth of China's economy since its economic reform in the 1980s has given rise to China's expanding overseas direct investment over the past two decades. To prepare for its entry into the World Trade Organization, China transitioned its policy on outward foreign direct investment (OFDI) from a restricted approach to a relaxed and supportive approach by initiating the "Going Out" strategy (He and Wang 2014). According to the United Nations Conference on Trade and Development (UNCTAD) FDI Statistics, Chinese OFDI has increased significantly from \$2.9 billion in 2003 to \$161 billion in 2016, rising to become the second largest investor in the world. As shown in Table 2.1, investments by state-owned enterprises (SOEs) were dominant at the early stage of Chinese enterprises "going out," though

there was a steady decline in its proportion over time when more Chinese private companies and joint ventures eyed overseas markets.

Table 2.1 China's OFDI and SOE Investments

Year	FDI flow (billions in USD)	FDI stock (billions in USD)	Proportion of SOE in all Chinese investors	Proportion of SOE investment in total stock
2003	2.9	33.2	43%	N/A
2004	5.53	44.8	35%	N/A
2005	12.26	57.2	29%	N/A
2006	21.16	90.63	26%	81%
2007	26.51	117.91	19.70%	71%
2008	55.91	183.97	16.10%	69.60%
2009	56.53	245.75	13.40%	69.20%
2010	68.81	317.21	10.20%	66.20%

Source: Statistical Bulletins of China's Outward Foreign Direct Investment, MOFCOM

This tells a state-driven story that China's overseas economic footprints represent the will of the Chinese government to seek more power and status in the global arena, because a tremendous amount of investments in host countries can translate into political and economic influence; active participation in the global marketplace can also boost China's international prestige. During Chinese top leaders' state visits, many mega OFDI deals hit the headlines, though they failed to materialize

in the end.⁵¹ Simultaneous to the Chinese government's ambition to embrace or dominate the world economy, there also exists a convincing economic story. The rapid development of Chinese FDI keeps pace with China's domestic economic reform and growth (Pei and Zheng 2015). Moreover, it reflects China's demand for natural resources, new markets, advanced technology, as well as a transformation of its economic structure (Salidjanova 2011).

Are Chinese investors fundamentally different from other foreign investors? Are they puppets of the government or profit seekers? Contrary to popular belief, empirical findings demonstrate that Chinese FDI's general patterns are quite similar to other foreign investments (Burgoon and Raess 2014; Chen, Dollar, and Tang 2018; Dollar 2017; Hanemann 2014; Jacoby 2014). Having said that, one characteristic of Chinese investors is their boldness to invest in politically and economically riskier countries and their patience to invest in projects with a longer time horizon (Buckley et al. 2007; Li and Liang 2012; Shi 2015; Kaplan 2016).⁵² It is misleading to assume that Chinese SOEs intentionally engage in "white elephant" projects to bankrupt foreign governments and infiltrate indebted host countries. In fact, Chinese SOEs' propensity to invest in riskier destinations cannot be well explained by China's resource strategy, the latecomer effect, or risk perception. Instead, because the Chinese government has encouraged and even subsidized companies to invest, Chinese

⁵¹ This partly explains why the reported amount of Chinese OFDI was overblown. Before state visits, Chinese bureaucracies at all levels would try to count every possible deal to present eye-catching numbers as progress of summits. However, after the state visits, little attention was paid to these investments, so unfeasible planned transactions were naturally suspended.

⁵² This differentiates Chinese investors from other foreign investors, which are commonly most concerned with the governance and credibility of host countries as well as the potential time inconsistency problem.

companies, especially SOEs, are less concerned about potential economic loss from foreign investments than other foreign companies. Chinese investors are, in this sense, autonomous agents that make a rational use of their home country's political and economic resources.⁵³ Under the grand strategy of "Going Out," they do make improvisations and adaptations to the dynamic challenges. Large SOEs and government-related private companies experiment with risky investments with a long time horizon by utilizing the support of the Chinese government.

China's global quest for resources?

Chinese OFDI in the mining sector was a contentious issue in the 2000s. Aside from the reasons stated above, China's resource strategy has also contributed to the country's burgeoning mining investment. Instead of a self-sufficient energy policy, China's rapid economic growth and an increasingly affluent middle class prompted its resource quest overseas, especially in petroleum, natural gas, and iron ore. Developing countries abundant in natural resources were the primary destinations of China's mineral investment: petroleum and oil investments were concentrated in the Middle East, Africa, Central Asia, and South America, while iron ore investments were concentrated in Australia, South Africa, Brazil, and India (Zhou and Liu 2011). As shown in Table 2.2, China's annual FDI outflows were constantly above \$1 billion and

⁵³ This is also supported by some studies of the relationship between Chinese firms and the government. For instance, Naoi, Shi, and Zhu (2017) argue that Chinese business elites' expressions of dissent or conformity were largely driven by their material incentives. The executives of large firms with more bargaining power with the government are less likely to take the "yes-man" approach. Liu and Weingast (2018) find that private companies have played a crucial role in developing China's legal market infrastructure. Moreover, opening up the "black box" of Chinese SOEs, corporate strategies and decisions of Chinese SOEs are contingent on the agency of their leaders and organizational politics (Leutert 2020; Marquis and Qiao 2020).

peaked at \$13.34 billion in 2009,⁵⁴ taking up a considerable proportion of Chinese overseas investment each year. Between 2003 and 2010, the total FDI stock from China in the mining industry rose from 5.9 billion USD to 44.7 billion USD globally.

Table 2.2 China's OFDI in Mining

Year	FDI flow in mining (billions in USD)	Proportion of FDI flows in mining	FDI stock in mining (billions in USD)	Proportion of FDI stock in mining
2003	1.38	48%	5.9	18.0%
2004	1.80	18%	6.0	13.3%
2005	1.68	14%	8.7	15.1%
2006	8.54	40.40%	17.9	19.8%
2007	4.06	15.30%	15.0	12.7%
2008	5.82	10.40%	22.9	12.4%
2009	13.34	23.60%	40.6	16.5%
2010	5.71	8.30%	44.7	14.1%

Source: Statistical Bulletins of China's Outward Foreign Direct Investment, MOFCOM

Despite a lack of data, it is reasonable to assume that most Chinese mining investors in the 2000s were large SOEs,⁵⁵ which exacerbated the concerns about

⁵⁴ The great plunge in oil prices and commodity prices in the aftermath of the 2008 financial crisis attracted global interest in energy investments. Chinese investors were encouraged and motivated to seize this opportunity.

⁵⁵ For example, according to the 2009 Statistical Bulletins of China's Outward Foreign Direct Investment, China's top four investors in terms of their FDI stock were the China National Petroleum Corporation, the China National Offshore Oil Corporation, the China Petrochemical Corporation, and the Aluminum Corporation of China Limited. Seventeen out of the top fifty largest investors were from the energy industry (Ministry of Commerce of People's Republic of China, National Bureau of Statistics of People's Republic of China, and State Administration of Foreign Exchange 2010).

“China’s global hunt for energy.” The influx of such state-led resource investments was often associated with corruption and market disorder in host countries (Cáceres and Ear 2013; Kreft 2006; Moran 2010; Zweig and Bi 2005). However, it is important to note that China has had a relatively high energy self-sufficiency rate. Even in the 13th Five Year Plan for Energy Development drafted in 2016, China still aimed to keep its energy self-sufficiency rate above 80 percent. More importantly, as discussed above, it is misleading to assume that Beijing has been directing every move of Chinese overseas investments. Chinese mining and energy firms have had considerable freedom in their investment and operational decisions. They were not obliged to ship resources back to China, and most of them chose to sell resource output on the global market for profits just like other investors (Brautigam 2009; Ye 2020). As a matter of fact, principal-agent problems were quite common in the investment decisions of Chinese energy and mining SOEs. Many of them took advantage of Beijing’s policy support and overexpanded businesses without appropriate due diligence and risk management, which not only created moral hazards in host countries but also harmed China’s strategic interest (Liao 2019).⁵⁶

2.2 Australia’s Mining Boom in the Asian Century

FDI in Australia’s mining sector

The mining industry has been a cornerstone of Australia’s prosperity ever since the gold rush era. With abundant natural resources, Australia is a world-leading

⁵⁶ In 2017, the Chinese government issued regulations to curb “irrational” overseas investments in response, which will be addressed in Chapter 4.

producer and exporter of many key mineral commodities, which has made an invaluable contribution to the well-being of the Australian economy and rural development. In 2008, the minerals sector represented eight percent of Australia’s GDP, over 80 percent of total commodities exports, and 56 percent of total goods and services exports (Roarty 2010). As Liberal PM Malcolm Fraser proclaimed in 1976, “Australia is a resource-rich country in a resource-tight world.”⁵⁷ Australia has leveraged its comparative advantages in resource diplomacy and accumulated substantial wealth in major mining booms (Battellino 2010). The most recent boom, driven by China’s growing demand for resources, also helped Australia to sail through the great recession (Cleary 2011; Walter 2017).

Table 2.3 FDI in Australian Mining (Level of Investment: AUD, million)

Year	FDI in mining	Total FDI	Proportion
2007	105,939	396,897	27%
2008	125,779	396,410	32%
2009	148,013	442,526	33%
2010	151,919	475,738	32%
2011	177,782	507,360	35%
2012	210,953	590,636	36%

Source: Australian Bureau of Statistics

⁵⁷ Malcolm Fraser, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 1 June 1976.

As a highly capital-intensive industry, Australian mining has attracted massive foreign investments. Historically, foreign ownership of the Australian mining industry used to be 49.5% in 1972–1973 and 50.4% in 1982–83.⁵⁸ The leading mining giants in Australia, such as Rio Tinto, BHP (Broken Hill Proprietary) Billiton, Xstrata, and Anglo American, are mainly funded offshore or even fully foreign-owned. In Table 2.3, we can see a steady increase in the level of investment during the recent mining boom. In this period, FDI in mining accounted for nearly one-third of Australia’s total inward FDI.

Table 2.4 Chinese Direct Investment in Australian Mining

Year	FDI flow in Australia (billions in USD)	FDI stock in Australia (billions in USD)	Proportion of FDI flows	Proportion of FDI stock
2007	0.77008	1.44	45.7%	45.5%
2008	1.95187	3.35	N/A	73.0%
2009	2.47998	5.86	N/A	85.9%
2010	1.88896	7.87	72.30%	81.6%

Source: Statistical Bulletins of China’s Outward Foreign Direct Investment, MOFCOM

The influx of foreign capital was not new in Australia’s mining industry, but China was a newcomer. As detailed in Table 2.4, Chinese FDI in mining was the main source of its total FDI in Australia from 2007 to 2010. According to the FIRB annual

⁵⁸ Commonwealth of Australia, *1984-1985 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 1986), p.32, Table 4.1.

report, 90 percent of the FIRB approvals for Chinese investment between 2008 and 2010 were in the mining sector.⁵⁹ The estimated value of Chinese FDI, based on proposals submitted to the FIRB, was 6.8 billion AUD in 2008 and doubled in 2009.⁶⁰ Although the weight of Chinese investment was much less significant than that of the United States or the United Kingdom, its dramatic surge was accompanied by raging debates over foreign ownership and China's resource quest in Australia. It was in this context that the controversy over Chinese mineral investments in Australia heated up.

Economic partnership despite political differences

In his speech to the Australia-China Business Council, Treasurer Swan explained the government's position on foreign investment in Australia's resources:

“We have an open and welcoming approach to foreign investment. This is not only evident in our words, it is evident in our deeds: Australia has one of the highest levels of foreign ownership of our companies—including our resource companies—in the world.”⁶¹

Similarly, business communities and Australia's mining lobby advocated a welcoming attitude toward Chinese FDI. For example, the Minerals Council of Australia (MCA), Australia's primary mining industry association, strengthened the vital interests of foreign investment and urged an open and liberal investment regime in its public

⁵⁹ Commonwealth of Australia, *2009-2010 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 2011).

⁶⁰ Commonwealth of Australia, *2008-2009 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 2010).

⁶¹ Wayne Swan MP, “Australia, China and This Asian Century” (speech, Melbourne, July 4, 2008), Australia-China Business Council. <https://ministers.treasury.gov.au/ministers/wayne-swan-2007/speeches/speech-australia-china-business-council-melbourne>.

statements (Hooke 2009; Minerals Council of Australia 2010). Rio Tinto contended that restrictions on Chinese investment would hinder the development of the Australian minerals sector:

The stakes are high – if Australia gets it wrong in its approach to investment by SOEs, particularly in the resource sector, these entities can and will invest elsewhere. This means that the Australian economy will miss out on growth opportunities, and that Australian businesses will lose market share to global competitors. There is already evidence that China, Australia’s most important trading partner for several key commodities, has boosted its trade relationships in Africa and elsewhere on the back of significant resource investments. When Australia turned away from foreign investment in the 1970s, investment and economic growth suffered. (Rio Tinto 2009, 9)

Pro-business think tanks, notably the Institute of Public Affairs and the Lowy Institute, affirmed the benefits of Chinese FDI and expressed concerns about more protectionist FDI policies (Cook and Thirlwell 2009; Davidson, Novak, and Wilson 2009). The Committee for Economic Development of Australia also called for a calm discussion and tried to dispel public concerns about SOE investments and Chinese FDI in the mining industry.⁶²

⁶² Specifically, it debunked six commonly held misbeliefs about FDI: “Foreign firms may flout local rules; Foreign investment is shifting domestic production towards low-value activities; Unlike foreign investment in physical capital, nothing useful happens when an Australian firm is purchased by a large multinational firm; Australians would be better off if transactions took place only among Australians; Foreign labor will displace Australian jobs; Foreign investment causes profits to leave the country” (Fisher, Newton, and Brown 2008).

Their views were consistent with Australia's China policy at that time, featuring engagement and accommodation (Pan 2012). Despite ideological differences, Australia sought to engage China in the liberal world order and strengthen its economic relations with China. That said, this does not mean that Australian governments and PMs had a rosy view of the People's Republic of China (PRC). Instead, they saw the engagement with China as an economic opportunity to advance Australia's national interest. In fact, when Australia began to consider establishing diplomatic relations with China in 1970, one important factor was that its main competitor in agricultural exports, Canada, had already entered the Chinese market (Gyngell 2017). Since the 1980s, Australia's foreign and economic policies have been so intertwined and aligned that we have seen a relatively pragmatic and interest-based approach to Australia's China policy for decades.

Looking back now, the 2000s were the golden era of Australia-China relations. In 2004, the two countries held their first joint military exercise.⁶³ In 2008, Australia became the first Western country to establish annual bilateral strategic dialogues with China.⁶⁴ Despite the frictions on human rights and climate change between the Rudd government and Beijing,⁶⁵ the "China opportunity" view was pervasive among Canberra's policymakers. Hence, unlike the current controversy over Chinese FDI in

⁶³ "China, Australia Military Exercises Set to Start", *ABC News*, October 11, 2004.

⁶⁴ Consulate-General of the People's Republic of China in San Francisco, "China, Australia Hold First Strategic Dialogue", *Media Releases*, February 6, 2008. Note that this political arrangement was suspended by China in 2021. Gabriel Crossley and Kirsty Needham, "China Suspends Economic Dialogue with Australia as Relations Curdle," *Reuters*, May 5, 2021.

⁶⁵ Although Kevin Rudd is a fluent Mandarin speaker and had a robust foreign policy portfolio before he took office in 2007, Beijing was very unhappy with his open criticism about China's human rights record in Tibet and inappropriate use of swear words in an off-the-record briefing during the Copenhagen Summit (Rudd 2018).

Australia's critical infrastructure,⁶⁶ political relations with China, especially geopolitical concerns, played little role in shaping the political debates on China's mineral investments in the 2000s.

2.3 Party Competition on FDI Policy

Converging to the center

There are two economic traditions in Australia: the protectionists in Melbourne and the free traders in Sydney. For a very long time, the Labor Party represented the former, whereas the Liberal Party advocated for the latter. It was not until Australia's recession in the early 1980s that the two major parties' opposing views on economic policy began to converge. A series of economic reforms were implemented by the newly elected Hawke-Keating government during the crisis, fundamentally altering Australia's economic landscape and the ALP party platform in favor of free trade and deregulation (Kelly 2008; Megalogenis 2017).

Since 1983, the growing convergence between the ALP and the LPA has steered the country towards market liberalization. Many FDI restrictions were abolished, and the screening threshold of foreign transactions was dramatically lowered to reduce barriers for foreign investments in Australia (Pokarier 2017). In the mining industry, the strict restriction that foreign equity and control of each new mining project should be no more than 50 percent was abolished in 1992.⁶⁷ With regards to Chinese FDI in the 2000s, there was also a "fragile political consensus in

⁶⁶ See the case study in Chapter 4.

⁶⁷ Commonwealth of Australia, *1992-1993 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 1994).

favor of an open approach” between the two major parties (Mendelsohn and Fels 2014, 62). As Julia Gillard wrote in her memoir: “The resources boom is the first down payment for our nation in this century of change. Our iron ore is building the cities of Asia, particularly in China, and our coal and gas powering them” (Gillard 2015, 166).

The vanishing of a pronounced right-left distinction between Australia’s two major parties in economic policy was the triumph of economic liberalism and pragmatism in mainstream politics. However, as discussed in Chapter 1, it also allowed political outsiders to enter the fray and fill the policy spectrum. The ALP faced challenges from the newer cultural left, while the LPA encountered challenges from the social conservative factions (McKnight 2005). By adopting the strategy of issue entrepreneurship, parties and politicians from the periphery of Australian electoral competition put values and traditions at the forefront and redefined the issue space of Australia’s FDI policy.

Fringe Parties and issue entrepreneurship

On the left, the Australian Greens are a key political force that has led the campaign to restrict Chinese FDI over the past decade. Derived from the environmental movement, the Australian Greens have consolidated its role as the third force in the Australian parliament since the 2004 federal election. Like other green parties, its emergence has elevated the importance of environmental issues in national policy debates, but gradually, it has evolved from a single-issue party into a vote-seeking party based on a progressive party platform (Holloway, Miragliotta, and

Manwaring 2019; Miragliotta 2006; 2013). As a left-wing party, the Australian Greens align with the ALP on various issues ranging from climate change to immigration.

The National Party of Australia (NPA) is the Greens' counterpart on the right. It is a major minor party in Australian politics and has formed a coalition with the LPA in parliamentary elections since 1946.⁶⁸ It takes a conservative approach on social and cultural issues and is devoted to "improving the lot of those living and working beyond the capital cities" (Davey 2006, XIII). Since the economic reform in the 1980s, the party's popularity has waned, and it now has fewer seats than the Greens. On the one hand, its formal alliance with the Liberals restricts its economic agenda, but on the other, it provides leverage for the party to affect mainstream politics, especially when the LPA is internally divided.

Although both the Nationals and the Greens frequently reference rural development and community interest in their party platforms,⁶⁹ the NPA disagrees with multiculturalism and the union movement. Whether it is the "carbon tax" or the detention of "boat people," both parties prioritize values in their political campaigns, but apparently, the ideals they champion are quite different. That said, the Greens and the Nationals have found common ground on the issue of foreign investment. Together with independents such as Nick Xenophon,⁷⁰ they began to challenge the status quo of Australia's FDI policy in the parliament. It was their mobilization that motivated the

⁶⁸ Their coalition is often known as the Liberal-National Coalition (LNC or the Coalition).

⁶⁹ I will discuss the liberalization of Australia's agricultural sector in Chapter 3. In a nutshell, Australia's agricultural sector has been the most liberalized in the world since the 1980s, and farmers' groups generally support free trade and market competition. This also explains the Nationals' waning influence.

⁷⁰ Between 2008 and 2017, he was a Senator for South Australia. He founded the centrist party called the Nick Xenophon Team in 2013. After he left politics in 2018, the party was renamed the Centre Alliance (Kefford and McDonnell 2016).

Senate inquiry into SOE investments in 2009 (Wilson 2015). After the Senate concluded the inquiry by recognizing the status quo FDI regulation approach, National Senator Barnaby Joyce, Green Senator Scott Ludlam, and independent Senator Nick Xenophon drafted a dissenting report and stressed the dangers of Chinese investment. In 2010, the Greens and independent Senator Nick Xenophon proposed an amendment aimed

“to prevent foreign governments from using corporate vehicles to control Australia’s strategic assets; to apply a ‘relate entity’ test on private companies; to take into account reciprocity, ‘community standards of business behavior’ and human rights records of investor nations in the review process; and to restrict investments from state-owned entities.”⁷¹

Their primary concern was that the flood of Chinese FDI would lead to a loss of national control over mineral resources, which they regarded as strategic assets vital to Australia’s national interest. To raise its awareness, the National Party took on a nationalist tone: “So why would we allow the Chinese Government to buy and control a strategic asset in our country? Stop the Rudd Government from selling Australia” said National Senator Barnaby Joyce in a political advertisement entitled “Keep Australia Australian.”⁷²

They also expressed a deep distrust of the Chinese regime and its economic model in parliamentary debates. For example, Senator Bob Brown, the first Federal

⁷¹ Commonwealth of Australia, *Foreign Acquisitions and Takeovers Amendment Bill 2009 - Second Reading - Add an amendment* (Canberra, 2010).

⁷² Phillip Coorey, “Joyce Turns to Television to Undermine Chinalco Bid,” *Sydney Morning Herald*, March 17, 2009.

Parliamentary Leader of the Australian Greens, was a pioneer in lambasting the PRC's authoritarian nature. To second National Senator Barnaby Joyce on curbing Chinese investment, he said:

“But a different thing arises when you are dealing with a police state—and that is what China is. In Beijing, if Senator Joyce were to get some folk there to establish a National Party, and I know if I were to get some folk over there to try to set up a Greens Party, they would end up breaking rocks in the Gobi Desert for a long, long time. I do not say that lightly. Democrats—people who have a different point of view from the Communist Party in Beijing—are dealt with extremely harshly. They effectively lose their livelihoods and their wherewithal. They can be under house arrest or indeed worse—effectively in concentration camps—for long periods of time. One does not have to believe me on this. Go to the US State Department's reports on human rights in China and one will see that.”⁷³

Similarly, Beijing's notorious human rights record was often cited to support their campaign to restrict Chinese FDI in Australia's mining industry:

“It does not mention human rights—it needs to—but there is something there obviously. It became quite evident during Senate committee hearings that the sorts of checks and balances that are implied in this principle are really insufficient to block investment by institutions that operate in partnership with some of the world's worst human rights abusers.”⁷⁴

⁷³ Bob Brown, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 18 March 2009.

⁷⁴ Nick Xenophon, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary*

Reciprocity was another common theme.⁷⁵ The Greens and Senator Nick Xenophon had constantly advocated for Australia's "reciprocal rights of investment" in China: "We allow into Australia foreign investors whose governments deny our investments, and that does seem unfair."⁷⁶

Last but not least, they called attention to the environmental, land, and water problems in new mining projects. For instance, Senator Scott Ludlam raised the issue of land use:

"Companies such as BHP are involved and, as reported quite recently, a Chinese mining corporation has been moving quite aggressively to secure land in New South Wales for proposed coal mining. This is in some of Australia's most fertile and productive agricultural land...It produces bread wheat. And, of course, as we know, it is part of the Murray-Darling catchment. This is a very significant underground aquifer in terms of quality and quantity of water."⁷⁷

Such concerns were not limited to Chinese FDI or foreign investment per se. Rather, the criticisms were more directed at the environmental externalities of the mining boom:

"We have a problem at the moment because the finances of the state governments are so parlous that they have an insatiable desire to sell mining leases...In Queensland we are seeing a peculiar juxtaposition of lauded

Debates, 18 March 2009.

⁷⁵ Likewise, based on survey experiments in the U.S. and China, reciprocity was found to be a key determinant of individual attitudes toward the regulation of FDI (Chilton, Milner, and Tingley 2017).

⁷⁶ Nick Xenophon, "Commonwealth Parliament of Australia [*Hansard*]," *Senate, Parliamentary Debates*, 2 February 2010.

⁷⁷ Scott Ludlam, "Commonwealth Parliament of Australia [*Hansard*]," *Senate, Parliamentary Debates*, 17 June 2009.

environmental credentials with commercial considerations, as the Queensland government so earnestly tells people what they can do above the ground while having no hesitation about selling anything below the ground.”⁷⁸

2.4 Capital Xenophobia in the New Era?

Resonating with the public resentment

The mobilization efforts of the Greens and the Nationals resonated with the Australian public in a few ways. Primarily, the China debate in the Australian mining industry in the 2000s brought back some traditional anxieties about foreign investment on mercantilist grounds. In Australian society, there exists a deeply rooted discomfort with foreign investment (Kirchner 2008). Even in the 2005 Australian Survey of Social Attitudes, three-quarters of respondents held the view that “large international companies are doing more and more damage to local business in Australia” (Marsh, Meagher, and Wilson 2005, 243).

FDI in the natural resources sector is more likely than other industries to encounter nationalist and protectionist responses (Pandya 2016; Rudra and Jensen 2011). With regards to natural resources, Australia has a dual identity as a developed country and a primary commodity producer in the Global South. Despite the country’s abundance of natural resources, Australian intellectuals have long been concerned about the “resource curse” and even foreign dominance brought on by improper management of foreign investment (Birrell, Hill, and Stanley 1982; Caves 1978;

⁷⁸ Barnaby Joyce, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 2 February 2010.

McKern 1976). Throughout its history, Australia's mining and resources industry has experienced several waves of resource nationalism. Even the FIRB's establishment was largely a policy response to the influx of American capital into the Australian resources sector (Mendelsohn and Fels 2014; Pokarier 2017). Gough Whitlam, the 21st Prime Minister of Australia, who sought to secure full Australian ownership in resource projects during his term (1972–1975), elaborated on the rationale as follows:

If Australia was to gain any long-term benefit from mining, then the decisions on investment and production had to be made in Australia and in Australia's interests. If foreign investment was to be allowed to be turned on and off like a tap by alien hands, causing severe disruption in the domestic economy, if Australia and the developing economies were forced to grovel and beg for international capital to come and to stay, then we would be inviting disaster upon ourselves (Whitlam 1985, 249).

The main concern about Chinese FDI during this phase was the fear of monopolization and control of Australian resources by Chinese SOEs.⁷⁹ As discussed in the first section, there was a widespread suspicion that the operations of Chinese SOEs overseas were orchestrated by Beijing. Government support behind these SOEs may undermine fair competition in Australia's investment environment.⁸⁰ Meanwhile, although China was liberalizing its FDI review mechanisms and became one of the top

⁷⁹ Interview with Peter Drysdale, a leading economist and core policymaker in Australia's FDI policy, Canberra, ACT, 26 June 2019. This conclusion is also substantiated by a few interviews with a few key informants in Canberra.

⁸⁰ For discussion in the Australian context, see (Drysdale and Findlay 2009; Wilson 2015).

destinations for foreign investment, its FDI policy remained more restrictive than that of most OECD countries.

Moreover, the cultural aspects of the “ingrained animosity” towards foreign investment are undeniable. “Not many political issues stir the emotions in the way that foreign ownership does. It is a subject that provokes deep, visceral feelings of possession, solidarity and national identity” (Switzer 2008, 4). The contradiction between localism and multiculturalism has been deeply embedded in the public discourse on economic and social policies (Offord et al. 2014; Uren 2015). The recent controversy over Chinese investment was not only correlated with nativism and xenophobia but also blended with racism. In the colonial period, Asian immigrants were viewed as a threat to Australian labor in the goldfields (Walker 1999; Jayasuriya, Walker, and Gothard 2003). Although the “White Australia” policy was abolished in 1973 and the Australian government turned to embrace multiculturalism, racism against Asians, Muslims, and the Aborigines did not cease to exist (Megalogenis 2017). One iconic example in the 2000s was the Cronulla riots. On December 11, 2005, a crowd of 5000 gathered at Cronulla Beach in Sydney in celebration of Anglo-Australian culture. Assaults against people of Middle Eastern descent occurred in several nearby suburbs. Strikingly, Prime Minister John Howard downplayed the riots and claimed that “this was a local disturbance with no racial undertones.”⁸¹

In addition, the mobilization by fringe parties appealed to the public by bringing back sociocultural values into economic policy evaluation. The underlying

⁸¹ Anne Davies and Stephanie Peatling, “Australia Racist? No Way, Says Howard,” *Sydney Morning Herald*, December 13, 2005.

rationale is close to the idea of “moral economy” which values a “consistent traditional view of social norms and obligations of the proper economic functions of several parties within the community” (Thompson 1971, 79). People are not necessarily utility maximizers who only care about commercial interests when evaluating foreign economic activities. Therefore, growing public concerns about the political system, human rights record, and environmental externalities of investor nations are quite reasonable.

Shifting the status quo

Crossbenchers’ mobilization was accompanied with an increase in public awareness and concern about Chinese investments in Australia. According to the Lowy Institute national polls in 2009 and 2010, about half of the Australian respondents held the view that “the Australian government is allowing too much investment from China” (Hanson 2009; 2010).⁸² Australian media reports also fueled the debate by hyping the “seemingly flurry of Chinese raids on poor, weak Australian companies” and “enabling an impression of an opportunistic Team China raiding prized Australian resources” (Wong 2012, 54). In its submission to the Senate inquiry into SOE investments in 2009, the National Civic Council, an Australian conservative Christian lobby group, raised the alarm of the “aggressive nature of mercantilist Chinese capitalism” and its national security challenges to Australia (Bryne 2009, 7). The Australian Workers’ Union, the country’s leading trade union with a close tie with

⁸² This number has continued to increase over the past decade, as a response to growing Chinese investment in other industries.

the mining industry and the Labor Party, was also vigilant about foreign investment from sovereign wealth funds (SWFs) and SOEs for their potential speculative motive.

In response to public pressure, the LPA adopted the accommodative approach. The Liberals acknowledged the concerns raised by the fringe parties, even though they did not endorse the motions and bills that crossbenchers had proposed. For example, Western Australian Premier Colin Barnett echoed the sentiment at the Council of Australian Governments meeting:

“Australia could be overwhelmed by the weight of Chinese investment ... I believe Australia as a whole needs to agree on the rules of the game with this Chinese demand I think we do need to make sure we do keep it manageable, that we don’t lose control of our own economic development, in other words.”⁸³

In the debate over Chinalco’s purchase of Rio Tinto, which will be discussed in the following section, the LPA took the lead and stood with the National Party to oppose the deal. Malcolm Turnbull, who was the leader of the Liberal-National Coalition at that time, stated the Coalition’s stance as follows: “The object of the Chinalco acquisition is plainly strategic. This will give Chinalco, and hence the Chinese government, the seat of greatest influence and access to information about production, costs, pricing and marketing strategies of our second largest resource company.”⁸⁴

The ALP, the government party at the time, was generally defensive of the status quo FDI approach. In their statements on FDI regulations, Labor Senators and

⁸³ Paige Taylor, “Barnett Warns on Investment,” *The Australian*, September 30, 2008.

⁸⁴ Malcolm Turnbull, “Power Balance in Asia: The Coalition perspective” (speech, Sydney, May 1, 2009), Lowy Institute.

Members of Parliament (MPs) often dismissed the discussion of values and asserted their positions based on commercial considerations. Assistant Treasurer Nick Sherry explained the exclusion of reciprocity and human rights violations from the “national interest test” as follows:

“Another part of the amendment concerns the Foreign Investment Review Board being required to consider whether Australia has reciprocal rights of investment in the proposer’s country. Again, the government does not consider it appropriate to penalise foreign investors for the investment policies of their home country government. This would be inconsistent with Australia’s international obligations, including to the Organisation for Economic Cooperation and Development, the World Trade Organisation and Australia’s free trade agreement commitments.”⁸⁵

“The government considers that it is not appropriate to hold investors accountable for actions taken by the home country government except in limited circumstances where Australia maintains formal sanctions against that country.”⁸⁶

It was also not uncommon for Labor Senators and MPs to confront crossbenchers and refute their claims. For instance, Labor Senator Don Farrell argued with Senator Nick Xenophon over whether to raise the FIRB’s screening threshold:

“Currently, the threshold figure to trigger an inquiry by the Foreign Investment Review Board is \$231 million. According to Senator Xenophon, that figure is

⁸⁵ Nick Sherry, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 2 February 2010.

⁸⁶ *Ibid.*

too high and he would like to reduce it to \$5 million -- [interjected by Senator Nick Xenophon: The threshold for foreign ownership in China is \$1.] -- Are you saying we should adopt the Chinese system?"⁸⁷

Nonetheless, the Rudd administration eventually conceded and strengthened the "national interest test" when evaluating foreign investments to assuage widespread public concerns.⁸⁸

2.5 Regulatory Changes: Strengthening the "National Interest Test"

Overview of Australia's FDI review mechanism

In general, Australia had higher regulatory barriers to FDI in the 2000s than the majority of developed nations. Australia's foreign investment review mechanism was more liberalized than that of non-OECD nations among the fifty nations taking part in the "Freedom of Investment" (FOI) initiative started by the OECD Investment Committee, but it lagged behind the average of the OECD.⁸⁹ Specifically, the legislative and regulatory foundation of Australia's foreign investment review framework is provided by the Foreign Acquisitions and Takeovers Act 1975 (FATA) and the Foreign Acquisitions and Takeovers Fees Imposition Act 2015 (FATFIA), along with their associated regulations: the Foreign Acquisitions and Takeovers

⁸⁷ Don Farrell, "Commonwealth Parliament of Australia [*Hansard*]," *Senate, Parliamentary Debates*, 22 September 2011.

⁸⁸ Regarding the regulatory change, see the following section.

⁸⁹ Kathryn Gordon, *Identification of Foreign Investors: A Fact Finding Survey of Investment Review Procedures* (Paris: OECD-Freedom of Investment Process, 2010).

Regulation 2015 and the Foreign Acquisitions and Takeovers Fees Imposition Regulation 2015.⁹⁰

The Commonwealth government regulated FDI through ad hoc interventions prior to the FATA's passage in 1975. As discussed above, Australia has long wavered between an "open door" approach and a mercantilist approach towards foreign investment. In the 1960s and 1970s, Australia's burgeoning business community and the spread of economic liberalism pushed its FDI policy to a less restrictive end, whereas Australian ownership and control as well as fears of foreign domination became common themes in leadership speeches and intellectual writings (Kasper 1984; Pokarier 2017; Uren 2015).⁹¹ To appease the Australian public that its government was regulating foreign investment in defense of Australian national interests and to assure foreign investors that Australia had a rules-based investment environment, in 1976, the Fraser government formalized Australia's FDI scrutiny by establishing the FIRB. The FIRB typically has personnel overlap with the Treasury and is led by well-known figures in the business community, suggesting "an efficient, practical and sympathetic link between the government and foreign interests operating in Australia" (Foreign Investment Review Board 1976, 4).⁹²

Subject to the FATA, the FIRB examines all foreign investment transactions that exceed its screening threshold. It reviews each submitted proposal case by case

⁹⁰ Economics References Committee, *Foreign Investment Review Framework* (Canberra: Parliament of Australia, 2016).

⁹¹ Chapter 5 provides a more detailed discussion on the history of Australian FDI policy.

⁹² The FIRB has one executive member who works for the Treasury as well. Additionally, the Foreign Investment and Trade Policy Division of Treasury and the FIRB share secretariat services for day-to-day operations. This is no longer the case, though, due to the appointment of Davis Irvine, a former ASIO director, as Chair of the FIRB. See more discussion in Chapter 4.

and will collect information and consult with other agencies when necessary.⁹³ As a non-statutory organization, the FIRB provides advice to the Treasurer, who has the final authority to make determinations about the investment proposals.⁹⁴ Following the FIRB's review, the Treasurer chooses between the three options: "decide not to object; allow the action to proceed, provided the person complies with one or more conditions; or decide that taking the action would be contrary to the national interest."⁹⁵

The basic standard to approve FDI in Australia has been based on a case-by-case "national interest test" of whether certain investment proposals are contrary to Australian national interests. The "national interest test" is a negative test that determines whether a foreign investment proposal would have an adverse influence on Australia's national interest.⁹⁶ The concept of national interest in Australia's foreign investment regulations is vaguely constrained by various guidelines, unlike in New Zealand, where it is explicitly defined by law. For example, according to the FIRB's (2001–2002) annual report, the general guideline was whether the investment proposal was consistent with "existing government policy and law; national security interests; and economic development."⁹⁷ It is also worth noting that the FIRB does not publish its recommendations or establish definite procedures for its decision-making process

⁹³ For example, the FIRB may consult the DoD and ASIO on security matters and turn to the Australian Competition and Consumer Commission (ACCC) when it comes to concerns about monopolies. Nonetheless, it was the FIRB's discretion to determine when to consult another agency, which agency to consult, and how to interpret external advice. Chapter 4 will address the institutional

⁹⁴ Economics References Committee, *Foreign Investment Review Framework* (Canberra: Parliament of Australia, 2016).

⁹⁵ Department of the Treasury, Submission 14, p. 9.

⁹⁶ Foreign Investment Review Board, "Australia's Foreign Investment Policy," January 14, 2022.

⁹⁷ Commonwealth of Australia, *2009-2010 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 2010).

due to its special role, which is not statutory but is not entirely independent from the government. The ambiguous nature of the test and its opaque process make foreign investment screening susceptible to domestic politics and protectionism rather than national security.

New changes in the national interest test: red tape

Since the 1980s, Australia has reformed its FDI review mechanism and lifted restrictions to attract and welcome foreign investments. However, the surge in Chinese FDI in mining, the mobilization by fringe parties, and the corresponding public contention motivated challenges and prompted changes. The key regulatory change in the 2000s was the addition of guidelines targeting SOE investments in the “national interest test.” Specifically, in February 2008, the Treasurer released a set of six principles for the FIRB’s screening process:

“In response to public concerns, the Australian Government set out additional FIRB considerations when assessing applications from SOEs and Sovereign Wealth Funds (SWFs). These included: the investor’s independence from government; whether the investor has clear commercial objectives; corporate governance practices; and whether an investment may hinder competition or lead to undue concentration and control.”⁹⁸

⁹⁸ Treasury, “Government Improves Transparency of Foreign Investment Screening Process,” February 17, 2008. <https://ministers.treasury.gov.au/ministers/wayne-swan-2007/media-releases/government-improves-transparency-foreign-investment>.

Later, another two factors were added to the general guidelines on the “national interest test”: “impact on the economy and the community; or the character of the investor.”⁹⁹

Although the new guidelines were announced to “improve transparency of foreign investment screening process”¹⁰⁰ and did not name any specific country in the Treasury’s media release, Chinese SOE investments loomed large as the major target. This interpretation was not only shared by many scholars and researchers on Australia’s FDI policy, but was also substantiated by a WikiLeaks report of a classified cable from the US Embassy in Canberra. In the cable, US diplomats reported their confidential discussion with the head of the Treasury Foreign Investment Division, Patrick Colmer. The cable concluded that the Australian government was adopting “a stricter policy aimed squarely at China’s growing influence in Australia’s resources sector” and wished to “pose new disincentives for larger-scale Chinese investments.”¹⁰¹

Another interpretation, on the other hand, claimed that the Rudd government intended to accommodate the political opposition to foreign investment rather than limit Chinese investment and control over Australian resource assets. The new regulation was an “ad hoc response to increasing politicization of foreign investment policy,” to put it simply (Drysdale 2011, 58). Further explanation of the “national

⁹⁹ Commonwealth of Australia, *2009-2010 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 2011).

¹⁰⁰ See footnote 98.

¹⁰¹ Philip Dorling, “Laws ‘Aimed to Limit’ Chinese Investments,” *Sydney Morning Herald*, March 3, 2011.

interest test” even reflected Australia’s inclination towards a more liberal approach to regulating Chinese investors through market-based procedures (Wilson 2011).

It is very likely that both interpretations hold true. Primarily, it is unsurprising that Canberra was concerned about the spike of foreign investment in its mining industry, especially from a country with a different political system, business culture, and cultural background. This is manifest in Chinalco’s failed takeover of Rio Tinto, which will be examined in the following section. Meanwhile, one cannot ignore the divided opinion among bureaucrats, politicians, and other stakeholders in the decision-making process. For example, despite the fact that the Senate Standing Committee on Economics was pressured by fringe parties to investigate the challenges of foreign SOE investments in 2009, it still concluded the inquiry by recognizing Australia’s current FDI regulation approach (Australian Senate Economics References Committee 2009).

Other legislative efforts in the subsequent years also suggested Canberra’s mixed attitudes. On 4 August 2009, the Treasurer announced to raise the screening thresholds for private business investment to \$219 million.¹⁰² This measure reduced the administrative burden on the FIRB while relieving many private investors of red tape. On August 20, 2009, the Treasurer proposed plans amending the FATA 1975 by enhancing the role of the Treasurer. The updated “national interest test” requires “foreign investors to notify the Treasurer where there is a possibility, either now or in

¹⁰² Treasury, “Reforming Australia’s Foreign Investment Framework,” August 4, 2009. <https://ministers.treasury.gov.au/ministers/wayne-swan-2007/media-releases/reforming-australias-foreign-investment-framework>. For US investors, due to the terms in Australia-United States Free Trade Agreement, their screening threshold is \$1005 million for investments in sectors that are not prescribed as sensitive sectors.

the future, whether an investment arrangement will deliver influence or control over the business or assets of an Australian company.”¹⁰³

It is also worth noting that the motion raised by the Greens and Senator Nick Xenophon triggered a division (i.e., a formal vote in the Australian parliament), but it was endorsed only by Green Senators and a few independents. Although the National Party expressed empathy verbally and the LPA recognized the sentiment, they did not support it by vote. Of course, their appeals took root and were gradually accepted with the politicization of Chinese investment in recent years. But even today, no official documents or legislation in Australia have openly called for the restriction of foreign SOE investments, not to mention the linkage of human rights records.

How was Chinese investment impacted by the regulatory changes? In 2009, In 2009, 12 investment proposals were withdrawn by Chinese companies, and 35 Chinese FDI proposals to the FIRB were resubmitted.¹⁰⁴ This was also in part due to the extension of processing time for the FIRB to review foreign transactions. The surge in Chinese investment nevertheless persisted and spread to other Australian industries despite the six additional guidelines. Therefore, I contend that the issue entrepreneurship of fringe parties managed to shape the issue space and affect Australia’s FDI policy. In the meantime, their influence was limited; The policy restrictions in response to the influx of Chinese FDI at that time were more performative than consequential.

¹⁰³ Commonwealth of Australia, *Foreign Acquisitions and Takeovers Amendment Bill 2010* (Canberra, 2010).

¹⁰⁴ Commonwealth of Australia, *2009-2010 Annual Report of the Foreign Investment Review Board* (Canberra: Australian Government Publishing Service, 2011).

2.6 Case: Chinalco's Failed Acquisition of Shares in Rio Tinto, 2008

The Chinalco-Rio Tinto deal was the most iconic case amid the controversy over Chinese investment in Australia's mining industry. This section unfolds the process of how the bid developed into a hot political issue by addressing parliamentary debates, partisan divide, public concerns, and diplomatic pressure. Rio Tinto is a world-leading mining multinational listed on both the London Stock Exchange and the Australian Securities Exchange. The giant has two main components: Rio Tinto Limited, in charge of its assets and operations within Australasia, and Rio Tinto plc, in charge of its global affairs (Rio Tinto 2009; Uren 2012). In November 2007, Rio Tinto's rival mining company, BHP Billiton, proposed an offer of three BHP shares for each Rio share.¹⁰⁵ Aiming at a higher price, the indebted company rejected the proposal, which triggered a hostile bid from BHP at the beginning of 2008.¹⁰⁶

In the possible merger of the world's second and third largest iron ore producers, one-quarter of the global supply of iron ore was at stake, which drew the attention of China's burgeoning steelmaking industry, especially given that about 40 percent of China's iron ore supply was from Rio Tinto and BHP Billiton at the time (Uren 2012). In February 2008, the Aluminum Corporation of China (Chinalco), a diversified metals and mining giant in China, together with the US aluminum company Alcoa, bought up a 9 percent stake in Rio Tinto for \$14 billion.¹⁰⁷ Since the

¹⁰⁵ Julia Werdigier and Wayne Arnold, "Mine Giant Rejects Bid from Rival," *New York Times*, November 9, 2007.

¹⁰⁶ Julia Werdigier, "BHP Billiton Launches Hostile Bid for Rio Tinto," *New York Times*, February 6, 2008.

¹⁰⁷ Rebecca Bream, Kate Burgess, and Lina Saigol, "Dawn Raid for Rio Tinto Stuns BHP," *Financial Times*, February 1, 2008.

bought shares were under Rio Tinto plc and the takeover was conducted in London, Chinalco's "dawn raid" bypassed the FIRB in the first place. Xiao Yaqing, Chinalco's president, reiterated that the move was purely a "strategic financial investment" in media interviews, and called the secretary to the Treasury, Ken Henry, to notify Canberra right away.

Nevertheless, the deal shook the Australian government and prompted its effort to scrutinize Chinese SOE investments in Australia's resources sector (Uren 2012). As is detailed in the previous section, six principles regarding "national interest" were added to the FIRB's screening process to clarify and strengthen its treatment of SOE investments in legal terms. In August 2008, while Chinalco intended to further its acquisition of Rio Tinto in competition with BHP's bid, Treasurer Wayne Swan approved its application to obtain up to 14.99 percent of the London-listed shares under the new FIRB rule. The approval was conditioned on the fact that Chinalco would not increase its share without the FIRB's approval or appoint a director to intervene in the operations of Rio Tinto.¹⁰⁸

Simultaneous to the unfolding of the Rio Tinto bids was the deepening of the 2008 Great Recession and a few other takeovers by Chinese SOEs in Australia's resources industry. High-profile proposals, such as Sinosteel's takeover of Midwest Corporation and Minmetals' takeover of OZ Minerals, provided an important context for the political controversy over Chinalco's bid (Drysdale and Findlay 2009). In February 2009, to further lighten its debt burden, Rio Tinto negotiated with Chinalco

¹⁰⁸ Lenore Taylor, "China's Stake in Rio Gets All-clear," *The Australian*, August 25, 2008.

on a \$30 billion package, which would grant Chinalco 18 percent of Rio Tinto's combined shares.¹⁰⁹

The new deal posed great challenges to the Rudd government and the FIRB. As one informant commented, the initial concern of the proposed acquisition was “purely economic (i.e., price negotiation), but it took on a political color really quickly.”¹¹⁰ The Greens, the Nationals, and a few independents urged the government to suspend the deal and investigate SOE investments. On March 18, 2009, the Senate consulted its Standing Committee on Economics to research foreign investment by state-owned entities. The concluded Senate inquiry generally recognized the recommendations from Australia's business and intellectual communities (Senate Economics References Committee 2009). For example, in their submissions, Rio Tinto and Chinalco emphasized the commercial nature of the proposed acquisition:

Rio Tinto believes that this proposal is consistent with the national interest, and is an example of the type of foreign investment transaction that should be approved by the foreign investment approval process (Rio Tinto 2009, 7). Chinalco is a Chinese SOE. However, the decision ChinalCo has made to invest and to seek to invest in Australia and other countries have been made by ChinalCo at its initiative and in pursuit of its commercial interests (ChinalCo 2009, 1).

Apart from the conduct of SOEs, another central concern was that the potential deal would lower the price of iron ore and undermine the competitiveness of

¹⁰⁹ Matt Chambers, “China Inc's \$30bn Rio Rescue,” *The Australian*, February 13, 2009.

¹¹⁰ Interview with a leading scholar specializing in Australian political economy, Canberra, ACT, 20 November 2019.

Australia's iron ore production.¹¹¹ The Australian Competition and Consumer Commission (ACCC), an independent statutory authority in charge of competition law and anti-competitive practices, investigated the deal and invalidated the claim in March 2009. The ACCC declared that it would not oppose the proposed acquisition because it had found no evidence of the deal's threats to competition (The Australian Competition and Consumer Commission 2009).

Nevertheless, investigations by the Senate Standing Committee on Economics and the ACCC did not appease the opponents of the deal. Particularly, the Liberal-National Coalition, the Greens, and independents formed an alliance to block the Chinalco acquisition. Barnaby Joyce, leader of the National Party, and independent Senator Nick Xenophon were funded by Melbourne businessman and activist Ian Melrose to launch a national television advertising campaign against the deal. "You sell the milk, not the cow. We should be selling the minerals, not the mine ... let's not gamble with Australia's future," Xenophon said in the advertisement.¹¹² The Green Party leader, Senator Bob Brown, also echoed the campaign:

"When we look at Chinalco we see that it is not effectively a private enterprise that has grown in the new China; it is part of the state apparatus. For example, its officers can be appointed and can be sacked by the presidium in China.

Well, they are; it is not that they can be. They are appointed and they are

¹¹¹ Findlay (2009) debunked this concern in a nutshell: "Attempts to raise the price would lead to undercutting by other suppliers which would restore prices to their original level. Any attempt to lower the world price, so as to benefit consumers such as Chinese steelmakers, would lead to drops in output by other suppliers which would then cause world prices to rise again, or else Rio would have to bring on project after project to keep the price down. The price drop could not be sustained."

¹¹² Michael Owen, "Senator in Anti-Chinalco Ad", *The Australian*, April 8, 2009.

sacked by the Communist Party supremos in China. That is very, very different to the corporate system in the democratic countries of the world.”¹¹³

To demonstrate the Coalition’s opposition to the transaction, opposition leader Malcolm Turnbull even used a nationalist quote from Chairman Mao:

“In dealing with China, as with all great powers, we should be straightforward and strong in clearly articulating our own national interest. If we wish to express our approach in Chinese, then we could paraphrase Mao Zedong and say: ‘Aodalia renmin zhan qilai le’—The Australian people have stood up.”¹¹⁴

Similarly, former Treasurer Peter Costello opposed the deal from a nationalist perspective: “If a country wants to see itself and be seen as significant in the global economy, it needs to have companies that are known around the world—flag carriers—that show the entrepreneurial character.”¹¹⁵

Their mobilization resonated with community concerns outside the parliament. In a special Newspann, 59 percent of Australian respondents believed that “Chinalco should not be allowed to increase its stake in Rio,” while only 31 percent agreed that the investment should be approved.¹¹⁶ The National Civic Council, representing Christian conservatives in Australia, claimed that “the Rio Tinto-Chinalco deal is the most important, and potentially dangerous, commercial venture the Australian Government has ever had to decide on” (Bryne 2009, 11). The Australian Workers

¹¹³ Bob Brown, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 18 March 2009.

¹¹⁴ Malcolm Turnbull, “Power Balance in Asia: The Coalition Perspective” (speech, Sydney, May 1, 2009), Lowy Institute.

¹¹⁵ Peter Costello, “Treasurer Must Take Care with Rio Tinto Assurances,” *Sydney Morning Herald*, February 18, 2009.

¹¹⁶ Lenore Taylor, “Majority Back Push to Block Chinalco Bid,” *The Australian*, April 7, 2009.

Union (AWU) was long discontented with the Rio Tinto board for its poor management and incompetence that resulted in massive layoffs. Although it did not oppose the Chinalco deal outright, the AWU did express its skepticism, for 3000 workers were at stake (The Australian Workers' Union 2009). "A strategic stake in Rio Tinto by Chinalco on current terms will threaten local steel production because it will allow Chinalco to effectively negotiate with itself as seller and buyer, which places our industries at a competitive disadvantage"¹¹⁷ said the AWU in its plan to the Rudd Government to revive the steelmaking industry.

BHP also started an intensive and complex government relations campaign against Chinese FDI to hurt Chinalco's bid and get a bigger share of Rio Tinto for itself.¹¹⁸ According to a confidential US embassy cable released by Wikileaks,¹¹⁹ BHP's Chairman Don Argus held private meetings with Prime Minister Kevin Rudd; the Treasurer, Wayne Swan; the Resources Minister, Martin Ferguson, and their advisers in Canberra. "Emails from BHP were circulating at the highest levels, copied into ministers' offices, about all the 'China Inc' stuff," said Stephen Joske, a former Treasury official.¹²⁰ BHP was also found to lobby extensively in the media to inflame Australians' fear of Chinese capital ((Nyland, Forbes-Mewett, and Thomson 2011; Uren 2012)). Additionally, Rio Tinto's high-level network was penetrated by at least

¹¹⁷ Lenore Taylor, "Union Flies Steel Survival Plan," *The Australian*, April 18, 2009.

¹¹⁸ Philip Dorling and Richard Baker, "How BHP Sank Rio Deal," *Sydney Morning Herald*, December 11, 2010.

¹¹⁹ WikiLeaks, "Rio Spurns ChinalCo, Embraces BHP", Cable 09 Canberra 537, June 6, 2009.

¹²⁰ John Garnaut, "How BHP Scuppered China Inc", *Sydney Morning Herald*, October 15, 2009.

six countries' intelligence agents, including the U.S., U.K., Australia, and China, suggesting the involvement of foreign interests.¹²¹

Eventually, while the FIRB and the Rudd government were still closely reviewing the case,¹²² Rio Tinto shareholders voted to decline the Chinalco bid and turned to BHP for a joint venture plan in June 2009.¹²³ As a former FIRB staff member commented to me, "The whole reaction is chaotic. We were not ready for the large flow of Chinese investment."¹²⁴ Nevertheless, this did not mark the end of the entire controversy. One month after the collapse of the Rio Tinto-Chinalco deal, Stern Hu, Rio Tinto's then chief iron ore negotiator in Shanghai, was arrested together with three Chinese colleagues. Despite his Australian citizenship, Hu was sentenced to 10 years for bribery and espionage. In response, the Rudd government stood with Rio Tinto and condemned the trial as being unfair,¹²⁵ though it was debatable in Australia whether Hu was innocent of the charges.¹²⁶ This event brought Australia-China relations to the lowest point in the 2000s and carried weight in the subsequent years of debates over China's economic statecraft in Australia.

¹²¹ Angus Grigg and Lisa Murray, "Revealed: How Australian Spooks 'Spied' on Rio During 2008 Debt Crisis," *Australian Financial Review*, July 25, 2018.

¹²² After the deal was proposed in February 2009, the FIRB and the Rudd Government announced in mid-March that they would extend their screening period by another 90 days.

¹²³ BHP, "BHP Billiton and Rio Tinto Sign Binding Agreements on Iron Ore Production Joint Venture," December 5, 2009. Note that their joint venture failed to materialize in October 2010. See Sonali Pual, "BHP and Rio Scrap \$116 Billion Iron Ore Joint Venture," *Reuters*, October 17, 2010.

¹²⁴ Interview with a former staff member at the FIRB, Canberra, ACT, 25 June 2019.

¹²⁵ Phillip Hudson and Stephen McMahon, "Australian Government Defends Handling of Stern Hu Case after Rio Tinto Executive Sentenced to 10 Years' Jail in China," *Herald Sun*, March 30, 2010.

¹²⁶ In this memoir, Kevin Rudd expressed great dissatisfaction with Rio Tinto's inconsistent testimony to the government. He revealed that the company was very confident in Hu's innocence and urged his government to act, but soon changed attitudes after the trial (Rudd 2018).

2.7 Discussion and Reflection

Is Chinese investment benign or exploitive? This has been a constant debate over the past two decades in Australia. As political economist Tom Conley portrayed Australia's political debates in the 2000s, "China's sustained demand for Australian resources dominated economic concerns and terrorism dominated the political sphere" (Conley 2009, 22). This chapter examines the politicization of Chinese investments in the mining industry, addressing the political contention regarding the issue and its policy outcomes. It well illustrates the first political process proposed in Chapter 1, namely, fringe parties highlighting social-cultural dimensions of economic issues, mobilizing the public, and propelling major parties to shift their policy stance.

In particular, the Greens, the Nationals, and a few independents found their common ground on the issue of Chinese FDI and seized the opportunity to challenge the bipartisan consensus between the ALP and the LPA on a more liberal FDI approach. Their mobilization reshaped the issue space by highlighting the non-economic dimensions of Chinese FDI. Primarily, their narratives echoed the periodic waves of emotional resistance to foreign investment, not to mention that the mining and resources sectors were more likely to trigger nativist and nationalist sentiments. Environmental externalities and community concerns were also raised in their campaign. Moreover, specific to the case of China, their advocacy cautioned about China's economic statecraft, business models, authoritarian rule, and human rights record. Overall, political and cultural concerns were magnified by the issue entrepreneurship of fringe parties. Accompanied with public pressure and interest

group lobbying, they urged major parties to shift their policy positions and restrict Chinese investments in resources.

The major parties' responses were mixed. Both the ALP and the LPA adhered to their overarching principles on economic issues and prioritized commercial considerations in discussing foreign investment and Chinese FDI in mining. That said, they also had the tradition of accommodating community concerns to different extents in policymaking:

“While recognising the strong benefits of foreign investment, particularly direct investment, to Australia, the Government continues to recognise community concern about foreign ownership of Australian assets. One of the ongoing objectives of the Government’s foreign investment policy is to balance these concerns with the benefits of FDI.”¹²⁷

Specifically, the Liberals largely recognized the effort of fringe parties to scrutinize Chinese investments and openly criticized Chinalco’s purchase of Rio Tinto. For the Labor government, though many Labor Senators and MPs defended the status quo FDI approach, it accommodated community concerns by releasing six additional guidelines to strengthen the “national interest test” in the FDI screening process. The ALP also appeared ambivalent about the Chinalco-Rio Tinto deal, hesitating to approve it before Rio Tinto rejected the bid.

That said, the regulatory changes driven by the advocacy of fringe parties were more symbolic than consequential. Although these new regulations were directed at

¹²⁷ Treasury, “Foreign Investment Policy in Australia—A Brief History and Recent Developments,” November 10, 1999.

Chinese investments, they were intended more to appease the public than to stop Chinese investments. In the aftermath, Australia remained an attractive destination to Chinese investors. Chinese FDI in Australia continued to expand and diversify, shifting from government-driven resource investment to entrepreneurial expansion in new industries and markets (W. Li and Hendrischke 2020). Moreover, Chinese investors adapted to the regulatory changes, exhibiting lower equity objectives, more focus on joint ventures than M&A, more indirect investment, and better communication strategies (Larum 2011). One former FIRB staff member confirmed to me that the FIRB had witnessed the clear transformation of Chinese firms' investment patterns: "When they first came, they wanted complete control and a 100% takeover, but it changes quickly. And Chinese firms became more fond of the FIRB over time. They felt more certainty. In the US, CFIUS could come after you afterwards..."¹²⁸

Nevertheless, Australia's anxiety over Chinese FDI was a growing political fallout. The Greens, the Nationals, and Senator Xenophon were joined by other fringe parties (e.g., One Nation, Katter's Australian Party) and independents (e.g., Pauline Hanson, Bob Katter, Fraser Anning, and Jacqui Lambie) to heighten the discussion on Chinese investment in agriculture, real estate, and critical infrastructure over the past decade. Although their mobilization was neither the root cause of the Chinese investment controversies nor the decisive reason for revising and restricting Australia's FDI policy, they never ceased to shape the political discourse and affect policy changes in subsequent years.

¹²⁸ Interview with a former staff member at the FIRB, Canberra, ACT, 25 June 2019.

CHAPTER 3

THE POLITICALIZATION OF CHINESE INVESTMENT IN AGRICULTURE

The land we stand on is intrinsic to our values and identity as a nation. I wouldn't want to see Australian farmland become under the control of the government of another nation.

– Barnaby Joyce, 2015¹²⁹

In the aftermath of the mining boom, concerns about Chinese investments persisted in Australia throughout the 2010s, with a particular focus on agricultural investments. Similar to Chapter 2, this chapter illustrates the political process of how parties and politicians from the periphery mobilized the issue of Chinese investment in Australian agriculture by emphasizing its social-cultural implications. Specifically, the first section provides an overview of Chinese agricultural investments in Australia. It explains the varied investment motivations of Chinese agribusinesses globally and illustrates the scale and level of Chinese agricultural investments in Australia. It also discusses the common concerns over Chinese agricultural investments and their validity. The second section addresses the attitudes of direct stakeholders—farmers' groups and business communities. As decades-long beneficiaries and proponents of agricultural deregulation, they regarded Chinese investment as a hailing development opportunity. This is consistent with the broader context of Australia and China's strong economic partnership under the Gillard and Abbott administrations between

¹²⁹Jared Owens and Sue Neales, "Barnaby Joyce Draws Line in the Soil on Foreign Farm Buyers," *The Australian*, June 15, 2015.

2010 and 2015. The third section discusses how the bipartisan consensus on the issue of Chinese FDI in agriculture was challenged by peripheral parties and politicians, who galvanized the issue inside and outside of the parliament. The fourth section examines the cultural roots embedded in Australian society to explain why the Australian public resonated with the narratives constructed and promoted by fringe parties. The fifth section addresses the accommodation of major parties and the corresponding regulatory changes. The sixth and seventh sections analyze the two most iconic transactions during the period—the controversial bid for the Cubbie Station in 2012 and the failed bids for Kidman Co in 2015. The last section summarizes the chapter and further discusses the implications of this case.

3.1 Chinese Agribusinesses are Coming

China's OFDI in agriculture: motivations and contestation

Motivated by a combination of a national strategy and commercial interests, China's agricultural overseas investment has soared since the 2010s.¹³⁰ Primarily, agriculture modernization and food security were top priorities in China's 12th Five-Year Plan (2011–2015). The proposed national food strategy included “the industrialization of agriculture, large-scale (domestic and overseas) land investments, and land transfers from peasants to agribusiness ventures” (Escher, Schneider, and Ye 2018, 16). Promoting outbound investment in agricultural and food industry was therefore a vital part of the “Go Out” strategy and the “Belt and Road” initiative

¹³⁰ According to the Ministry of Commerce, the annual flow of China's direct overseas investment in agriculture, forestry, and fishing has increased from 0.5 billion in 2010 to 3.3 billion in 2016.

(BRI). In 2012, China's National Development and Reform Commission (NDRC) drafted a strategy specific to the "going out" of China's agriculture and promised support in aspects of finance, taxation, and insurance. Moreover, the growing demand for high-quality food by Chinese consumers also motivated Chinese agribusinesses to invest abroad. The global rush to agricultural land since the 2007-2008 global food crisis further fueled their interest (Borras et al. 2011; Clapp and Helleiner 2012).

According to China's Ministry of Agriculture, more than 1,300 Chinese enterprises had overseas investments in agriculture, forestry, and fisheries, valued at \$26 billion in 2016. Most were greenfield investments in Southeast Asia, Eastern Europe, and Africa from small and medium-sized enterprises. The BRI also fostered some investments in Western Europe. In Oceania, China's agricultural investment projects were mostly mergers and acquisitions from private companies. With regards to the distribution of sectors, China's OFDI in agriculture concentrated on palm oil and natural rubber plantations in Southeast Asia, soybean and rapeseed farms in Russia, dairy and beef operations in New Zealand and Australia, and alfalfa farms in the United States and Bulgaria (Gooch & Gale, 2018).

The surge of Chinese FDI into the global agriculture industry brought both opportunities and controversies. In particular, large-scale foreign investments may result in "land grabs"—the situation in which people lose their access to and control over land or its resources (GRAIN 2008). In the wake of popular discontent with massive foreign land investments, China was the key target to blame. The "Chinese land grab" narrative, which assumes that China is intentionally taking over local land and forcing local landowners out, has evoked public resistance globally:

From Kazakhstan to Queensland, and from Mozambique to the Philippines, a steady and familiar process is under way, with Chinese companies leasing or buying up land, setting up large farms, flying in farmers, scientists and extension workers, and getting down to the work of crop production (GRAIN 2008, 3).¹³¹

Nevertheless, one should note the gap between public fears and statistics.

Overall, Chinese investments in agriculture, forestry, and fishing only made up 1.7 percent of Chinese OFDI flows and 1.1 percent of the total stock of OFDI in 2016 (Ministry of Commerce of the People’s Republic of China 2017). Empirical studies in Africa, Latin America, and the U.S. also found that Chinese agricultural investment was largely overblown (Brautigam 2015; Gooch and Gale 2018; Myers and Guo 2015; Oliveira 2018). Zoomers and Kaag (2014) went further to criticize how land grabbing appeared in the media as a hype, telling “a simple story with culprits (Asian ‘powers’ such as China and the Gulf states) and victims (poor Africans)” (6).

Australia: food bowl of China?

The prosperity of Australia’s agricultural industry has been largely dependent on foreign investment because it drives productivity and industrial growth, creates employment opportunities, and encourages technological innovations.¹³² As a primary

¹³¹ “Chinese land grabs” have drawn the most public attention in Africa and Southeast Asia (Brautigam 2015; Mills 2015). In Vietnam, citizens protested the government’s plan to allow foreign investors to lease land in newly created economic zones with the slogan “No Leasing Land to China even for Anytime,” despite the fact that there was no sign that Chinese companies would bid for it. In Brazil and Canada, where Chinese investment in agriculture was negligible, Chinese money still rased journalists’ and activists’ nerves for a time.

¹³² Access Economics, *Foreign Attraction: Building on Our Advantages through Foreign Investment* (Melbourne: Business Council of Australia, 2010). Senate Standing Committees on Rural and Regional

agricultural exporter, Australia exported about 65 percent of its agricultural production in the 2010s. To boost its agricultural productivity growth and maintain its current share of exports, Australia would need between \$1.2 trillion and \$1.5 trillion in capital by 2025 (Gray, Oss-Emer, & Sheng, 2014). Following the 2008 Chinese milk scandal, although China's estimated domestic production could meet the bulk of its food demand, the burgeoning middle class and growing public concerns over food safety prompted more "western style diets" (Hamshere et al. 2014, 1). Seizing this opportunity, many Australian agribusinesses began to export premium dairy products, beef, sheep and goat meat, fruit, and vegetables to China. Meanwhile, Chinese agribusinesses invested in Australia to vertically integrate their businesses and to acquire the brand, intellectual property, and industry knowledge at the high end of the global value chain (Ferguson and Hendrischke 2013; Gooch and Gale 2018). In this context, Australia began to attract the inflow of Chinese capital into its agricultural industry, which aroused a series of controversies in Australian society.

Despite the surge of Chinese direct investment in Australian agriculture, it was much less than public perception would suggest. Table 3.1 shows that the estimation of Chinese agricultural investment was only between one to three percent of its total investment volumes from 2012 to 2015, which was the peak time of the "Chinese land grabbing" controversy in Australia. More than 98 percent of agricultural businesses were still wholly Australian-owned.¹³³ Compared to Chinese FDI during the mining

Affairs, *Foreign Investment and the National Interest Report* (Canberra: Commonwealth of Australia, 2013).

¹³³ Australian Bureau of Statistics, *Agricultural Land and Water Ownership, 2015-16* (Canberra: September 13, 2017), <http://www.abs.gov.au/ausstats/abs@.nsf/mf/7127.0>.

boom, the types of investors, investment models, and target industries in this period were also more diversified; most Chinese investments in Australian agriculture were made by private enterprises through mergers and acquisitions (Ferguson and Hendrichske 2013).

Table 3.1 Chinese OFDI in Australia – Food & Agribusiness

	Transaction volume (million AUD)	Proportion of Total
2012	285.9	3%
2013	98.5	1%
2014	140.3	1%
2015	375.2	3%
2016	1202	8%
2017	1101	8%
2018	85	1%
2019	1528	44%* ¹³⁴

Source: The KPMG-University of Sydney Dataset¹³⁵

¹³⁴ The spike in the proportion is largely due to the drastic fall of China’s total direct investment in Australia in 2019.

¹³⁵ This table is compiled based on the KPMG-University of Sydney database, covering PRC’s mergers and acquisitions (M&A), joint ventures (JV), and greenfield projects in Australia since 2011. As discussed in the preceding chapter, there is no official data on Chinese investment in Australia at the industry level over time. MOFCOM does not publish it, and the Australian government does not record it (note that the Australian Bureau of Statistics tracks the “immediate origin” rather than the “ultimate origin”). The Chinese Investment in Australia (CHIA) Database, which tracks realized transactions, is more accurate, but its data can only be traced back to 2014. Therefore, although some of the recorded transactions did not take effect, this is the most accurate data thus far.

Table 3.2 Size of Foreign Agricultural Land Interests by Source Country

Country	Area of land with foreign interests (1000 ha)		Foreign owned portion (1000 ha)
	2015–16	2016–17	2016–17
UK	27,504	16,445	9,752
US	7,724	2,693	2,550
Netherlands	2,976	4,708	2,509
Singapore	1,862	1,763	1,763
China	1,463	14,422	9,112
Philippines	1,119	1,121	1,121
Switzerland	1,069	2,227	1,888
Jersey	944	N/A	N/A
Indonesia	774	N/A	N/A
Japan	685	N/A	N/A
Canada	N/A ¹³⁶	2,130	2,034
Saudi Arabia	N/A	N/A	660
South Africa	N/A	648	648

Source: Register of Foreign Ownership of Agricultural Land¹³⁷

Moreover, contrary to popular belief, the Chinese ownership of Australian farmland was largely overblown. According to a parliamentary report, about 11 percent of Australia’s agricultural land was owned by foreign investors between 2006

¹³⁶ Data for countries that were not among the top ten agricultural land investors in Australia at the time were not provided.

¹³⁷ Note that 80 percent of foreign-owned agricultural land in Australia was leasehold, not freehold. Based on the “lease-operate” model, foreign investors would only have the right to use agricultural land under certain defined conditions rather than owning the land itself (Boullenois, 2018).

and 2012, with the biggest investment coming from Canada, followed by the United Kingdom and the United States (Sanyal, 2014). In 2016, the Australian Taxation Office (ATO) reported that 13.6 percent of all Australian agricultural land was foreign owned, with half of that land owned by UK investors. Chinese investors held only 0.38 percent of Australia's agricultural land.¹³⁸ That said, China jumped to the second largest investor in 2016 and owned approximately 2.5 percent of Australian agricultural land due to the successful bid for Kidman & Co., though the proportion of foreign owned agricultural land maintained the same level.¹³⁹

Besides many misperceptions about Chinese investment in Australia's agriculture,¹⁴⁰ some concerns were indeed well-grounded. Chinese firms, private or non-private, were often found to lack local knowledge and business maturity in their overseas investments (Belesky and Lawrence 2018; Shambaugh 2013; Shi 2015). As new investors, they tended to conduct business as if they were operating in their home market, whose investment climate and business culture are vastly different from those of host countries. With regards to agricultural investment, its rate of return is relatively lower than that of other industries,¹⁴¹ and its management and operation often involve local rural communities. Consequently, the failure of Chinese agribusinesses to engage

¹³⁸ Australian Treasury, *Foreign Ownership of Agricultural Land Register Findings*, September 7, 2016, <https://ministers.treasury.gov.au/ministers/scott-morrison-2015/media-releases/foreign-ownership-agricultural-land-register-findings>.

¹³⁹ Australian Taxation Office, *Register of Foreign Ownership of Agricultural Land*, (Canberra: Australian Government, June 30, 2017); Sanyal, 2014.

¹⁴⁰ Consistent with the above discussion, the joint report by the University of Sydney and KPMG summarizes a few commonly held misbeliefs about Chinese investment in Australia's agriculture: "China is one of the largest foreign investors in Australia's economy; China is buying up large areas of Australian farmland; Chinese SOEs are the most active investors; Food security is China's main priority; Australia has an exclusive opportunity to supply China with food; A Free Trade Agreement (FTA) is absolutely essential" (Ferguson and Hendrischke 2013).

¹⁴¹ This is especially true in the long run, though short-term speculation in massive land investments may result in lucrative benefits.

the local public and obtain social license further exacerbated community concerns (Nicholas 2016).

3.2 Strengthening Economic Ties: The China Opportunity

Australia-China relations in the “Asian Century”

Between 2010 and 2015, Australia witnessed five prime ministers and four foreign ministers,¹⁴² and the LPA ousted the ALP in the 2013 federal election. Despite the volatility and the intensified intra-party competition, there was considerable continuity in Australia’s foreign economic policy (Beeson and Hameiri 2017). The decline of US influence and the emergence of China as a great power in the Asia-Pacific region loomed large for Australian policymakers. “Australia had never been in a position before where our major trading partner is neither an ally nor a democracy,” said Julia Gillard in explaining her foreign policy approach (Gillard 2015, 174). Despite the uneasiness, both the Gillard government (2010–2013) and the Abbott government (2013–2015) adopted a moderate approach to accommodating China’s rise and embracing corresponding economic opportunities. They enhanced Australia’s alliance with the U.S. while avoiding being drawn into Washington’s confrontation with China.¹⁴³ This was largely a continuation of the well-known “we

¹⁴² In this period, Julia Gillard from the ALP and Tony Abbott from the LPA were in office for most of the time, so my discussion centers on their administrations. Besides, the Rudd government is discussed in Chapter 2, and the Turnbull government will be covered in Chapter 4.

¹⁴³ One case in point was Abbott’s dismissal of a Pentagon official’s statement that USAF B-1 bombers and surveillance aircraft would be placed in Darwin to deter China’s expansion in the South China Sea. John Garnaut and David Wroe, “US Official Misspoke on B-1 Bombers Being Based in Australia: Tony Abbott,” *Sydney Morning Herald*, May 15, 2015.

don't have to choose" approach in the Howard years (1996–2007), that is, a balanced stance between Washington and Beijing (Gyngell 2017; White 2017).

After Julia Gillard successfully challenged Kevin Rudd for the leadership of the Labor Party in 2010, she sought to ease the tensions between Australia and China and upgrade their diplomatic relations. With the release of the "Asian Century" White Paper in 2012, her administration urged Australia to engage closely with Asia and embrace the economic rise of China:

Predicting the future is fraught with risk, but the greater risk is in failing to plan for our destiny. As a nation, we face a choice: to drift into the future or to actively shape it ... I want our nation to be a winner as our region changes and I want every Australian to be a winner too. Put simply, as a Labor prime minister, I want the new opportunities that will come in this century to be seized and shared (Gillard 2015, 164).

The white paper was archived by the new administration after Tony Abbott led the Coalition to victory over the Labor administration in 2013. Although the Abbott administration showed little interest in cultural engagement with Asia, the new leadership continued to strengthen economic ties with Beijing (McDonald 2015). The signing of the China-Australia Free Trade Agreement (CHAFTA) and the decision to join the Asian Infrastructure Investment Bank (AIIB) were two significant events: In 2014, Australia followed the UK in joining the AIIB, a China-led institution with potential challenges to the World Bank and the Asian Development Bank, despite the fact that U.S. President Obama and Secretary of State John Kerry had personally

dissuaded Abbott from participating.¹⁴⁴ In 2015, the Abbott government resumed the negotiations on a free trade agreement with China and managed to sign CHAFTA (Thurbon 2017).¹⁴⁵ During Xi Jinping's state visit to Australia in 2014, the bilateral relationship between Australia and China was even elevated to a "comprehensive strategic partnership."¹⁴⁶

In addition to the bipartisan support for economic partnership with China, there was also a bipartisan consensus on foreign investment in agriculture. As discussed in Chapter 2, both the ALP and the LPA embraced liberalization and agreed on a market economy approach in designing economic policies. In the 2010s, Australian agriculture switched to targeting the Asian market for further development. Julia Gillard, the incumbent Prime Minister at that time, claimed in public that "we can be food bowl of Asia."¹⁴⁷ In the "Asian Century" White Paper published in 2012, the Labor government also called for policy changes to cater to the Asian market:

Rising food demand, connected to rising populations and an expanding middle class in Asia, offers an opportunity for Australia to be an important supplier of high-value food, requiring greater investment by agribusinesses to boost output and research, adapt to regulatory change and build capacity ("Australia in the Asian Century - White Paper" 2012, 8).

¹⁴⁴ "Govt Divided on Asia Bank: Report," *The Australian*, October 25, 2014.

¹⁴⁵ It is important to note that both decisions encountered opposition within the government.

¹⁴⁶ "Truly, no Chinese leader has ever been anything like such a good friend to Australia" said Abbott in his welcome address. Tony Abbott, "Joint Press Statement with President Xi, Canberra" (speech, Canberra, April 17, 2014), Parliament House.

¹⁴⁷ Daniel Flitton, "We can be Food Bowl of Asia: PM," *Sydney Morning Herald*, May 4, 2012.

Leading the Coalition, Tony Abbott was found to “constrain the National Party (the Liberal Party’s junior partner) from expressing anti-foreign investment sentiment” (Mendelsohn and Fels 2014, 62). For instance, the Coalition released a policy paper entitled “Foreign Investment in Australian Agricultural Land and Agribusiness” in 2012.¹⁴⁸ While the paper paid close attention to foreign investment in agriculture, Abbott commented to reiterate the party’s support for foreign investment:

“I want to make it absolutely crystal clear that the Coalition unambiguously supports foreign investment in Australia. We need it, we want it. It is essential for our continued national prosperity. What’s very important though is that the public have confidence that the foreign investment we need and want is in Australia’s national interest and that’s what this paper is about.”¹⁴⁹

During his state visit to China in 2014, Abbott went further to deliver a welcome message to Chinese SOEs: “we now appreciate that most Chinese state-owned enterprises have a highly commercial culture. They’re not the nationalized industries that we used to have in Australia.”¹⁵⁰

Endorsement from business communities and farmers’ groups

Existing studies in agricultural policy often suggest that agricultural producers lobby for protectionism and political elites compensate them in exchange for electoral

¹⁴⁸ The Liberal-National Coalition, “The Coalition’s Policy Discussion Paper on Foreign Investment in Australian Agricultural Land and Agribusiness,” August 2012.

¹⁴⁹ Sabra Lane, “Foreign Ownership Rules are about Public Confidence: Abbott,” *The World Today*, August 3, 2012.

¹⁵⁰ Katherine Murphy, “Tony Abbott Says China’s State-owned Enterprises are Welcome in Australia,” *The Guardian*, April 11, 2014.

or policy success (Gawande and Hoekman 2006; Olson 1985; Sheingate 2003). In defense of their community values and identity, rural communities tend to be skeptical about free market (Cramer 2016; Scott 1977; Thompson 1971). Hence, it is natural to assume that the politicization of Chinese agricultural investment was partly driven by the opposition from Australian farmers and agribusinesses. However, the assumption does not hold in the case of Australia. In fact, Australia has one of the most liberalized and least subsidized agricultural industries, second only to New Zealand. Since the deregulation reform of the 1980s under the Hawke-Keating government, the Australian agricultural industry has adopted a productivist ideology and advocated for a receptive environment for global competition, foreign trade, and investment (Halpin 2017; Lawrence, Richards, and Lyons 2013).

Although not all grass-roots farmers agreed with the progressive trend,¹⁵¹ agricultural industry groups and farmers' groups strengthened the importance of free trade and foreign investment to boost the competitiveness of Australian agriculture. They championed liberalization, pursued international competitiveness and agricultural exceptionalism, and emphasized environmental sustainability (Pritchard & McManus, 2000). In particular, the Business Council of Australia (BCA), the Food and Grocery Council, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the National Farmers' Federation (NFF), and the Queensland Farmers Federation were the leading advocates of foreign investment in Australia. They lobbied against the lowering of screening thresholds and other

¹⁵¹ For example, the global interest in land investment had uneven distributional consequences for farmers: Small-scale farms suffered from price volatility, while large-scale farms could reap high profits (Baines 2017).

restrictions on foreign investors, while endorsing a national register of foreign ownership of agricultural land to increase transparency.

Since the mining boom, the Business Council, representing the interests of Australian companies, has issued a series of reports and statements emphasizing Australia's comparative advantage in the agricultural industry and establishing the necessity to attract more foreign capital to its rural development. For instance, echoing the "Asian century" White Paper, it recommended that "Australia should position itself to meet the growing demand, particularly from Asia, for agricultural products going forward" (Business Council of Australia 2014, 1). When the government turned to restrict foreign investment in agriculture in 2015, it criticized the lowering of the FIRB's screening threshold for foreign investment in agriculture as "red tape" and "sending the wrong message to overseas investors."¹⁵² It also supported the establishment of an agricultural land register to allay community concerns.

The attitudes of the farm lobby were slightly more mixed. Primarily, in light of the global food crisis and the influx of foreign capital, Australia's farm lobby was one of the initial political forces to call for a national register of foreign ownership of agricultural land. In 2011, the Victorian Farmers Federation wrote to Victorian Treasurer Kim Wells,

"In Australia, there is no reliable statistics on foreign ownership of farmland, and hence the debate rages with little objective information available to inform it. The lack of data available is creating a ripe environment for speculation and

¹⁵² The Business Council of Australia, "Statement: Process Lacking on Foreign Investment Change," February 13, 2015, <https://www.bca.com.au/process-lacking-on-foreign-investment-change>.

feeding the fear of losing control of our food resources. The development of a register available for analysis will help give a realistic picture of the foreign ownership level in Victoria.”¹⁵³

Brent Finlay, president of the National Farmers’ Federation, also supported the Register of Foreign Ownership of Agricultural Land Act 2015 to ensure a fact-based discussion. “We know that 99 percent of Australian farms are owned by Australian families. We need to see who’s buying what so that we can have an informed discussion,” he stated.¹⁵⁴ It was not unique to Chinese capital that Australian farmers were concerned about potential speculation from the financial sector, especially from large pension funds and sovereign wealth funds.¹⁵⁵

In fact, successful cases involving Chinese investors, such as the Cubbie Station bid in Queensland and the Van Diemen’s Land (VDL) deal in Tasmania, had updated the community’s view on Chinese investment.¹⁵⁶ As a result, empirical studies indicated that Australian farmers were overwhelmingly supportive of foreign investment, and Chinese investment was no exception due to its lucrative benefits (Sippel, Larder, and Lawrence 2017). Regarding FIRB rules, farmers’ groups were firmly opposed to more restrictions and demanded a more sensible discussion. For example, in their submission to the Senate Standing Committees on Rural and Regional Affairs and Transport on the “Foreign Investment and the National Interest

¹⁵³ Darren Gray, “Farmers Demand Owners’ Register,” *The Age*, August 4, 2011.

¹⁵⁴ “Govt Tightens Foreign Land Buyer Rules,” *Nine News*, Feb 11, 2015.

¹⁵⁵ In fact, according to Zoomers and Kaag (2014), speculative investments in agriculture were mostly from US, UK, German, Australian, and Canadian companies.

¹⁵⁶ The Cubbie Station transaction sparked heated political debates in 2013. That said, when new disagreements arose over the Kidman & Co. bid in 2015, the Cubbie Station transaction was already cited as a successful example of Chinese investment by Australian farmer groups.

Report” in 2013, the South Australian Farmers Federation (SAFF) and the NSW (New South Wales) Farmers Association cited: “The threshold of [\$248] million is above the value of most agricultural land transactions, with only large enterprises such as aggregations of properties in managed investment schemes being subject to FIRB examination.”¹⁵⁷ NFF President Brent Finlay also expressed his criticism at the Australian’s Global Food Forum, saying that lowering the screening threshold would be “a choke on foreign investment in this country.”¹⁵⁸

3.3 The Resurgence of Nativist Narratives

As in previous years, Australia’s fringe parties and political outsiders from the periphery of electoral politics adopted the strategy of issue entrepreneurship and affected economic policies based on non-economic rationales. Between 2010 and 2015, they shifted their focus from the mining industry to the agricultural industry and continued to mobilize the issue of Chinese investment in Australia. Compared to the mining debate, more fringe parties and independents joined the campaign to shape the discourse of Chinese investment in agriculture from non-economic perspectives, shattering the bipartisan consensus between the ALP and the LPA.

As part of their ongoing efforts to tighten foreign investment rules, the Greens and centrist independent Senator Nick Xenophon were the first to propose restricting foreign acquisitions of agricultural land. In 2010, they initiated the Foreign Acquisitions Amendment (Agricultural Land) Bill 2010 to lower the FIRB’s screening

¹⁵⁷ Senate Standing Committees on Rural and Regional Affairs, *Foreign Investment and the National Interest Report* (Canberra: Commonwealth of Australia, 2013), 69.

¹⁵⁸ Rick Wallace, “Foreign Investment Change Worries NFF,” *The Australian*, April 16, 2015.

threshold for foreign investment proposals regarding agribusinesses and agricultural land.¹⁵⁹ Since then, the Greens alone have initiated several motions and proposals to limit foreign investment in agriculture, establish a register of foreign ownership of land and water resources, and reject certain foreign transaction.¹⁶⁰ Unlike their mobilization against Chinese investment in mining, the Greens no longer prioritized human rights and regime types when discussing foreign investment in agriculture. In fact, although China was frequently referenced in the corresponding parliamentary debates, other new investors such as Qatar, India, South Korea, and Singapore were also mentioned. Narrowing the debate to agriculture, the Greens emphasized food security and climate change, contextualizing the Australian case in the global movement against land grabs. For example, Senator Christine Milne, leader of the Greens from 2012 to 2015, cited the Oxfam report on land grabs and discussed the situation in Africa and other developing countries.¹⁶¹ Demanding a stronger “national interest test” on purchases of agricultural resources, the Greens insisted on “incorporating the national ecological and social objectives.”¹⁶²

Aligning with the Greens, independent Senator Nick Xenophon also stressed the importance of food security and advocated for more restrictions on foreign investment in agriculture. That said, he did not echo the eco-socialist or anti-capitalist narratives to warn against financial speculation on farmland. While inviting Australian

¹⁵⁹ Commonwealth, Parliament of Australia, *Foreign Acquisitions Amendment (Agricultural Land) Bill 2010 [2013]*.

¹⁶⁰ For example, the Greens proposed to suspend the Cubbie Station sale to Shandong Ruyi in 2012 and the bid of GrainCorp by a U.S. multinational, ADM in 2013.

¹⁶¹ Christine Milne, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 22 September 2011.

¹⁶² Peter Whish-Wilson, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 11 November 2015.

superannuation funds to pour into agriculture, Xenophon cautioned the parliament about foreign investors' ties with the government and called out Chinese investors:

“If it is a company that, on the face of it, is not a state owned enterprise but is beholden to a massive loan from the Chinese government, for instance, the independence of that—the links with the government of China or, indeed, with any other foreign government—means it is a de facto state owned enterprise. Therefore, there should be triggers involved.”¹⁶³

In the meantime, the National Party, which was the leading force opposing Chinese investment in mining, also contributed to the mobilization. With a more conservative and traditionalist ideology, the Nationals tended to preserve the so-called “Australian values.” In 2011, Shadow Agriculture Minister John Cobb, on behalf of the National Party, moved a motion to ask the ABS to compile data on the foreign ownership of agribusiness and agricultural land, as well as to advise the FIRB to restrict such foreign acquisitions.¹⁶⁴ At the National Party’s Federal Council in 2013, its leader Warren Truss openly questioned whether foreign investment in agriculture was in the national interest of Australia.¹⁶⁵ Even though the National Party had to coordinate its legislative efforts with the Liberals, it often endorsed the statements by other minor parties and independents in the name of their fellow farmers. For example, Senator Barnaby Joyce elevated the issue to the fate of the Australian nation:

¹⁶³ Nick Xenophon, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 11 November 2015.

¹⁶⁴ John Cobb, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 24 March 2011.

¹⁶⁵ Warren Truss, “Keynote Address – Federal Council 2013” (speech, Canberra, June 1, 2013), Federal Council of the National Party.

“Australians are not xenophobic, but they do want to make sure that our nation has proper control over our destiny. Our future is represented in our ownership of the most crucial manifestation of what our nation is—the soil we stand on.”¹⁶⁶

Later, other independents such as Jacqui Lambie, John Madigan, and Bob Katter joined the campaign to restrict foreign investment in agriculture. They introduced motions and bills to halt the Chinese company’s bid for Cubbie Station and screen all foreign investment in agricultural land.¹⁶⁷ Compared to the Greens, their narratives were based on the nativist rationale that “Australians should own Australian soil.” For instance, MP Bob Katter, the social conservative maverick, framed it as a matter of Australian identity: “For those who are not worried about more than half of Australia’s arable land being in foreign hands, think about this: are you really an Australian?”¹⁶⁸ Likewise, Senator John Madigan echoed the sentiment, saying, “Critics will say I am a protectionist and I am antforeign investment, but I would describe myself as unashamedly pro-Australian in that what is in the national interest is in the interest of Australians first and foremost.”¹⁶⁹ Outside of the parliament, Australia’s far-right party One Nation, whose leader Pauline Hanson made the

¹⁶⁶ Barnaby Joyce, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 28 February 2013.

¹⁶⁷ For example, Katter’s Australian Party introduced the Foreign Acquisitions and Takeovers Amendment (Cubbie Station) Bill 2012; John Madigan introduced a motion to label Australian agricultural land as a national treasure in 2013; Jacqui Lambie, John Madigan, and Glenn Lazarus introduced the Amendment of Foreign Acquisitions and Takeovers Legislation Amendment Bill 2015 to demand FIRB reviews on all levels of foreign investment in agriculture.

¹⁶⁸ Bob Katter, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 16 September 2015.

¹⁶⁹ John Madigan, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 12 November 2013.

infamous racist statement that “we are in danger of being swamped by Asians,” advocated for a policy of no “majority ownership of Australian land and resources.”¹⁷⁰

Most of their statements intended to scrutinize all foreign investment in agriculture,¹⁷¹ but Chinese investment was clearly the elephant in the room. The following statements by the Labor and Liberal MPs suggested that China was the focal point:

“That is why Chinese investment in agriculture should be treated in the same way as investment in other non-sensitive sectors.”¹⁷²

“There is no doubt that some in our community are suspicious of foreign investment and particularly with China.”¹⁷³

Senator Jacqui Lambie also cited China’s aggression in the South China Sea to explicitly express her concerns about economic cooperation with China: “Everyone in the chamber knows that China’s behaviour is appalling. China is behaving like an international bully in the South China Sea. But no-one in this parliament has the courage to tell the truth.”¹⁷⁴

¹⁷⁰ Gabrielle Chan, “Foreign Investment Makes Explosive Entry into Election Campaign,” *The Guardian*, August 29, 2013.

¹⁷¹ For example, there was strong opposition to the proposed acquisition of Australian agribusiness GrainCorp by American company Archer Daniels Midland as well. MP Michael McCormack from the National Party asked the Treasurer to “stop being un-Australian” and suspend the deal. Michael McCormack, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 31 October 2015.

¹⁷² Jim Chalmers, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 23 September 2014.

¹⁷³ Rowan Ramsey, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 21 October 2015.

¹⁷⁴ Jacqui Lambie, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 9 November 2015.

3.4 Cultural Anxiety in the “Asian Century”

Although none of the initiatives proposed by fringe parties and independents passed the Senate, they set the agenda and problematized foreign investment in agriculture over time. According to the Lowy Institute national poll in 2014, more than 60 percent of respondents were opposed to foreign investments in agriculture, ranking first among seven crucial industries. 81 percent of respondents were against the Australian government allowing foreign companies to buy Australian farmland in 2012, and this number increased to 87% when this question was asked again in the 2016 Lowy Institute national poll (Hanson 2012; Oliver 2014; 2016). Similarly, Vote Compass conducted by the Australian Broadcasting Corporation (ABC) prior to the 2013 federal election revealed that three-quarters of voters agreed with the statement “the government should further restrict foreign ownership of Australian agricultural land,” and this result was consistent across party lines.¹⁷⁵ Although these polls might not be methodologically rigorous and were not explicit about Chinese investors, they did point to the growing animosity from the Australian public toward Chinese agricultural investment.¹⁷⁶ More importantly, they were frequently cited in combination with petition letters from local communities by crossbenchers as evidence of community concerns; the two major parties also acknowledged the mounting concerns from the public in their public statements.

¹⁷⁵ “Map: What Voters in Every Electorate Think about the Big Issues,” *ABC News*, November 11, 2013.

¹⁷⁶ Since its 2009 annual report, one consistent finding in the Lowy Institute national polls has been that over fifty percent of respondents reported that “the Australian government is: allowing too much investment from China.”

Cultural anxiety: agriculture, farm, and land

Why did the campaign led by fringe parties and independents resonate with the Australian public? One of my interviewees, Allan Gyngell, former Director-General of the Office of National Assessments, put it succinctly: “It’s cultural more than anything else.”¹⁷⁷ Although agriculture only contributes around 3 percent of Australia’s GDP and Australia is not a major agricultural producer in the global market, Australians take great pride in their agricultural industry for its quality and reputation.¹⁷⁸ It may seem odd that the Australian public and Australian farmers have opposing views on foreign investment, but the answer lies in the symbolic meaning of agriculture in Australian national identity, as well as the disconnect between Australia’s urban and rural populations. As articulated by Stewart Lockie’s work,

Australian agriculture does not suffer from a lack of political support.

However, it would be naïve to assume that political support for agriculture necessarily means political support for specific policies favored by farmers and/or farm lobby groups. In fact, the symbolic and material importance of food makes it rather more likely that consumers and civil society groups will take strong positions – regardless of what farmers think – on matters pertaining to the food supply (Lockie 2015, 24).

On one hand, the Bushman myth is crucial to the formation of Australian legend; agriculture, land, and farmers are its essential components. This “countrymindedness” is so ingrained in Australia’s public culture that people tend to

¹⁷⁷ Interview with Allan Gyngell, Canberra, ACT, 24 April 2019

¹⁷⁸ National Farmers’ Federation, *Farm Facts*, <http://www.nff.org.au/farm-facts.html>.

consider the well-being of farmers and farm-relevant sectors as the well-being of all (Aitkin 1985; McMichael 2004). On the other hand, Australia is one of the most urbanized countries in the world. Simultaneous to the controversy over Chinese investment in agriculture was the backlash against Chinese investment in Australia's housing market. Although empirical findings showed that foreign capital was not the main driver of high housing prices and Chinese investment in Australia's residential property was largely overblown, the resentment that "Chinese investors are buying up Australian houses" continued to grow.¹⁷⁹ The public anxiety stemmed from the "Australian dream" that every Aussie shall own a house (Rogers, Wong, and Nelson 2017). And land was envisioned as a public property with collective memory and social relations (Penalver 2009). Consequently, the highly urbanized population developed a romanticized notion of the rural economy. The social-cultural aspects of foreign investment were, therefore, more likely to outweigh the economic aspects, reinforcing the impression that "Chinese are snatching up our land" among Australians. One interviewee supported this view, saying:

"The lived experience of most Australians is living within 50 kilometers from the major urban center. But the heart and soul of Australia has been constructed as the rural experience. And the idea of the rugged frontiersman. It has been the traditional construction of Australian identity."¹⁸⁰

¹⁷⁹ Lorenzo Casavecchia and Adrian Lee, "Chinese Demand for Sydney Residential Property," Submission 10 to House of Representatives for the "Inquiry into Foreign Investment in Residential Real Estate," University of Technology, Sydney, 2014.

¹⁸⁰ Interview with a leading scholar specializing in Australian nationalism, Brisbane, Queensland, 22 June 2017.

Historically, regardless of investment patterns or investor nations, foreign land ownership had often evoked nativist and nationalist sentiments in Australia (Hodgson, Cullinan, and Campbell 1999; Uren 2015). In fact, the founding of the FIRB was a response to the “buying back the farm” campaign in the 1960s and 1970s. While the campaign did not solely target U.S. investment in Australian agriculture, “farm” was a symbol that encompassed all of Australia’s “strategic” assets. This was evident in Labor PM Gough Whitlam’s 1972 policy speech on foreign investment:

Now, the most profitable and significant of Australia’s industries and resources are under foreign control. Sir John McEwen described this process as selling a bit of the farm year by year to pay our way.... But in truth, it has not been the “farm;” which has been sold – not the industries like wheat or wool or fruit of dairying or gold, the industries which have faced the crisis and hardships of recent years. It is the strongest and richest of our own industries and services which have been bought up from overseas. It’s time to stop the great takeover of Australia. But more important, it’s time to start buying Australia back” (McAllister and Moore 1991, 104).

Australian identity in the Asian century

To Australians, Chinese FDI in Australian agriculture meant more than the loss of Australian land to foreign hands. It also mirrored Australia’s deep anxiety with the coming of the Asian century. Australia’s leading expert on housing, Dallas Rogers, illustrated the sentiment to me as follows:

“In Australia, there’s actually a very, very long history of tension between Europeans and Chinese over access to land. I think we need to think about the current kind of politics as sitting within that history with one massive change. And that’s the geopolitics has shifted from being with European power to the rise of China and an Asian power.”¹⁸¹

Australia was not fully reconciled to its past, featuring “the periodic rediscovery of its proximity to Asia” (Walker 1999, 1). From the White Australia policy of the gold rush era to fears of the “pace of Asian migration” in the 1980s,¹⁸² the apprehension of Australia’s Asianization, or even that Asians might “Aboriginalize”¹⁸³ Australians, lingered on the minds of many Australians (Walker 1999; 2019).

Although Australia’s government had turned to embrace its Asia future since the 1980s (Garnaut 1989), its cultural agenda remained largely unchanged. For instance, while closely engaging with Asia, the Howard government reassured the Australian public in its foreign policy white paper that its Asia policy would not “require Australia reinventing Australia’s identity or abandoning the values and traditions which defined Australian society” (Department of Foreign Affairs and Trade 1997, IV). Simultaneous to Australia’s untouched identity as an “outpost of Western civilization” has been its dramatic demographic change. In Australia’s foreign-born

¹⁸¹ Interview with Dallas Rogers, Sydney, NSW, 26 June 2017.

¹⁸² One symbolic event in the 1980s was the so-called “Blainey affair.” The renowned historian Geoffrey Blainey made a controversial speech on St. Patrick’s Day, 1984, in which he labeled Asians as “the favoured majority” in Australia and criticized that “the pace of Asian migration was well ahead of public opinion.” And his statement received wide support across party lines, according to a subsequent national Gallup poll (Bongiorno 2015, 59). This set the scene for Pauline Hanson’s notorious “Australia being swamped by Asians” maiden speech in 1996.

¹⁸³ The fate of white Australia would be similar to that of the Australian Aborigines in Australia’s “Asian invasion” narratives.

population, the proportion of Asian-born residents (40%) has already surpassed that of the European-born population (34%), according to the 2016 census. 28 percent of the population in Sydney and 24.4 percent in Melbourne were of Asian heritage.¹⁸⁴ To a great extent, the unsettling of Australia's Asian future was sure to haunt the discussion on Chinese investment in agriculture.

Last but not least, it is vital to recognize the distinctive features of Chinese investors. As discussed in Chapter 2, China is a gigantic country with vastly different political systems and business culture from Australia. One interviewee confirmed this claim to me, stating:

“The deep anxiety of these years is with China, as the new perspective hedging incomparably large. Australian struggles to wrap our minds around the vastness of China. Authoritarian – that really touches into anxieties about the democratic peace, which is completely internalized in the Australian foreign policy establishment. And then there's also the question of cultural difference, namely what if not only Anglican countries have dominated the international system since the European settlement of Australia.”¹⁸⁵

Even if most Chinese investors in Australia's agricultural industry were private firms, it was hard to build genuine trust with companies from an authoritarian regime with a notorious human rights record, not to mention that they lacked attention to the “social license” in host countries.

¹⁸⁴ Peter Martin, “Census 2016: Milestone Passed as Australia Becomes More Asian, Less European,” *Sydney Morning Herald*, June 27, 2017.

¹⁸⁵ Interview with a leading scholar specializing in Australian nationalism, Brisbane, Queensland, 22 June 2017.

3.5 Shifting the Status Quo

Responses from major parties: accommodation

When the campaign to restrict foreign investment in agriculture, notably Chinese investment, first emerged, both the ALP and the LPA endorsed the status quo FDI policy. As discussed above, the Labor government launched the “Asian Century” White Paper and sought to attract more Chinese investment in foreign investment. The LPA also tried to constrain the National Party and ensure a coherent Coalition policy on foreign investment. Moreover, Senators and MPs from the two major parties either downplayed the controversy or attempted to allay community concerns by citing empirical findings and highlighting the economic benefits of foreign investment. For example, Labor MP Andrew Leigh dismissed the discussion as populist:

“An iron law of populism is that, while Australian businesspeople investing abroad are portrayed as job-creating entrepreneurs, foreign investors in our country are depicted as rapacious robber barons.... As sometimes happens, the campaign started in the tabloids. Under headlines such as ‘Chinese buying up our farms’, ‘It’s time to stop selling off the farm’, and ‘It’s time to save our farms from foreign investors’, News Ltd tabloids have recently embarked upon a fear campaign against foreign investment in Australian agriculture. With anecdotes taking the place of statistics, foreign investment has been described by the tabloids as ‘a dramatic global land grab’, fed by ‘a looming global food shortage’.”¹⁸⁶

¹⁸⁶ Andrew Leigh, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 21 February 2011.

Liberal MP Rowan Ramsey criticized the discrimination against Chinese investors and refuted the allegation that Australian firms had no access to China's agricultural sectors:

“While Chinese investment in Australia was raised on a reasonably regular basis—and the member for Bruce has already brought that point up—the officials were keen to point out that China should not be treated differently from any other nation when investing in Australia. In the light of this debate it was particularly interesting, for me at least, to be meeting with an Australian company called Lynch Trading, who are cut-flower wholesalers—the largest in Australia—operating in the Hunan Province, where in fact they have negotiated a 50-year lease, with another 50-year right of renewal—to develop a framing cut-flower industry in China. So just in that line of debate of foreign investment in Australia, and the oft-raised point that we cannot invest in China: in fact there are many companies investing in China at the moment, and that was quite interesting to me.”¹⁸⁷

However, electoral challenges, growing intra-party conflicts, and the rising public backlash against cosmopolitan values in other issue areas compelled the ALP and the LPA to adjust their response strategies. In the run-up to the 2013 federal election, both parties modified their party rhetoric and policy stances on the issue of foreign investment. A former staff member in the FIRB whispered to me that Prime Minister Gillard did not inform the FIRB before she rushed to announce Labor's

¹⁸⁷ Rowan Ramsey, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 26 November 2012.

promise to establish the national land register at the 2012 National Farmers Federation Congress.¹⁸⁸ When asked about foreign investment before the election, Kevin Rudd, who regained Labor's leadership in June 2013, expressed empathy for the public's concerns: "I am a bit nervous, a bit anxious, frankly, about simply an open-slayer approach on this. I think when it is about rural land and land more generally, we need to adopt a more cautious approach. We should not have open slather."¹⁸⁹ This was in stark contrast to Labor's trade minister Craig Emerson's statement that "any tightening of foreign investment rules would ruin Asian markets for Australian farmers."¹⁹⁰

Despite its tensions with the National Party on the issue of foreign investment in previous years, the Liberal Party conceded to its junior partner by committing to dropping the screening threshold of foreign agricultural acquisitions. Since then, the Nationals exerted more power in shaping the Coalition's FDI policy.¹⁹¹ Right after the Liberal-National Coalition took office, Warren Truss, federal leader of the National Party made a sensational statement that "Australian farmers will be servants to foreign masters" when commenting on the bid for GrainCorp by an American firm.¹⁹² Eventually, in 2015, the Coalition government fulfilled its election promise and announced a series of policy changes pertaining to foreign investment in agriculture.¹⁹³

¹⁸⁸ Interview with a former staff member at the Foreign Review Investment Board, Canberra, ACT, 25 June 2019.

¹⁸⁹ "Australian PM Signals Policy Shift on Foreign Investment," *ABC News*, 28 August 2013.

¹⁹⁰ Gabrielle Chan, "Foreign Investment Makes Explosive Entry into Election Campaign," *The Guardian*, August 29, 2013.

¹⁹¹ This claim is based on the results of interviews conducted with a few key informants in Canberra.

¹⁹² Craig Emerson, "Politics Perfect for Shredder," *The Weekend Australian*, September 22, 2013.

¹⁹³ One should note the split within the Liberal Party on the issue of foreign investment. For example, Liberal Senator Ian Macdonald expressed his support for Chinese land-based investment in spite of the new restrictions launched by the Coalition government: "I have no concern about it being an investment

Regulatory changes to reassure the public

After the Hawke-Keating reform in 1983, foreign investment regulations in Australian agriculture were developing in a progressive and open direction. For a very long time, there was no legislation specific to foreign investment in agriculture. In the meantime, since 2010, crossbenchers have introduced various bills and motions to call for restrictions on FDI in Australian agriculture. Although almost none of their proposed bills, amendments, or motions passed,¹⁹⁴ these efforts undoubtedly raised awareness of the issue and paved the way for policy shifts.

Consequently, a few major changes were made to Australia's foreign investment review mechanism in 2015. The Foreign Acquisitions and Takeovers Regulation 2015 (later replaced by the Register of Foreign Ownership of Water or Agricultural Land Rules 2017) and the Register of Foreign Ownership of Agricultural Land Act 2015 took effect to increase scrutiny on foreign acquisitions of Australia's agricultural assets. Specifically, the FIRB review threshold for investments in agribusinesses has been reduced from 252 million AUD to \$55 million AUD. Moreover, foreign investment in agricultural land is now screened at a cumulative threshold of 15 million AUD, while the threshold for investment from Chile, the U.S., or New Zealand increased to 1.094 billion AUD. The new regulations also empowered the Australian Taxation Office (ATO) to take an active role in managing foreign investment together with the FIRB and the Treasurer. In addition, in the guidance on

of a Chinese investment group into Australian land... I welcome that sort of investment, because it does in fact encourage investment into northern Australia. It encourages investment into agriculture that can be used for energy." Ian Macdonald, "Commonwealth Parliament of Australia [*Hansard*]," *Senate, Parliamentary Debates*, 22 June 2015.

¹⁹⁴ The only exception was the National Party's motion in 2012, as outlined in Section 3.3.

the “national interest test,” foreign investment in agricultural and residential land is singled out with detailed elaboration.¹⁹⁵

What are the implications of these legislative changes in 2015? Almost everyone wanted the national register of foreign land ownership, whether to demand more scrutiny or to facilitate a discussion on solid facts. And nobody took issue with the ATO joining the game. Therefore, the higher threshold for FIRB scrutiny appears to be the most significant policy change: “A foreign investor now faces one of six different thresholds for investment in the sector – nil, \$15 million, \$50 million, \$55 million, \$252 million and \$1.094 billion – all depending on where that investor is from, who they are and what exactly what they are buying.”¹⁹⁶

Although business communities and farmers’ groups were concerned that the new rule might confuse, or even intimidate foreign investors, it did not seem to curb the inflow of foreign investment in the industry. One source commented to me that “the motivators of that are clearly not foreign, but domestic, internal coalitional politics.”¹⁹⁷ Policymakers from major parties shifted their positions and imposed restrictions to appease their voters rather than to chill investors. Similar to other FIRB restrictions in the past, including the policy changes in response to Chinese investment during the mining boom discussed in Chapter 2, this red tape was intended to assuage community concerns.¹⁹⁸ In 2018, another new rule was introduced under the Turnbull

¹⁹⁵ Treasury, *Agribusiness Investment* (Guidance Note 18); Treasury, *Agricultural Land Investments* (Guidance Note 17); Australian Taxation Office, *Agricultural Land Register Guidance*.

¹⁹⁶ Matthew Cranston, “Foreign investment in the farm to be a key issue for new government,” *Australian Financial Review*, July 10, 2016.

¹⁹⁷ Interview with a prominent economic advisor and journalist, Canberra, ACT, 15 October 2019.

¹⁹⁸ This conclusion is based on the results of interviews conducted with a few key informants in Canberra.

government that all potential sales should be marketed widely to “ensure Australians will get every opportunity to purchase agricultural land holdings.”¹⁹⁹ At first glance, it conformed to the public wish that “Aussie land remains in Aussie hands.” However, one shall not neglect the fact that Australia lacks capable and interested local capital to bid on agricultural assets. As a result, the new rule continued to be regarded as performative—adding red tape to reassure the public.

3.6 Case I: The Bid for the Cubbie Station, 2012

Shandong Ruyi’s bid for Cubbie Station in 2012 was one of the most iconic transactions amid the controversy over Chinese investment in Australian agriculture, which sparked an emotional debate with community sentiments. Over 93,000 hectares in size, Cubbie Station is the largest irrigation property in the Southern Hemisphere. Despite its status as a national landmark, it has long been chastised for its excessive water consumption in the Murray-Darling river system (Wagner 2013).²⁰⁰ After years of substantial financial difficulties, this controversial cotton producer went for sale in 2019. The federal government offered a \$3.1 billion bailout to purchase the company’s water entitlements but opted not to acquire Cubbie Station, which was worth about \$450 million. The Queensland government and other local investors were likewise uninterested in buying the indebted property.²⁰¹

¹⁹⁹ Scott Morrison, “Ensuring Australians can Purchase Agricultural Land while Foreign Investment is Geared toward Jobs and Growth,” *Treasury Media Releases*, February 1, 2018. <https://ministers.treasury.gov.au/ministers/scott-morrison-2015/media-releases/ensuring-australians-can-purchase-agricultural-land>.

²⁰⁰ Drought in the Murray-Darling Basin has been one of the most important environmental issues in Australia, drawing nationwide attention in the past two decades.

²⁰¹ “Water-sucking Cubbie Station for sale,” *ABC News*, August 16, 2009; Paul Osborne, “Qld Govt Rules out Cubbie Station Bid,” *Brisbane Times*, September 24, 2009.; Matthew Cranston, “Cubbie

Shandong Ruyi, a renowned Chinese textile and clothing manufacturer, and Lempriere, an Australian family-owned agribusiness, submitted a \$240 million proposal for Cubbie Station in 2012. Notably, Shandong Ruyi was a state-owned corporation until 2001, when it was privatized. The consortium was permitted by Treasurer Wayne Swan and the FIRB on the condition that Shandong RuYi would reduce its stake from 80 percent to no more than 51 percent within three years. Treasurer Wayne Swan lauded in his official statement that “the proposal would bring an end to this long period of uncertainty, helping ensure the ongoing operation of Cubbie Group, protecting jobs and supporting economic activity in the Dirranbandi and St George regions.”²⁰²

However, the National Party, the Australian Greens, and some independents opposed this decision. National Senator Barnaby Joyce led the campaign against the deal, calling the Treasurer’s decision to sell Cubbie Station to a Chinese-led consortium “so ridiculous and so pathetic.”²⁰³ The Greens echoed the opposition by criticizing the sale on the grounds of water sovereignty loss and urging the government to halt the sale.²⁰⁴ This sentiment was shared by Independent Senator John Madigan, who called out the “questionable wisdom of selling Cubbie Station into overseas control.”²⁰⁵ Independent Senator Nick Xenophon also expressed his

Station Too Pricey for Australian Purses,” *Australian Financial Review*, September 3, 2012.

²⁰² Wayne Swan MP, “Foreign Investment Decision,” *Treasury Media Releases*, August 31, 2012. <https://ministers.treasury.gov.au/ministers/wayne-swan-2007/media-releases/foreign-investment-decision-9>

²⁰³ Barnaby Joyce, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 12 September 2012.

²⁰⁴ Sarah Hanson-Young, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 11 September 2012.

²⁰⁵ John Madigan, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 11 September 2012.

disappointment that “the conditions give a veneer of Australian involvement but result in Australia losing control of a strategic asset.”²⁰⁶

The attitudes of the Liberals were mixed. Overall, its leadership sided with the Labor government on the current foreign investment review mechanism, which was designed by policymakers from both major parties. Tony Abbott supported the FIRB’s approval of the deal and praised the sell-down condition in a radio interview:

“I can appreciate a lot of people would be dismayed but look they would have carefully looked at it, they would have looked at what investment the Chinese are bringing in, what improvements the Chinese intend to make; are the Chinese going to be an active contributor to the local economy.”²⁰⁷

The shadow treasurer, Joe Hockey, made it clear that National Party Senator Barnaby Joyce was “freelancing” and did not represent the Coalition’s position on the case.²⁰⁸

On the 11th of September, however, a Liberal Party senator introduced a motion demanding the Treasurer justify why the proposed sale was not contrary to Australia’s national interest. The passed motion also urged the government to lower the threshold for FIRB review of foreign investment in Australian agricultural land.²⁰⁹ In this case, the Liberal Party’s ambivalence about foreign investment in agriculture was already evident.

²⁰⁶ James Grubel, Maggie Lu Yueyang, “Australia Approves China Farm Purchase, Sparks Investment Concern,” *Reuters*, August 31, 2012.

²⁰⁷ “Coalition division on foreign investment deepens,” *Treasury Media Releases*, September 3, 2012. <https://ministers.treasury.gov.au/ministers/david-bradbury-2012/media-releases/coalition-division-foreign-investment-deepens>.

²⁰⁸ Peter Martin, Peter Cai, and Clancy Yeates, “Outraged at Chinese Buying Our Land? Henry Asks: Then Why Sell?” *Sydney Morning Herald*, September 6, 2012.

²⁰⁹ “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 11 September 2012.

Despite opposition, the Treasurer and the FIRB did reverse their decision. Subsequently, this transaction became one of the most successful Chinese investments in Australia. It managed to update the attitudes of farmers' groups,²¹⁰ and its good practices were also commended by a few of my interviewees. The essence of its success is to collaborate with an experienced local partner in the bid and to maintain the local management structure after the takeover. Former Balonne Shire mayor Donna Stewart, who in 2012 vehemently opposed the sale out of concern for the decline of the local economy and the misuse of the water and land, has completely altered her mind:

“Shandong RuYi and Lempriere have done an amazing job with Cubbie. They've further developed it, they've brought the cotton gin, they've doubled the capacity of the cotton gin, they've put processes in at the gin that has enabled them to make bigger profits.”²¹¹

Nonetheless, the acquisition of Cubbie Station continued to be referenced in the political discourse surrounding Chinese investment in Australia. In a later parliamentary debate, Senator Nick Xenophon remarked, “It is a matter of shame that local investors missed out on Cubbie Station.”²¹² Pauline Hanson, leader of Australia's far-right One Nation party, cited the case of Cubbie Station in discussing the Security of Critical Infrastructure Bill 2017:

²¹⁰ Jonathan Pearlman, “Chinese Ownership of Aussie Farmland Up,” *The Straits Times*, October 4, 2017.

²¹¹ Clint Jasper, Arlie Felton-Taylor, and Anna Vidot, “Vote Compass: Most Australians Want Greater Restrictions on Foreign Ownership of Farm Land,” *ABC News*, May 24, 2016.

²¹² Nick Xenophon, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 26 June 2013.

“People are screaming out for the infrastructure that we need here. These bills beggar belief. You’re selling off all our important assets. You allowed the sale of Cubbie Station—another important landmark owned by Australians—and it was sold to the Chinese. Cubbie Station is important for its water, and yet we’ve sold it. We’ve sold so much of...”²¹³

In 2019, Macquarie Agriculture joined the ownership of Cubbie Station with a 49 percent share, opening a new chapter for this case.²¹⁴

3.7 Case II: The Bids for the Kidman Co., 2015–2016

With higher stakes, more emotive rhetoric, two failed bids, and more heated political debates, the bids for Kidman Co. were even more contentious than the takeover of Cubbie Station. S. Kidman and Co., occupying 2.5 percent of Australia’s agricultural land across Western Australia, the Northern Territory, Queensland, and South Australia, is one of Australia’s largest beef producers. It owns 10 stations that feed about 185,000 cattle. One crucial fact is that a part of Kidman’s property is in the Woomera Prohibited Area (WPA) in South Australia. Even though all its stations are hundreds of kilometers away from the satellite monitoring station in the Northern Territory, the Department of Defense (DoD) intervened and warned that “new owners would be subject to a security assessment.”²¹⁵

²¹³ Pauline Hanson, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 28 March 2018.

²¹⁴ Caitlyn Gribbin, Arlie Felton-Taylor, “Cubbie Station Sells Down Foreign Investment Stake,” *ABC News*, August 1, 2019.

²¹⁵ Lisa Murray and Matthew Cranston, “China’s Donlinks Grain & Oil Co Ltd bids for S.Kidman & Co,” *Australian Financial Review*, October 1, 2015; Matthew Cranston, Jemima Whyte, and Lisa Murray, “Malcolm Turnbull to Face First Test on China with \$325m Kidman Pastoral Sale,” *Australian Financial Review*, September 19, 2015.

A list of interested Chinese bidders included China's Pengxin Group and its listed subsidiary Dakang Farming; a consortium of China's oil producer Donlinks and Genius Link Capital; and another consortium of two Chinese private firms, Shanshan Group and Zendai, and a state-backed developer Shanghai CRED.²¹⁶ On 19 November 2015, Treasurer Scott Morrison, who later became Australia's 30th Prime Minister and leader of the LPA, followed the FIRB's advice and decided to block the deal:

“Given the size and significance of the total portfolio of Kidman properties along with the national security issues around access to the WPA, I have determined, after taking advice from FIRB, that it would be contrary to Australia's national interest for a foreign person to acquire S. Kidman and Co. in its current form.”²¹⁷

Following the FIRB's recommendations, Dakang Farming collaborated with the Kidman family to revise their proposal and exclude the prohibited area at the beginning of 2016. Moreover, in the new proposed deal, Dakang would acquire 80 percent of S. Kidman & Co, while Australian Rural Capital Ltd. would take a 20 percent stake.²¹⁸ After receiving the new proposal and the FIRB's advice, Treasurer Morrison issued an interim order postponing the sale for another 90 days and announced that the decision would be delayed until after the May federal election.²¹⁹

²¹⁶ Lisa Murray, Jemima Whyte, and Matthew Cranston, “New China Bid for Kidman,” *Farm Online National*, October 2, 2015.

²¹⁷ Scott Morrison MP, “Statement on the Decision to Prevent Sale of S. Kidman & Co. Limited,” *Treasury Media Release*, November 19, 2015. <http://sjm.ministers.treasury.gov.au/media-release/011-2015/>.

²¹⁸ “Cattle Giant S Kidman & Co Sold to Chinese Interests Led by Shanghai Pengxin Group,” *Sydney Morning Herald*, April 19, 2016.

²¹⁹ Anna Vidot, “Treasurer Confirms There'll be No Kidman Decision before Election Day,” *ABC*

Meanwhile, Prime Minister Malcolm Turnbull, who claimed his party leadership from Abbott in September 2015, highlighted the benefits of foreign investment in a radio interview: “It’s very important that foreign investors, upon whom we depend for many of the jobs in Australia, see Australia as a safe place to invest in and a place where their applications will be considered carefully and methodically.”²²⁰ The LPA’s ambivalent attitudes suggested that domestic political factors would significantly influence the Treasurer’s ultimate decision on the deal.

“The people of Australia have had enough. They are very concerned about the future of their children and their grandchildren when it comes to jobs and the ability to own their own piece of land and work that land,” said independent Senator Glenn Lazarus, who urged Turnbull and Morrison to explicitly state their stance on the Kidman bid prior to the election. In contrast to the independents and fringe parties that opposed the Kidman takeover, the ALP was worried that rejection would send away foreign investors and disadvantage Australia in the global marketplace. Labor’s shadow agriculture minister Joel Fitzgibbon also attacked the Liberals for “dithering over the decision to suit its political needs.”²²¹

Nine days after his announcement of the delay, on April 29, Morrison rejected the bid amid pressure, noting that “the form in which the Kidman portfolio has been offered as a single aggregated asset, has rendered it difficult for Australian bidders to

News, April 20, 2016.

²²⁰ Colin Packham, “Australia to Defer Decision on China Land Deal until after Election,” *Reuters*, April 20, 2016.

²²¹ See footnote 219.

be able to make a competitive bid.”²²² Soon after Morrison’s announcement, Dakang withdrew from the bid. Notably, this proposed deal did not clash with any pre-existing national interest test provisions. Put differently, Morrison’s declaration implied that a substantial share of Australian firms should be a bid requirement, which was not in the FIRB’s written guidelines for agricultural investments.²²³ In a subsequent interview, Morrison explained why he went against the FIRB’s advice:

“Well FIRB always give advice, but it’s my decision. The decision I outlined last week was a preliminary decision, and we were following a natural justice process in relation to that decision – that is the appropriate process, for me to advise where my preliminary position was, and give them the opportunity to respond, but I was very clear about it, that occasion, on the first occasion. On the first occasion, yeah clearly there were national security issues, but I also said that I had great concerns about just how large this holding was. And my view has not changed about that now, because yesterday, Dakang withdrew its application and have walked away from that. That’s their call, and as a result of the decision I took last week, then Australia’s largest land holding will not be sold to foreign interests. I make no apology for that, no apology for that whatsoever. I consider every single one of these cases on their merits.”²²⁴

In short, “the Big Australian, has to remain Australian.”²²⁵

²²² Scott Morrison, “Preliminary Decision of Foreign Investment Application for Purchase of S. Kidman & Co Limited,” *Press Releases*, April 29, 2016.

²²³ Gennadi Kazakevitch and Jeffrey Wilson, “Morrison’s Ruling on Kidman & Co Sale Redefines the National Interest Test,” *The Conversation*, April 29, 2016.

²²⁴ Scott Morrison, “2016 Budget - A National Plan for Jobs and Growth” (speech, Canberra, May 4, 2016), National Press Club.

²²⁵ Scott Morrison, interview by Paul Murray, *Paul Murray Live*, Sky News Australia, May 15, 2017. <https://ministers.treasury.gov.au/ministers/scott-morrison-2015/transcripts/interview-paul-murray-paul->

It is crucial to place Morrison's decision in the context of the controversy surrounding the 99-year lease of Port Darwin by the Chinese-owned Landbridge Group,²²⁶ the legislative changes in Australia's FDI review regime in 2015, and the 2016 federal election campaigns. The bid was therefore doomed to be a political issue. Compared to the case of Cubbie Station, the level of public interest and animosity was far higher. Liberal MP Luke Howarth, for example, later recounted the widespread concerns from his constituents: "I remember that when the Kidman cattle station came up for sale people wanted to make sure it was majority Australian owned. They'd been very, very clear about that."²²⁷ At the same time, in a campaign advertisement, Pauline Hanson articulated her opposition to the sale of Kidman Station, "I like the land. It's a part of me. Isn't it pathetic that it takes an election to send a clear message to our politicians, Scott Morrison, the Liberal Party, the Labor party, that Australians don't want our land sold anymore to foreign ownership."²²⁸ In an interview with Morrison, anchor Leon Byner doubted if Morrison's preliminary decision was a campaign strategy:

"You don't realize I think how excited people were when you announced a preliminary decision to block the sale because you didn't think it was in the national interest. You realize of course that most Australians agree with you. But there is a bit of cynicism about the preliminary decision. There are those

murray-live.

²²⁶ This will be discussed in Chapter 4.

²²⁷ Luke Howarth, "Commonwealth Parliament of Australia [*Hansard*]," *House of Representatives, Parliamentary Debates*, 18 October 2017.

²²⁸ Pauline Hanson, "Pauline Hanson Doesn't Trust Liberal or Labor to Save Kidman Station from Overseas Buyers," YouTube video, 1:51, May 2, 2016. <https://www.youtube.com/watch?v=DTrAsUUZGko>.

who've been posting on my Facebook site "Ah, they'll just change it after the election."²²⁹

Also from the Liberal Party, Trade and Investment Minister Andrew Robb condemned the Treasurer's decision for being "political." In the same vein, the Labor Party chastised Morrison for politicizing the bid and causing significant inconsistency in Australia's foreign investment review process.²³⁰ Despite his later denial of the rift within the Liberal cabinet,²³¹ Morrison admitted that "people will know that I knocked back the Kidman sale to overseas interests."²³²

In October 2016, Australian tycoon Gina Rinehart's company Hancock Prospecting joined the game and partnered with CRED Shanghai with a new proposal of \$386 million. This deal proposed that two-thirds of the joint venture would be controlled by Hancock Prospecting, ensuring that Kidman Co would remain majority Australian-owned.²³³ Senator Bob Katter and Nick Xenophon disapproved of the new bid, calling it unfair for an all-Australian syndicate:

"There ought to be a positive obligation in the legislation that says if there is a commercially equivalent comparable Australian-based bid, that must be one of the factors to be positively considered by the FIRB in making a

²²⁹ Scott Morrison, interview by Leon Byner, AM, 5AA, *Mornings with Leon Byner*, FiveAA, May 4, 2016. <https://ministers.treasury.gov.au/ministers/scott-morrison-2015/transcripts/interview-leon-byner-am-5aa>

²³⁰ "Statement on Treasurer's Preliminary Decision Involving S. Kidman & Co," 29 April 2016.

²³¹ "Kidman sale: Liberals Deny Rift After Andrew Robb Criticises Scott Morrison," *The Guardian*, November 20, 2015.

²³² Scott Morrison, interview by Ray Hadley, *The Ray Hadley Morning Show*, 2GB, September 7, 2016. <https://ministers.treasury.gov.au/ministers/scott-morrison-2015/transcripts/interview-ray-hadley-2gb-28>

²³³ Gabrielle Chan, "Gina Rinehart Makes Improved \$386m Bid for Kidman and Co Empire," *The Guardian*, October 27, 2016.

recommendation to the Treasurer, because at the moment it doesn't have to be considered and that to me is very problematic.”²³⁴

Independent Senator Jacqui Lambie went further to suspect that Rinehart was a China's pawn to seize control of Kidman, whereas the National Party and One Nation refuted her claim and supported the purchase.²³⁵ On 9 December, the Treasurer approved the proposal, concluding one of Australia's most contentious overseas acquisitions of the 2010s.²³⁶

3.8 Discussion and Reflection

From a mining boom to a dining boom, Australia remained an appealing destination for Chinese investment after 2010. This chapter examines the politicization of Chinese investment in Australian agriculture to illustrate how fringe parties can shape foreign economic policies. Adopting a strategy of issue entrepreneurship, the Greens, the Nationals, One Nation, Katter's Australian Party, and a handful of independents launched a campaign to turn the spotlight on foreign investment in agribusiness and agricultural land, especially from Chinese investors. By stressing the social-cultural components of the issue, they managed to gain popular support and challenge the current FDI review regime endorsed by the two major parties and industry groups.

²³⁴ Primrose Riordan and Matthew Cranston, "Australian Kidman Bid a Call for Foreign Investment Rule Changes, Xenophon Says," *Australian Financial Review*, October 20, 2016; Bob Katter, "Katter Smacks down Foreign Bid for Kidman as Aussies Withdraw from the Race," *Media Release*, October 28, 2016. <https://www.bobkatter.com.au/media-release/394>.

²³⁵ Marty McCarthy, "'Congratulations to Gina': Pauline Hanson Welcomes Majority Australian Bid for Kidman Cattle Empire," *ABC News*, October 9, 2016; "Gina Rinehart's \$365m Bid for S Kidman and Co Welcomed by Barnaby Joyce," *The Guardian*, October 9, 2016.

²³⁶ Michelle Grattan, "Kidman Sale Finally Gets Green Light," *The Conversation*, December 8, 2016.

Notably, diplomatic and economic cooperation between China and Australia reached a high point during this time. Despite the shift in Prime Minister and governing party, both the ALP and the LPA were eager to closely engage China. Moreover, farmers' associations and business communities' lobbying provided even greater obstacles for issue entrepreneurs. Notwithstanding, compared to the mining case, we observe a stronger opposition and a more effective campaign to restrict Chinese investment in agriculture—more legislative initiatives and parliamentary discussion, more public attention, and ultimately more policy restrictions. As an example, when commenting on the recently passed bills tightening FDI regulations in agriculture, one Labor MP raised this apparent contradiction:

I have a friend who works in China who contacted me recently regarding the debate about the FTA and encouraging Chinese foreign investment in Australia. He said to me: “I cannot work out what’s going on with the Australian government. On one hand you’re negotiating a free trade agreement with China and attempting to open up and encourage greater flow of goods and services between our two nations, but on the other hand, you’re increasing the barriers and making it harder for Chinese businesses to invest in agricultural land. It doesn’t make sense.”²³⁷

Obviously, my proposed answer lies in the advocacy of fringe parties, mobilizing the public and challenging the center. But beyond that, I want to highlight two important facts concerning Australia’s domestic politics that contributed to the

²³⁷ Matt Thistlethwaite, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 16 September 2015.

campaign's success. First is the profound cultural anxiety in Australian society. The distinctive role of agriculture in the making of Australia's national identity strengthened the power of emotive rhetoric used by issue entrepreneurs to sway public opinion. The society's discomfort with Asians as a significant minority also exacerbated the recurring fears of foreign land acquisitions. This is not to say that the concerns of fringe parties regarding Chinese investment in agriculture were invalid. In fact, the Greens pioneered deterring the financialization of agricultural land and contextualizing Australia in the global land grab. Such genuine concerns were, however, overshadowed by nativist, xenophobic, or even racist sentiments. Second, the bipartisan consensus on economic issues grew more fragile. We can see growing divisions between Labor and the Liberals, the Liberals and the Nationals, and even within the two major parties themselves. As a result, the ALP and the LPA were even more likely to accommodate the mobilization by fringe parties and adjust their policy positions in response to public pressures. Particularly during election years, dog whistles about Chinese investments in Australia became commonplace.

Ultimately, the political contention surrounding Chinese investment in agriculture produced a series of policy restrictions on foreign acquisitions of agribusiness and agricultural land in 2015, which were characterized as “the most significant reforms to Australia's foreign investment framework in forty years” by one Liberal MP.²³⁸ Nevertheless, several informants confirmed to me that the new rules were more symbolic than consequential—that is, they were intended to assuage public

²³⁸ Matt Williams, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 22 February 2016.

concerns rather than actually deter foreign investment. As discussed in Chapter 2, this was not new in the evolution of Australia's FDI review regime. In a similar vein, Gillard dismissed the pessimistic view of tensions in Australia-China relations in her memoir:

The second challenge, on my return home, was to ignore the ridiculous crisis of confidence about the relationship with China that was playing itself out in academic circles, the media and the business community. The latter two groups had worked themselves into a self-reinforcing circular dialogue about how bad the relationship with China was. "It is bad," a business community leader would say. "It is bad," the headlines would blare. "Do you know how bad it is?" says the next business community leader. "Just look at today's headlines" (Gillard 2015, 174–75).

The influence of symbols and narratives, on the other hand, was indirect but deep. In subsequent years, while the discussion on foreign investment in Australian agriculture waned, nativist narratives concerning Chinese investment lingered and ran deep in the Chinese influence debate. For example, in the 2019 federal election, billionaire Clive Palmer and his United Australia Party (UAP) spent millions on an anti-China campaign, explicitly calling for "stopping the sell-off of our agricultural land to foreign powers" in its party platform.²³⁹ In 2020, against the advice of the

²³⁹ Clive Palmer is a mining tycoon in Australia. His company, Mineralogy, was in dispute with his Chinese partner, mega-SOE China International Trust Investment Corporation (CITIC) Limited, over mining rights in Western Australia in 2012. In 2013, he began to practice politics and formed the United Australia Party (UAP)/ Palmer United Party (PUP)/ Clive Palmer's United Australia Party (Clive Palmer's UAP). For more details, see <https://www.unitedaustraliaparty.org.au/2019-election-launch-and-policy-speech/>.

FIRB, Treasurer Josh Frydenberg blocked China Mengniu Dairy's proposed acquisition of Australia's milk brands from Japan's Kirin Holdings Co. Ltd. This deal received much less public attention than the acquisitions of Cubbie Station or Kidman Co. However, this was the first time the Treasurer rejected a transaction between two foreign companies, and there was no agricultural land or sensitive assets involved, marking a lower point in Australia-China economic relations.²⁴⁰

²⁴⁰ John Kehoe, "China Mengniu Takeover of Lion Dairy Collapses," *Australian Financial Review*, August 25, 2020.

CHAPTER 4

SECURITIZING CHINESE INVESTMENT IN CRITICAL INFRASTRUCTURE

For too long, we have had a single-minded focus on the economic dimensions of foreign investment proposals. We have deferred to the views of economists, who can be so fixated on balance sheets that they may not see other important factors involved in foreign investment proposals of this kind. This nation is far more than just an economy. We are a people, a culture, a way of life and a set of values. If we sacrifice every value, every bit of sovereignty and independence we have for the economy, then one day we might wake up and find that there is not much left.

– Jim Molan, 2018²⁴¹

Chapter 4 examines Australia’s political contention surrounding Chinese investment in critical infrastructure. This case study demonstrates how the advocacy of national security bureaucracies has shaped Australia’s FDI policy and securitized Chinese FDI in Australia. This process of expert politics and bureaucratic competition distinguishes the case study from the previous phases: it was the first time that Australian security and intelligence agencies intervened actively in economic policymaking. Specifically, the first section discusses the expansion of Chinese FDI in critical infrastructure and its geoeconomic implications to contextualize Australia’s debate over Chinese FDI since 2015. The second section addresses how geopolitical shifts during the time enabled substantial changes in Australia’s foreign policymaking and precipitated the U-turn of Australia’s China policy. Then it analyzes the evolution of the Chinese influence debate in Australia, which extended to the economic realm

²⁴¹ Jim Molan, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 17 September 2018.

and reshaped the political discourse surrounding Chinese FDI in critical infrastructure. Next, I discuss the ascendancy of the national security apparatus and its distinctive path to structuring Australia's policy response to Chinese FDI on the grounds of national security and anti-foreign interference. Following the analysis of defense and security bureaucracies, the fourth section depicts the campaign in parliament to limit Chinese investment in critical infrastructure. The fifth section discusses how these processes contributed to the political decisions to restrict Chinese FDI as well as the consequential institutional changes that followed. Subsequently, I examine the two most contentious bids by Chinese investors for Australia's critical infrastructure. The last section summarizes the chapter and further discusses the implications of this stage.

4.1 The Geoeconomics of Chinese Outbound Investment

In 2013, a year after China's new President Xi Jinping took office, "One Belt, One Road," later known as the "Belt and Road" Initiative (BRI), was launched to project China's economic influence overseas. Throughout the past decade, it has overshadowed the "Go Out" policy as the prominent strategy guiding and shaping Chinese outbound investment. Scholars and pundits have provided multiple interpretations of the BRI: Primarily, consistent with the "Go Out" strategy, the BRI adheres to the logic of state capitalism and is intended to resolve industrial overcapacity and shift industrial surplus abroad. It reflects the demand of Chinese capital to expand globally in pursuit of natural resources, new markets, and advanced technology (Jones and Zeng 2019; Pei and Zheng 2015; Ye 2020). More importantly, the geopolitical component of the BRI looms large. As a grand strategy, it signals

China's ambition to reshape the regional order in Eurasia and expand its sphere of influence in the developing world, posing a strategic threat to American hegemony (Beeson 2018; Scobell et al. 2018; Wang 2016; Zhou and Esteban 2018). Through the lens of domestic politics, the initiative can also be viewed as a product of Xi's personal leadership. Yet the complex bargaining between various factions, bureaucracies, and industry groups fragments its implementation, contributing to its reputation as ambiguous or even hollow rhetoric (Jones and Zeng 2019; Ye 2020).

According to UNCTAD FDI statistics, Chinese OFDI rose from \$101 billion in 2013 to a peak of \$196 billion in 2016. The turning point occurred in late 2016, when the State Council enacted new regulations to restrict "irrational investment" in real estate, hotels, entertainment, and sports clubs in order to adjust China's balance of payments and prevent capital flight, resulting in a precipitous decline of Chinese OFDI in 2017 and a steady decline through 2019 (Wang and Gao 2019). By classifying which OFDI ought to be encouraged, restricted, or prohibited, this policy shift marks a growing state intervention in the investment patterns of Chinese corporations.

In particular, Chinese outbound investment in critical infrastructure, which the new rule categorizes as an "encouraged" investment type under the BRI's grand goal, has been the locus of political contention (State Council of the People's Republic of China 2017). In Djibouti, the hub of the Maritime Silk Road, China Merchants Holdings acquired and financed a few ports and assisted in the construction of the PLA's first overseas military post in 2017.²⁴² Despite little opposition in Djibouti, this

²⁴² Chinese government claimed that the base would mainly support military logistics and would not engage in military expansion or aggression, so it refused to call it a military base. In addition, Djibouti also hosts military bases for the U.S., Japan, France, Italy, Spain, and Saudi Arabia. Laura Zhou, "How

deal was often regarded as a flagship Chinese OFDI with security imperatives. The Hambantota port project, operated by two Chinese SOEs, China Harbor Engineering and Sinohydro Corporation, was a contentious issue in Sri Lanka's 2014–15 presidential election and even sparked violent protests in 2016 (Lim and Mukherjee 2019; Pekkanen and Pearson 2018). Concerns were mounting that China deliberately invested in “white elephant” infrastructure projects to indebt host countries in exchange for strategic and political interests (Chellaney 2017; Lee 2018). For example, John Bolton, the U.S. national security adviser at the time, alleged that China “uses bribes, opaque agreements, and the strategic use of debt to hold states in Africa captive to Beijing’s wishes and demands.”²⁴³

There are valid concerns that states may employ economic policy instruments to advance geopolitical objectives and national interests. As mentioned in Chapter 1, countries may fulfill geostrategic goals by securing control over resources and technologies in strategic industries, maintaining economic dominance in host countries, and developing potential surveillance and sabotage capabilities (Baldwin 1985; Blackwill and Harris 2016; Hirschman 1980). Yet, empirical studies have found little evidence to validate the China “debt-trap” narrative.²⁴⁴ Moreover, China’s economic statecraft in most countries is found to be ineffective and backfire on itself (Norris 2016; Reilly 2017; 2021; Wong 2019a; 2019b; Yang and Liang 2019).

a Chinese Investment Boom is Changing the Face of Djibouti,” *South China Morning Post*, April 17, 2017; “China Sets up Base in Djibouti,” *Xinhuanet*, July 11, 2017.

²⁴³ John Bolton, “Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration’s New Africa Strategy” (speech, Washington, D.C., December 13, 2018), Heritage Foundation.

²⁴⁴ For example, see Brautigam 2019; 2020; Jones and Hameiri 2019; Kratz, Feng, and Wright 2019; Rajah, Dayant, and Pryke 2019; Singh 2021.

Nevertheless, anxieties about China’s economic statement, especially its FDI in critical infrastructure, prompted widespread FDI regulatory changes in the developed world. Since 2016, the global number of transactions rejected for national security grounds has been on the rise, and multiple countries have strengthened national security-related investment screening (Kuc 2019; Pohl and Rosselot 2020; Ufimtseva 2020). For instance, starting in 2018, the U.S. has issued a series of restrictive screening mechanisms, such as the Critical Technologies Pilot Program and the US Foreign Investment Risk Review Modernization Act, to scrutinize foreign investment related to America’s technological edge, critical infrastructure, and sensitive data.²⁴⁵ On the grounds of security and public order, the EU introduced its FDI screening framework to construct an information-sharing apparatus and set a coherent screening bar for its member states in 2019.²⁴⁶ In the same year, the UK passed the National Security and Investment Act to reform its FDI review mechanism, which remained unchanged for two decades.²⁴⁷ In 2022, Canada introduced national security guidelines to protect its critical minerals sectors from foreign SOEs.²⁴⁸ In addition to institutional changes, developed countries have also been witnessing rising public resistance to Chinese FDI based on national security concerns (Feng, Kerner, and Sumner 2021; Zeng and Li 2019).

²⁴⁵ U.S. Department of the Treasury, *CFIUS Pilot Program Instructions (Part 801)*; U.S. Congress, *Foreign Investment Risk Review Modernization Act of 2018*, June 27, 2018.

²⁴⁶ “EU Foreign Investment Screening Mechanism Becomes Fully Operational,” *European Commission press release*, October 9, 2020.

²⁴⁷ U.K. Department for Business, Energy & Industrial Strategy and Department for International Trade, “National Security Bolstered as Bill to Protect Against Malicious Investment Granted Royal Assent,” *press release*, April 29, 2021.

²⁴⁸ Ismail Shakil, “Canada Strengthening Guidelines to Protect Critical Minerals Sectors,” *Reuters*, October 28, 2022.

However, a closer examination of these new FDI restrictions reveals a lack of consensus on the definition of critical infrastructure (OECD 2019). As shown in Table 4.1, the selected definitions consist of vague terms such as “national economic security”, “economic well-being”, and “way of life”, and a wide range of industries and sectors may fall under the umbrella.²⁴⁹ On the one hand, the ambiguity grants states discretion in addressing fast-changing challenges posed by physical infrastructure and digital assets pertaining to national security and public order. On the other hand, it allows for political maneuvers and protectionist responses.

Table 4.1 Definition of Critical Infrastructure in Selected OECD Countries

Country/IGO	Official Definition
Australia	Those physical facilities, supply chains, information technologies and communication networks which, if destroyed, degraded or rendered unavailable for an extended period, would significantly impact the social or economic well-being of the nation or affect Australia’s ability to conduct national defense and ensure national security.
Canada	Critical infrastructure refers to processes, systems, facilities, technologies, networks, assets and services essential to the health, safety, security or economic well-being of Canadians and the effective functioning of government.
European Union	Critical infrastructure means an asset, system or part thereof located in Member States which is essential for the maintenance of vital societal functions, health, safety, security, economic or social well-being of people, and the disruption or destruction of which would have a significant impact in a Member State as a result of the failure to maintain those functions.

²⁴⁹ For example, Germany's FDI screening mechanism has included mergers and acquisitions of news and media companies in its definition of “critical infrastructure” (United Nations Conference on Trade and Development 2018).

France	The institutions, structures or facilities that provide the essential goods and services forming the backbone of French society and its way of life.
Germany	Critical infrastructures are organizational and physical structures and facilities of such vital importance to a nation's society and economy that their failure or degradation would result in sustained supply shortages, significant disruption of public safety and security, or other dramatic consequences.
Netherlands	Certain processes are very critical for the Dutch society. The failure or disruption of such processes would result in severe social disruption and poses a threat to national security.
New Zealand	Critical infrastructure, also referred to as nationally significant infrastructure, can be broadly defined as the systems, assets, facilities and networks that provide essential services and are necessary for the national security, economic security, prosperity, and health and safety of their respective nations.
Norway	Critical infrastructure is the facilities and systems that are absolutely necessary to maintain the community's critical functions which again covers society's basic needs and the population sense of security.
Switzerland	Critical infrastructures are processes, systems and facilities that are essential for the functioning of the economy and the well-being of the population, respectively.
United States	Critical infrastructure represents systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.
United Nations	The physical structures, facilities, networks and other assets, which provide services that, are essential to the social and economic functioning of a community or society.

Source: OECD 2019

Table 4.2 Chinese OFDI in Australia – Infrastructure

Year	Transaction volume (million, AUD)	Proportion of Total FDI
2013	3666	39%
2014	2025	22%
2015	513	4%
2016	4340	28%
2017	485	4%
2018	100	1%
2019	-	-

Source: The KPMG-University of Sydney Dataset

Australia’s response to Chinese FDI in critical infrastructure must be understood in the vortex of geoeconomic changes discussed above. Similar to its previous hesitation toward Chinese investment in mining and agriculture, Australia has been a pathbreaker in regulating critical infrastructure investments. Before delving into the corresponding political process, I need to present the empirical facts of Chinese FDI in Australia’s critical infrastructure. One caveat is that, given the ambiguous nature of critical infrastructure, there is no valid data for the time being. Table 4.2, derived from the KPMG-University of Sydney Dataset, shows the descriptive statistics of Chinese FDI in Australia’s infrastructure sector, which excludes essential FDI in other sectors and includes noncritical infrastructure investments. Table 4.3, compiled from the Chinese Investment in Australia (CHIA) Database, encompasses a broader range of related sectors yet suffers the same

empirical difficulties. Nonetheless, both tables indicate the interest of Chinese investors in Australia’s critical infrastructure, though the transaction volume was not considerable compared to China’s total FDI in Australia. Moreover, since 2017, investments have shrunk dramatically or even vanished, demonstrating the striking result of securitizing Chinese FDI in Australia.²⁵⁰

Table 4.3 Chinese Equity Investment Transactions - A\$ in millions

Sector	2014	2015	2016	2017	2018	2019	2020
Electricity, Gas, Water and Waste Services	-	3.8	3,338.9	623.0	493.2	-	-
Construction	254.6	1,425.0	57.8	-	-	219.3	-
Transport, Postal and Warehousing	915.0	506.0	4,065.9	-	-	-	-
Information Media and Telecommunications	900.0	-	-	-	-	-	-

Source: The Chinese Investment in Australia (CHIA) Database

4.2 Australia and “the Silent Invasion”

Historically, political relations between Australia and investor nations had limited influence on the treatment of FDI; so were the cases of Chinese FDI in mining and agriculture in prior years. To some extent, Australia and China's strategic

²⁵⁰ One may push back and argue that it was China’s internal restrictions in 2017 that cooled Chinese FDI in Australia’s critical infrastructure, not Australia’s tightening rules. Although I acknowledge the pervasive effect of China’s new rule on its outward investments, we shall not forget that the 2017 rule was in part intended to stimulate Chinese FDI in critical infrastructure under the BRI. Hence, it placed no policy barrier for Chinese infrastructure players to invest abroad.

partnership had downplayed the tensions surrounding Chinese investment in Australia. However, the latest dispute regarding Chinese investment in critical infrastructure is no longer business as usual. The bilateral relations between the two countries entered an ice age, overriding the economic considerations in the formation of Australia's policy response to Chinese FDI. Hence, my analysis of Australia's FDI policymaking during this period must zoom out to address how the global context has shaped the domestic process of economic policymaking. In a nutshell, "the power balance in Asia is changing, Trump fuels the instability, and countries are reacting" (Wesley 2018, 9).

Changing world, changing Australia

According to Kevin Rudd, there are two pillars of Australian foreign and security policy—its alliance with the United States and its engagement with Asia (Rudd 2018). As discussed in Chapter 3, Australia had been adopting the "we don't have to choose" approach since the turn of the millennium, which was based on an optimistic view of the future of U.S.-China relations.²⁵¹ However, both pillars have undergone significant changes since 2016, shattering the status quo of Australian foreign policy. First, China's power grab in the South China Sea, its "wolf warrior" diplomacy, its human rights violations in Xinjiang and Hong Kong, and the tightening of its internal control all contributed to growing doubt about the engagement policy and the delegitimization of the China lobby in Australia (Gill and Jakobson 2017; Hartcher 2021). China's growing influence activities in Australia and Pacific Islands

²⁵¹ For example, Australia's 2013 Defense White Paper expected that "both the United States and China will work hard to maximise cooperative aspects and minimise the competitive elements in the relationship" (Department of Defence 2013, 10).

also posed a direct threat to Australia's interests and values (Hayward-Jones 2019; White 2019). Second, the election of Donald Trump and his “America First” approach created great uncertainty for the Australia-U.S. alliance.²⁵² This was evident in Australia’s 2017 Foreign Policy White Paper: “The United States remains the most powerful country but its long dominance of the international order is being challenged by other powers. A post-Cold War lull in major power rivalry has ended. These trends are converging to create an uncertain outlook for Australia” (Department of Foreign Affairs and Trade 2017, 21).

Moreover, the world has been shifting to a new geoeconomic order featuring a growing securitization of economic policy. The U.S.-China technological competition set the stage for this geoeconomic shift. Besides the ambitious BRI, China’s thirteenth Five-Year Plan unveiled in 2015 its new industrial policy, “Made in China 2025,” to upgrade its manufacturing base and gain a favorable position in high-tech industries in the coming industrial revolution (Wübbecke et al. 2016). The Xi government also ordered Chinese private businesses to host party cells in 2018, deepening party penetration and state intervention in the private sector (Doyon 2021). On the U.S. side, the Trump administration issued an executive order to bolster its manufacturing and defense industrial base and supply chain resiliency (Trump 2017a). In its 2017 National Security Strategy, the administration further declared that “economic security is national security” and identified China as its “strategic competitor” (Trump 2017b). Telecommunication giant Huawei and viral social media app TikTok were also

²⁵² For instance, in their first call, Trump berated Malcolm Turnbull and rejected the refugee deal agreed by his predecessor. Later, Trump also expressed complaints about Australia’s trade surplus with the U.S. and threatened to impose tariffs on Australia’s steel and aluminum (Turnbull 2020).

embroiled in the tech-trade war and elicited heated national security debates (Williams 2020).

“The economic, political and strategic currents that have carried us for generations are increasingly difficult to navigate,”²⁵³ said Malcolm Turnbull in his keynote address at the 2017 Shangri-La Dialogue. In this context, we have witnessed the hardening of Australia’s China policy since 2017, which was for a time even more radical than the other Five Eyes countries. Quoting Chairman Mao, the then Prime Minister Malcolm Turnbull made the iconic statement that Australians would “stand up” to Chinese influence in 2017.²⁵⁴ Foreign Minister Julie Bishop also delivered a critical comment on China that it should embrace democracy to reach its full economic potential.²⁵⁵ The Howard approach, the notion that “we don’t have to choose,” was “in the process of being dumped,” according to a confidential discussion between Australia’s top foreign policy and intelligence officials and their French counterparts.²⁵⁶ In 2018, Australia enacted anti-foreign interference laws and became the first country to blacklist Huawei and ZTE from its 5G network. After Scott Morrison replaced Malcolm Turnbull as Prime Minister in August 2018, his government carried on the legacy and combated China’s influence in Pacific nations by employing military, diplomatic, and economic means. In this period, Australia also

²⁵³ Malcolm Turnbull, “Keynote Address at the 16th IISS Asia Security Summit, Shangri-La Dialogue” (speech, Singapore, June 3, 2017). <https://www.malcolmtturnbull.com.au/media/keynote-address-at-the-16th-iiss-asia-security-summit-shangri-la-dialogue>.

²⁵⁴ Caitlyn Gribbin, “Malcolm Turnbull Declares He Will ‘Stand Up’ for Australia in Response to China’s Criticism,” *ABC News*, December 8, 2017.

²⁵⁵ Andrew Greene, “Foreign Minister Julie Bishop Delivers Warning to China on Need to Embrace Democracy,” *ABC News*, March 13, 2017.

²⁵⁶ Max Suich, “China Confrontation: What Were We Thinking?,” *Australian Financial Review*, May 18, 2021.

led the global campaign criticizing China's aggression in the South China Sea and its human rights violations in Xinjiang and Hong Kong (Brophy 2021; Gill and Jakobson 2017; Kelly 2022). Beijing took the rhetorical change seriously and retaliated by suspending any ministerial-level meeting with Canberra.²⁵⁷ With the advent of the U.S.-China tech trade war and the changing of America's China policy, Canberra was further pressured to take a tough stance on China in the following years.²⁵⁸

At the state level, the U-turn of Australia's China policy was not only a direct response to Beijing's aggression, but also a signal to the Trump administration. "China, to some extent, became a proxy for the position one takes on the U.S. alliance."²⁵⁹ By pioneering the Chinese influence debate, Canberra consolidated its role as an outpost to deter China.²⁶⁰ The Chinese influence debate and the anti-China campaign launched by the China hawks have "sent the message to Washington that Australia is leading the way to resist China."²⁶¹ Consequently, Australia's effort to counter Chinese influence has attracted much policy attention, and Australia's China hawks have become widely referenced in U.S. policy circles.²⁶² As Turnbull revealed in his memoir, Trump was even surprised at Australia's decision to ban Huawei during their phone conversation (Turnbull 2020). John Bolton also acknowledged in an interview that "It was really Australia that pressed hard [on banning Huawei and ZTE]. Australia said to us, 'For God's sake, we have to move on this or China will be

²⁵⁷ Interview with a China's leading expert on Australia, Beijing, 22 December 2018.

²⁵⁸ Section 4.8 will address the worsening of Australia-China relations after the COVID-19 outbreak.

²⁵⁹ Interview with Allan Gyngell, Canberra, ACT, 24 April 2019.

²⁶⁰ Interview with Hugh White, Canberra, ACT, 16 March 2019.

²⁶¹ Interview with David Brophy, Sydney, NSW, 30 April 2019.

²⁶² For example, see Diamond and Schell 2018.

in our system and we'll never get it out” (Hartcher 2021, 34). As a result, Prime Minister Scott Morrison was invited to visit the U.S. in 2019, which was Australia's first state visit to the U.S. since John Howard's visit in 2001.²⁶³

Although Australia was tough on China rhetorically, it was debatable whether Canberra was committed to a hawkish China approach. Notably, quite a few informants mentioned to me the disconnect between Canberra's rhetoric and behavior and criticized the lack of coherence in China policy from 2017 to 2019.²⁶⁴ It is simplistic to reduce Australia's policy change to a strategic response by a unitary actor. Even Turnbull acknowledged in his memoir that “we were surrounded by a blizzard of often hysterical and frenzied commentary on the China relationship” (Turnbull 2020, 421). Hence, my analysis focuses on how domestic power struggles contributed to Australia's “sudden” rhetorical change towards China. In this process, geopolitical changes enabled and empowered “China hawks” to employ national security narratives in pursuit of their policy goals.

Debating Chinese influence in Australia

The so-called “Chinese influence debate” was a focal point of Australia-China relations between 2015 and 2019. In response to China's interference in Australia's internal affairs, the debate included a broad spectrum of China-related activities, such

²⁶³ Meredith McGraw, “State Visit with Australia's PM Includes Al Fresco Dinner in White House Rose Garden,” *ABC News*, September 20, 2019.

²⁶⁴ Interview with Hugh White, emeritus professor of strategic studies at the Australian National University and expert on grand strategy and China, Canberra, ACT, 16 March 2019; Interview with Allan Gyngell, Canberra, ACT, 24 April 2019; Interview with Stephen Kirchner, Director of the International Economy Program at the United States Studies Centre at the University of Sydney, Sydney, NSW, 24 June 2019; Interview with John Hewson, Canberra, ACT, 19 December 2019.

as political donations, academic collaboration, and direct investment. For instance, when asked about foreign interference in a podcast interview, Duncan Lewis, who was the Director-General of Security of the Australian Security Intelligence Organisation (ASIO) from 2014 to 2019, brought up foreign investment and foreign students right away.²⁶⁵ Many of the reported stories are difficult to verify without classified information, and I have no scholarly interest in taking sides in the debate. Nonetheless, the following discussion will unravel how the Chinese influence debate evolved into a comprehensive China-threat campaign, as the securitization of Chinese investment in critical infrastructure became an integral part of the process.

The most notorious case was when former Labor Senator Sam Dastyari defied the ALP's position and voiced his support for China's claim on the South China Sea during a press conference. It was believed that his personal friendship with Chinese billionaire Huang Xiangmo, a long-time donor to Australia's major parties who was later known as an alleged agent of Chinese influence, greatly affected Dastyari's statement. The scandal ended with Dastyari's resignation in 2017 and Huang being stripped of residency and barred from returning to Australia.²⁶⁶ The example of Chinese-Australian businessman Chau Chak Wing, the other major figure targeted by Four Corners and Fairfax in their 2017 joint investigation into Chinese influence, reveals a different picture.²⁶⁷ Dr. Chau won the defamation cases against ABC and

²⁶⁵ Duncan Lewis, interview by Allan Gyngell and Darren Lim, *Australia in the World*, podcast audio, December 20, 2019.

²⁶⁶ Richard Baker, James Massola, and Nick McKenzie, "Labor Senator Sam Dastyari Warned Wealthy Chinese Donor Huang Xiangmo His Phone Was Bugged," *Sydney Morning Herald*, November 29, 2017; Amy Remeikis, "Sam Dastyari Quits as Labor Senator over China Connections," *The Guardian*, December 11, 2017.

²⁶⁷ Broadcast on ABC TV, Four Corners is a well-known investigative TV program that covers Australia's national debates and scandals. Fairfax Media was one of Australia's major media companies

Nine Entertainment for their false accusations of his espionage and bribery as a Chinese agent.²⁶⁸ In 2019, the ABC settled another defamation case with a Chinese student who was portrayed as a Chinese agent on the same episode of *Four Corners*. After the show aired, the student encountered a barrage of harassment and intimidation, and she was startled to discover that her statements had been maliciously edited out of context.²⁶⁹ In the same year, the sensational self-confession of Chinese defector Wang Liqiang on Nine's *Sixty Minutes* program showed a more mixed picture. While his high-profile remarks on the CCP's interference in Hong Kong, Taiwan, and Australia were alarming, security agencies and experts doubted several of his claims as a high-level Chinese spy.²⁷⁰ These incidents suggest that, while there were valid reasons to be concerned about China's "magic weapons"—its political influence activities—the heightened debate regarding Chinese influence might have also sparked a moral panic with many hasty conclusions.

The row over Chinese influence occurred and intensified simultaneously among intellectuals and bureaucrats. Intellectual advocates of the Chinese influence debate argue that China has penetrated Australian society and institutions in order to shape Australia's China policy, meddle in its domestic affairs, and threaten liberal values and the Australian way of life. Chinese businessmen, scholars, and students have been deemed a fifth column under the direction of China's United Front Work

and owned a few leading newspapers in Australia, including the *Sydney Morning Herald*, *Australian Financial Review*, and *Canberra Times*. It merged with Nine Entertainment in 2018.

²⁶⁸ Jamie McKinnell, "Chinese-Australian Billionaire Chau Chak Wing 'Distressed' by Claims He Bribed Politicians, Court Hears," *ABC News*, October 6, 2020.

²⁶⁹ Deborah Cornwall, "ABC Quietly Settled Chinese Student's Defamation Case," *The Australian*, March 10, 2019.

²⁷⁰ Paul Maley, "Beijing 'Spy' a Bit Player at Best as Cloak-and-Dagger Claims Fall Away," *The Australian*, November 30, 2019.

Department to conduct political influence activities, including espionage, political donations, and lobbying.²⁷¹ As depicted in Clive Hamilton’s seminal work, “Silent Invasion,”

Australian institutions—from our schools, universities and professional associations to our media; from industries like mining, agriculture and tourism to strategic assets like ports and electricity grids; from our local councils and state governments to our political parties in Canberra—are being penetrated and shaped by a complex system of influence and control overseen by agencies serving the Chinese Communist Party. (3)

Led by the Australian Strategic Policy Institute (ASPI), this group of scholars and researchers have sought more attention and scrutiny to contain China’s interference in Australia and the world.²⁷²

The dissenting opinion of a group of China scholars has warned that the debate on Chinese influence “puts a sensational spin on facts and events,” hampers academic freedom, and elicits anti-Chinese racism.²⁷³ Sadly, the conflation of the CCP, China, and the Chinese people in the debate has spilled over into discrimination and stigmatization of Chinese and Chinese Australians (Fitzgerald 2019; Windybank

²⁷¹ For example, see Brady 2017; 2020; Garnaut 2018; Hamilton 2018; Joske 2018; Joske and McKenzie 2020.

²⁷² Submission to the Parliamentary Joint Committee on Intelligence and Security, “Joint Letter by Scholars of China, the Chinese Diaspora, China-Australian Relations and Australia’s Relations with Asia.” Inquiry into the National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2017. March 27, 2018. Note that this joint letter was a direct response to the joint letter referenced in the next footnote, which dismissed the concerns of racism and advocated for the continuation of the Chinese influence debate.

²⁷³ Submission to the Parliamentary Joint Committee on Intelligence and Security, “Joint Submission from Scholars of China and the Chinese Diaspora.” Inquiry into the National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2017. March 26, 2018.

2017). For example, Liberal MP Gladys Liu, an Australian politician born in Hong Kong, was under fire for her fundraising success in the Chinese community and her unclear position on foreign policy.²⁷⁴ Moreover, it is unfortunate that scholars who argue for continued engagement with China or call for a calmer debate run the risk of being “dismissed as agents of influence or naive tools of Beijing” (Gyngell 2019, 18). Recently, Professor Jane Golley was pressured to resign from her job as director of the Australian Center on China in the World at the Australian National University, soon after she made the controversial statement that the estimated number of 1 million Uyghurs in reeducation camps might be exaggerated.²⁷⁵

Political and corporate interests cannot be neglected in the intellectual debate. In fact, one-third of ASPI’s funding comes from the U.S. Department of Defense. Each year, this leading China-hawkish think tank receives substantial support from American defense companies, such as Lockheed Martin and Northrop Grumman. Its rival institution, the Australia-China Relations Institute (ACRI) at the University of Technology Sydney, run by former foreign minister Bob Carr, was reported to have accepted Huang Xiangmo’s donation at its foundation (Brophy 2021; Macklin 2017; Menadue 2019). Moreover, their appeals drew considerable attention from policymakers. In my interview with Clive Hamilton, he disclosed that “Silent Invasion” was especially well received in ASIO, the Department of Home Affairs (DHA), and the PM office of the Turnbull administration.²⁷⁶ The U.S. government

²⁷⁴ Brett Worthington, “Scott Morrison Defends Liberal Gladys Liu Amid Revelations about Chinese Connections,” *ABC News*, September 11, 2019.

²⁷⁵ Latika Bourke, “ANU Academic Slammed over Citation of ‘Sub-par’ Chinese Genocide Research,” *Sydney Morning Herald*, April 27, 2021.

²⁷⁶ Interview with Clive Hamilton, Canberra, ACT, 1 April 2019.

also cited ASPI's research in its ruling.²⁷⁷ Similarly, Turnbull disclosed that university heads and intellectuals put immense pressure on his government's China policies (Turnbull 2020).

Along with the intellectual debate, political bargaining has occurred between national security bureaucracies and business and diplomatic bureaucracies. This battlefield was less pronounced, but it had a direct and profound impact on the course of the Chinese influence debate. Soon after Malcolm Turnbull assumed office in 2015, the director-general of ASIO, Duncan Lewis, briefed him extensively on China's espionage and intervention actions. Recognizing the significance of the matter, Turnbull requested that the cabinet draft a report on foreign interference and that his senior advisor John Garnaut report on China's influence operations in Australia (Turnbull 2020). The classified Garnaut-ASIO report is believed to have played a major role in advancing Canberra's foreign interference legislation.²⁷⁸ Later, Duncan Lewis publicly defined foreign interference as "an existential threat" to Australia rather than terrorism²⁷⁹ and asserted that China was the primary source of this threat (Hartcher 2019). John Garnaut, meanwhile, rose to prominence as a China hawk with policy influence in both Canberra and Washington. In general, their attitudes largely reflected the deep concerns about Chinese influence in Australia's security and intelligence community.

²⁷⁷ Specifically, the *China Defence Universities Tracker* compiled the ASPI was referenced by the Trump administration to impose visa restrictions on Chinese researchers and students.

²⁷⁸ Tom Uren, "Declassify the Garnaut ASIO Report," *Australian Financial Review*, June 27, 2018; In addition to Turnbull's memoir, this report has been frequently mentioned in my interviews with respondents in Canberra.

²⁷⁹ Jade Macmillan, "Foreign Interference More of 'an Existential Threat' to Australia Than Terrorism: ASIO Chief," *ABC News*, September 4, 2019.

By contrast, Australia’s commercial and diplomatic community, particularly retired public servants, expressed disagreement.²⁸⁰ The list includes, but is not limited to, former PM Paul Keating, former Ministers for Foreign Affairs Bob Carr²⁸¹ and Gareth Evans, former Ambassador to China Geoff Raby,²⁸² and economist and former leader of the Liberal Party John Hewson. Some retired intelligence officers with extensive public service experience in international affairs and diplomacy, such as former DoD Secretary Dennis Richardson²⁸³ and former Director-General of the Office of National Assessments (ONA)²⁸⁴ Allan Gyngell, also joined to call for a more nuanced discussion on Chinese influence. Similar to the concerned academics, they cautioned that the Chinese influence debate has been overheated and often based on sloppy facts, which is contrary to the national interest of Australia.²⁸⁵ Furthermore, they linked the heightened China-threat campaign to the increasing power of the “national security cowboys”²⁸⁶ or the “security establishment”—the ASIO, the DoD, the ONA, the international division of the prime minister’s department, and the

²⁸⁰ I have observed that incumbent cabinet members were reluctant to make explicit statements challenging the “Chinese influence” argument for fear of being labeled as agents or appeasers of the CCP. I agree with Brophy’s assertion that “if a ‘China lobby’ describes those who advocate jumping ship and joining the PRC camp, then no such thing really exists in Australia” (Brophy 2021, 21).

²⁸¹ It is noteworthy that Carr himself has been identified by Australia’s China hawks as “China’s pawn,” who lobbies for China’s interests in exchange for political donations (Hamilton 2018).

²⁸² While Raby runs his own advisory firm, he is also a board member of an Australian subsidiary of a Chinese mining company (i.e., Yanzhou Coal Mining Company).

²⁸³ Richardson is also a former secretary of the Department of Foreign Affairs and Trade (DFAT).

²⁸⁴ The ONA was an Australian intelligence agency established in 1977. In 2017, as part of Turnbull’s reform, which will be discussed in Section 4.3, it was replaced by the Office of National Intelligence.

²⁸⁵ Bob Carr, “Seven Steps to Tame Fears over China,” *The Australian*, December 12, 2017. “Paul Keating’s speech on Australia’s China policy,” *The Guardian*, November 17, 2019; Anthony Galloway, “Don’t overreact’: Gareth Evans warns against alarm about foreign interference on university campuses,” *Sydney Morning Herald*, December 5, 2019. See also Gyngell (2019) and Raby (2020).

²⁸⁶ Paul Kelly, “China Relations: ‘National Security Cowboys’ Put Nation’s Interests at Unnecessary Risk,” *The Australian*, May 9, 2020.

ASPI.²⁸⁷ “When the security agencies are running foreign policy, the nutters are in charge,” said Paul Keating in a very harsh tone. The legendary PM even went on to call out John Garnaut and lambast ASIO: “Once that Garnaut guy came back from China and Turnbull gave him the ticket to go and hop into the security agencies, they’ve all gone berko ever since.”²⁸⁸

4.3 Securitization: The Room Where It Happened

Regardless of whether the danger of Chinese influence has been overstated or understated in Australia, we saw a clear bureaucratic competition in the murky waters of the Chinese influence debate, which was very uncommon in the making of Australia’s foreign policy. In this section, I will elaborate on the ascendancy of Australia’s national security bureaucracies under geopolitical changes and how they have driven the securitization of Chinese investment in Australia as a part of their anti-foreign inference campaign.

The national security juggernaut

The formation of Australia’s foreign and economic policies has largely been an elite-driven process, featuring the relative absence of economic voting (Hellwig and McAllister 2016) and a lack of public interest in global matters (Gyngell and Wesley 2003). Even when there was heightened public attention to a given issue, as

²⁸⁷ Interview with Allan Gyngell, Canberra, ACT, 24 April 2019; Interview with Bob Carr, Sydney, NSW, 14 November 2019; Interview with Gareth Evans, Canberra, ACT, 10 December 2019; Interview with John Hewson, Canberra, ACT, 19 December 2019.

²⁸⁸ Ben Packham, “Keating Blasts Security Chiefs: ‘Nutters Have Gone Berko,’” *The Australian*, May 6, 2019.

demonstrated in earlier chapters, policymakers could respond by making symbolic policy adjustments. To a great extent, Australia's foreign economic policy is made, managed, and carried out by the Treasury and the Department of Foreign Affairs and Trade (DFAT).²⁸⁹ The 1987 institutional decision to integrate diplomatic and commercial bureaucrats, who used to rival for influence for decades, into a single department (i.e., DFAT), signified the alignment between Australia's foreign policy and economic policy (Gyngell 2017). In some ways, the dominant role of these commercial and diplomatic bureaucrats in the making of Australia's foreign policy was one of the main reasons why Australia's relationship with China was stable and strong in the past.²⁹⁰

However, foreign affairs have become increasingly complex as a result of globalization, posing serious challenges to DFAT. With their expertise, information, and authority in security-related matters, the influence of national security agencies in general policymaking has been ascending in the new era of changing geopolitical order.²⁹¹ Australia's intelligence expenditures have expanded considerably in the past two decades. For example, ASIO's budget increased from \$61 million in 2001 to \$573 million in 2020 (Pearlman 2020). Previously, international terrorism was its major focus, but since the end of the war on terror, China has become its next target. As

²⁸⁹ As discussed in Chapter 2, the FIRB is a non-statutory body that provides advice to the Treasurer and the federal government on foreign investment issues.

²⁹⁰ Clive Hamilton referred to Canberra's political-bureaucratic elite as "the China club" for their neglect of the China threat (Hamilton 2018).

²⁹¹ Telephone interview with Allan Fels, economist, lawyer and former chairman of ACCC, 30 September 2019; See also Menadue (2018).

follows, Max Suich illustrated the dominance of security and intelligence agencies in Canberra's hawkish turn on China:

“The new approach was formed in discussion among ministers and advisers around the table at the National Security Committee (NSC) of cabinet. But equally important were informal discussions between staffers in ministerial offices, backbench hawks and key figures in the security and intelligence agencies, designed to provide an encouraging environment for agency arguments to the NSC. Thus, their proposals came to the NSC pre-endorsed by the security hawks of the backbench and ministerial advisers in key departments such as Prime Minister's, Foreign Affairs and Defence.”²⁹²

Besides Beijing's aggression, the Trump effect provided a crucial political context to understand their growing impact. One interpretation of the anti-China campaign is that Australia's security apparatus attempted to fill the void left by the Trump administration's inaction and wrongdoing. Hugh White, in his examination of Australia's defense strategy, claimed that Donald Trump was to blame for the country's turn toward hawkishness:

By the time the 2016 White Paper was published, it was clear – if not explicit in the document itself – that supporting America in a war against China had become the primary strategic objective of Australia's defence forces.... The most obvious reason is Donald Trump. His America First isolationism, his dysfunctional policy and diplomatic processes, his seeming partiality for Xi

²⁹² Max Suich, “How Australia Got Badly Out in Front on China,” *Australian Financial Review*, May 17, 2021.

and his focus on China as an economic rather than a strategic rival all raised early doubts that America would be the bulwark against Beijing that Canberra expected (White 2020, 13).

The uncertainty created by Trump was also an opportunity for Australia's security and intelligence bureaucracies to expand their influence on policies. As highlighted in Max Suich's illuminating article series on the hardening of Australia's China policy, "the Trump shadow was cast wide in Canberra after 2017 and our intelligence community was happy to exploit it."²⁹³ "Without Trump, the hawks would not have had the moxie to develop their insane line that we had no choice but to divert trade flows and supply chains," a currently serving official revealed in an interview with Suich.²⁹⁴

The rise of Australia's national security apparatus can also be viewed through the lens of party competition. In practice, bureaucratic action can hardly be immune to political factors, and the politicization of foreign affairs has become more prevalent in recent years. In Australia, the preeminence of the conservative wing of the Liberal Party widened the gap between the ALP's and the LPA's foreign policy stances. Specifically, the Liberal Party's conservative faction dismissed the DFAT as a leftish internationalist organization²⁹⁵ and favored more spending on national security over diplomacy (Dobell 2021).

²⁹³ Max Suich, "US-Australia Alliance on China Shows It's Best to Go Early, Go Hard," *Australian Financial Review*, May 19, 2021.

²⁹⁴ Max Suich, "How Australia Got Badly Out in Front on China," *Australian Financial Review*, May 17, 2021.

²⁹⁵ Australia's definition of internationalism is a worldview that "advocates a creative, multilateralist role in building international stability and prosperity" (Wesley and Warren 2000, 9).

Both the Turnbull and Morrison administrations, both Liberal, contributed to the expansion of the intelligence and security bureaucracy. In 2017, Turnbull announced the Home Affairs reform and established a new Office of National Intelligence (ONI) to replace the ONA and coordinate national security agencies (L'Estrange and Merchant 2017; Turnbull 2020). Peter Dutton, a leading figure in the LPA's conservative faction and a challenger to Turnbull's leadership, was appointed head of the new Home Affairs Department. Many believed that Turnbull's move to consolidate power in the Home Affairs portfolio was a political decision (McGrath 2020). In other words, it was an attempt by Turnbull to "shore up his right flank and mute conservative criticism of his leadership."²⁹⁶ Soon after Scott Morrison defeated Peter Dutton to replace Turnbull's leadership in 2018,²⁹⁷ he made significant personnel changes and established his own network of influence in Canberra. The Australian described it as the "dismantling of the old 'Canberra club'"²⁹⁸ and "a generational shift in the power base of the mandarins and political class who have ruled over economic, environmental and social policy, national security and the role of business in government decision making."²⁹⁹

Ideologically, Australia has a distinctive strategic culture characterized by "alienation from and fear of Asia, exaggerated threat perceptions, an abiding sense of indefensibility, and dependence on culturally similar great and powerful friends"

²⁹⁶ Allan Dupont, "Home Affairs Change Driven by Manifest Need," *The Interpreter*, Lowy Institute. July 26, 2017. <https://www.lowyinstitute.org/the-interpreter/home-affairs-driven-manifest-need>.

²⁹⁷ Dutton stayed in the cabinet as the head of the DHA. In 2021, he became Australia's defense minister.

²⁹⁸ This partly explains why some retired officers from the DoD and ASIO are very critical of Australia's recent policy shifts driven by the new security and intelligence apparatus. For example, see Menadue 2018.

²⁹⁹ Simon Benson, "Network of Influence," *The Australian*, December 7, 2019.

(Cheeseman 1999, 2). Many Australian national security bureaucrats share interests and identities with the U.S. defense establishment. For instance, Kim Beazley, former Defense Minister and US Ambassador, made the following remarks at the Lockheed Martin Vernon Parker Oration:

“Normally when you use the expression “deep state” what you’re talking about is a quite evil process associated with dictatorships that mean that whatever the politics are that runs across the surface of a state, underneath it all is the real power that lies in the deep state which is usually a military/intelligence phalanx. Well, we have a benign deep state and the people who are representative of that include many sitting in this room.”³⁰⁰

In recent years, the institutional and personnel shifts within Australia’s security and intelligence agencies have further exacerbated the hawkish tendency and alienated the internationalist bureaucrats within these organizations. Therefore, the clique was motivated and capable of influencing Australia’s FDI policies and driving the securitization of Chinese investment.

Securitizing Chinese FDI in Australia

In the formation of Australia’s foreign investment review regime, security and intelligence bureaucracies were almost irrelevant. It was also very rare for defense and intelligence officials to comment on specific investment deals.³⁰¹ In previous

³⁰⁰ Kim Beazley, “Lockheed Martin Vernon Parker Oration” (speech, Canberra, June 22, 2016), Naval Institute of Australia.

³⁰¹ Interview with Chris Richardson, partner of Deloitte Access Economics and economist, Canberra, ACT, 15 March 2019; Interview with David Uren, economics editor of *The Australian*, Canberra, ACT, 15 October 2019.

chapters, I contend that a few niche parties and independents mobilized public resentment to politicize Chinese investment in mining and agriculture and affect the established FDI policy. But this time, when it comes to the contention surrounding Chinese investment in critical infrastructure, Parliament was no longer the main battlefield, and public opinion is no longer a crucial link..³⁰² Instead, the securitization of Chinese FDI in critical infrastructure was a product of elite politics and bureaucratic competition, in which Canberra's intelligence and defense communities played an unprecedented role.³⁰³

How did foreign investment in critical infrastructure enter the national security agenda? Duncan Lewis, the head of ASIO at the time, revealed that he discovered the problem while investigating foreign interference in Australia and warned new Prime Minister Malcolm Turnbull about it in 2015.³⁰⁴ His advice was taken seriously by the Turnbull government and generated immediate institutional changes. Moreover, the appointment of David Irvine, former head of the ASIO, as Chair of the FIRB was a significant personnel change. Then-Treasurer Scott Morrison explained the very unexpected decision as follows:

“In the years ahead, it will be increasingly important for FIRB to not only have the commercial expertise and background to deal with complex commercial

³⁰² In fact, empirical studies show that public opinion on Chinese investment in Australian infrastructure assets is “more concerned by the share of foreign ownership an investment will bring rather than the fact it is from China.” According to survey results, there was no statistical difference between public preferences for FDI from India and China in vital infrastructure (Laurenceson et al. 2016; 2019).

³⁰³ Interview with Peter Drysdale, Canberra, ACT, 1 March and 21 June 2019; Interview with David Brophy, Sydney, NSW, 30 April 2019; Interview with James Laurenceson, Director of the ACRI, Sydney, NSW, 1 May 2019; Telephone interview with Allan Fels, 30 September 2019.

³⁰⁴ Duncan Lewis, interview by Allan Gyngell and Darren Lim, *Australia in the World*, podcast audio, December 20, 2019.

transactions, but to also have an even greater understanding of the broader strategic issues, including national security issues, that are essential to protect our national interest.”³⁰⁵

Furthermore, since 2015, ASIO has begun to address foreign investment and its national security implications in its annual report, and it has collaborated with the FIRB to examine over 250 transactions each year. As explained in the 2015–2016 ASIO annual report, “this has strengthened wider government understanding and decision-making about the threats to Australia’s national security from foreign investment, especially in the critical infrastructure sectors” (Australian Security Intelligence Organization 2016, 40).

In particular, the intelligence and security apparatus tended to embed foreign investment in the discussion of foreign interference and frame FDI in critical infrastructure as a potential national security threat. Notably, ASIO has regularly referred to foreign investment as a “threat.” This is a significant rhetorical change, given that no Australian official had characterized foreign investment as a “threat” since the late 1960s (Uren 2019). It explicitly stated in its 2017–2018 report that “FIRB representatives noted the high quality and continuing improvement of our advice and briefings on the foreign investment threat” (Australian Security Intelligence Organization 2018, 39). In ASIO’s 2018–2019 annual report, it identified FDI and commercial partnerships with foreign entities as potential threats to Australia’s economic prosperity and future capability (Australian Security Intelligence

³⁰⁵ Scott Morrison, “Security and Business Expertise Added to Foreign Investment Review Board.” *Media Releases*, The Treasury, Australian Government. 4 December 2015.

Organization 2019). In terms of critical infrastructure investments, the ASIO was concerned not only with economic espionage but also with the diversity of ownership in strategic assets:

Foreign intelligence services are interested in accessing bulk data sets and privileged public or private sector information, including Australian intellectual property. Developing and implementing effective mitigation strategies for these issues is critical to reducing the threat to an acceptable level. Another emerging issue of potential national security concern is the lack of diversity of ownership within certain infrastructure sectors (Australian Security Intelligence Organization 2017, 24).

In a similar vein, one of Australia’s spy chiefs, Mike Burgess,³⁰⁶ warned that technological and strategic economic shifts to Asia, namely, China, would endanger the well-being of Australians:

“However, it also changes the industrial base we rely on for critical infrastructure. We will need to be open-eyed on the potential threats that any significant change of this kind poses to Australia’s most important interests. It would be naive to think we can manage these strategic and technology risks by holding back change. Like everything, it is a question of finding the right balance between leveraging all the advantages that these new shifts bring—and protecting Australians, our values and our way of life.”³⁰⁷

³⁰⁶ Between 2017 and 2019, Burgess was director-general of the Australian Signals Directorate (ASD), the Australian government agency in charge of foreign signals intelligence. He succeeded Duncan Lewis as ASIO's director general of security in August 2019.

³⁰⁷ Mike Burgess, “Then and Now – Coming out from the Shadows” (speech, Canberra, October 29, 2018), Australian Strategic Policy Institute.

Much of the persuasion of national security bureaucracies to limit Chinese investment in critical infrastructure occurred behind the scenes. They prompted considerable formal and informal discussions on Chinese influence among Canberra's political-bureaucratic elites. Compared to that of crossbenchers, the advocacy of national security agencies is more likely to reach the cabinet and be considered as expert opinion. For example, one month before Australia's announcement of the Huawei ban, the intelligence chiefs of the Five Eyes met in secret and formed a network of influence to persuade their national governments into boycotting Huawei respectively.³⁰⁸ It was also revealed that Peter Dutton, who took charge of the new Home Affairs portfolio, threatened to resign if Turnbull did not prohibit Huawei from Australia's 5G network.³⁰⁹ Meanwhile, outside of the cabinet, defense and intelligence bureaucrats "whispered in the ears of businessmen and universities"³¹⁰ about the potential danger of Chinese investments and research collaboration.³¹¹

4.4 Debating Chinese Investment in the Parliament

Fringe parties: continuity and changes

Concurrent with the advocacy of national security bureaucracies was the political debate in parliament about Chinese investment in critical infrastructure. The

³⁰⁸ Chris Uhlmann and Angus Grigg, "Secret Meeting Led to the International Effort to Stop China's Cyber Espionage", *Australian Financial Review*, December 13, 2018.

³⁰⁹ Peter Hartcher, "Dutton Says He Threatened to Quit Cabinet Unless Turnbull Banned Huawei." *Sydney Morning Herald*, May 22, 2021.

³¹⁰ Telephone interview with Nick Bisley, Dean of Humanities and Social Sciences and Professor of International Relations at La Trobe University, 20 November 2019.

³¹¹ Interview with David Uren, Canberra, ACT, 15 October 2019; Interview with Bob Carr, Sydney, NSW, 14 November 2019. This was also confirmed in David Irvine's interview with Peter Hartcher (Hartcher 2021).

same group of crossbenchers who had advocated for restrictions on Chinese FDI in mining and agriculture continued their effort to affect FDI policy. Primarily, their narratives regarding Chinese investment in critical infrastructure echoed sentiments from prior discussions regarding foreign investment. That is, emotional resistance and nativist resentment toward foreign investment. For instance, Katter's Australia Party Senator Fraser Anning used emotive language to raise awareness of the issue in his maiden speech:

“I remember Queensland as it was in the sixties, seventies and early eighties, when working blokes could get good, well-paying jobs actually making products for us to buy; when people could start small businesses and not be strangled by red tape; when car rego, stamp duty and rates were affordable; when electricity was the cheapest in the world; when, through statutory and orderly marketing, farmers were not bled white by rapacious corporations or forced to sell to Chinese carpetbaggers; when you could say what you thought without being charged with a crime; and when we could all enjoy our leisure time without all the nanny state restrictions and prohibitions.”³¹²

“Put Australia First” and “Make Australia Great” were the campaign slogans of Clive Palmer's United Australia Party, which ran on an anti-China platform for the 2019 federal election.³¹³

³¹² Fraser Anning, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 14 August 2018.

³¹³ Clive Palmer, “2019 Election Launch and Policy Speech,” United Australia Party, <https://www.unitedaustraliaparty.org.au/2019-election-launch-and-policy-speech/>. Peter Milne, “Chinese Deal Puts United Palmer Party, Clive Palmer in Poll Position,” *The West Australian*, May 5, 2019.

Moreover, the “othering” of Chinese capital has become increasingly prevalent. Anxieties and criticisms are no longer limited to Chinese FDI in a single industry and its negative consequences, but have shifted to suspicion or even antagonism against Chinese investment as a whole. The following examples demonstrate the build-up of sentiment and the packaging of Chinese investment across various sectors. Tasmanian Senator Jacqui Lambie called for an overhaul of the FIRB, asserting that it failed to protect Australia’s national interest “whether it’s the Chinese or anybody else buying from outside and when it comes to assets like our power and our water and what’s going on with cyber security and all the rest.”³¹⁴ Senator Pauline Hanson went further by highlighting the authoritarian socialist nature of Chinese FDI: “Any foreign ownership is regrettable, but why are we allowing the Chinese government, an oppressive communist regime, to own our land and assets? Why are we allowing our ports, utilities, services, agricultural land, and industries, to be acquired by foreigners of any nationality?”³¹⁵

Most importantly, the Chinese influence debate and the escalation of bilateral tensions loomed large, contributing to a shift in the political discourse on Chinese investment from an economic mindset to a national security mindset. In the parliamentary debates, Chinese FDI in critical infrastructure itself has been framed as a crucial aspect of Beijing’s influence operations. For example, as cautioned by Senator Nick McKim of the Australian Greens,

³¹⁴ Brett Worthington, “Jacqui Lambie to Push for Foreign Investment Review Board Overhaul,” *ABC News*, August 8, 2016.

³¹⁵ Pauline Hanson, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 14 September 2016.

“I want to say one other thing about Tasmania. Down in Tasmania, we are on the frontline of CCP influence. Because of President Xi’s visit in 2014, there has been significant interest—and significant purchase of land—by private companies and individuals, many of which are bankrolled by the Bank of China, which is totally under the control of the Chinese government. We need to make sure that we have the debate in a mature and rational way, of course; but we need to be on guard, not only in Tasmania but right around Australia, about the influence of the Chinese Communist Party and the Chinese government in this country.”³¹⁶

By the same token, Centre Alliance³¹⁷ Senator Rex Patrick warned,

“There’s also a steady stream of controversies concerning China’s growing influence in Australia, including, for example, China’s interest in Australian resources and critical infrastructure, the revelation that a Chinese owned mining company has been allowed to set up in Australia’s top secret Woomera Defence test range, concerns about political influence on Australian university campuses and the most recent revelations of Chinese money politics in the New South Wales Independent Commission Against Corruption.”³¹⁸

Admittedly, the advocacy of fringe parties during this time had little influence on that of national security agencies, though crossbenchers were the forerunners in the

³¹⁶ Nick McKim, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 9 September 2019.

³¹⁷ Centre Alliance was formerly known as the Nick Xenophon Team. In 2017, following Xenophon’s resignation from the Senate, the party changed its name.

³¹⁸ Rex Patrick, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 9 September 2019

decade-long campaign to limit Chinese investment. There were also notable differences between fringe parties and national security bureaucracies in the desired policy outcomes, given that the Greens and the Centre Alliance were skeptical of the enlarging security state and the tightening alliance with the United States. Nonetheless, the advocacy of fringe parties did inspire policy entrepreneurs from major parties (such as the attack on negative globalism), advantaging the persuasion of national security bureaucracies in mainstream politics.

Major parties: preponderance of China hawks

The rise of “national security thinking” in discussions of Chinese FDI in critical infrastructure has been prevalent across party lines. Major parties are no exception. For example, Liberal Senator Jim Molan elucidated the significance of a national security perspective when reviewing foreign investment in critical infrastructure:

“In this time of strategic uncertainty and increasing great power rivalries, we need to be extremely wary of foreign efforts to attain control over Australia’s infrastructure assets For too long, we have had a single-minded focus on the economic dimensions of foreign investment proposals. We have deferred to the views of economists, who can be so fixated on balance sheets that they may not see other important factors involved in foreign investment proposals of this kind. This nation is far more than just an economy. We are a people, a culture, a way of life and a set of values. If we sacrifice every value, every bit of sovereignty and independence we have for the economy, then one day we

might wake up and find that there is not much left. When it comes to foreign investment in critical infrastructure, we need to get beyond a focus on economics and consider other important factors in context.”³¹⁹

Similarly, Labor MP Michael Danby pointed out that Chinese investment poses risks to Australian national security:

“Beijing’s interference in universities, think tanks, institutes and parties will be subject to media and parliamentary scrutiny. Nervous Nellies who advocate a hands-off policy for investments in China should be reassured that commercial arrangements will continue to prosper, but pro-Beijing academic and business interests should never override Australia’s national security, firmly rooted in our ANZUS alliance and our deeply democratic ethos.”³²⁰

In previous cases, fringe parties and major parties diverged in their positions and rhetoric on Chinese investment, and major parties mainly took a reactive approach to the politicization of Chinese investment in Australia. In this phase, however, many Labor and Liberal politicians have taken the initiative to restrict Chinese investment in critical infrastructure. Peter Dutton’s threat of resignation to impose the Huawei ban, which was discussed in the preceding section, exemplifies how defense hawks in the conservative wing of the Liberal Party exerted influence on the government’s stance on Chinese investment. Moreover, there emerged a younger generation of China hawks who appeared even more outspoken and proactive. In 2017, several China

³¹⁹ Jim Molan, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 17 September 2018.

³²⁰ Michael Danby, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 17 October 2017.

hardliners in the federal parliament, including Andrew Hastie and James Paterson of the LPA and Kimberley Kitching of the ALP, formed a bipartisan group called “the Wolverines,” a reference to the film *Red Dawn*, in which a handful of American high school football players defeated a Soviet invasion.³²¹ Members of the Wolverines have engaged in “political warfare” against Beijing and seized every opportunity to lobby for legislation to restrict Chinese investment, scrutinize university collaboration with China, and deter Chinese influence (Dziedzic 2022).

Generally, China hawks from both parties have shifted their party positions from a welcoming approach to a more hostile view of Chinese investment.³²² This was especially true of the LPA, the governing party during those years. When Turnbull ascended to the Liberal leadership in late 2015, he was viewed as a liberal internationalist who would embrace more cosmopolitan policies than Abbott (Rimmer 2019). In fact, he once referred to Huawei as a “very credible business” and promised to review the Gillard government’s 2012 decision to reject Huawei as the supplier of Australia’s National Broadband Network.³²³ Nonetheless, in exchange for sufficient party support to maintain leadership, he was compelled to make concessions on issues such as border protection, carbon tax, and marriage equality, making him “appear a captive of the right and the Nationals” (Bongiorno 2019, 322). As discussed earlier, his decision to centralize power in the DHA and appoint Peter Dutton as its leader was

³²¹ Ellen Whinnett, “Canberra Wolverines Fighting the Reds,” *Herald Sun*, February 20, 2020; James Curran, “Canberra’s Wolverines Threaten Our Connection,” *Australian Financial Review*, May 8, 2020. Anthony Galloway, “Seeing Red: Labor’s China Problem,” *Sydney Morning Herald*, October 24, 2020.

³²² The division is now within each party. Interview with an advisor in the Senate Office, Canberra, ACT, 28 March 2019.

³²³ Lucy Battersby and Philip Wen, “Huawei a ‘Credible Business’: Malcolm Turnbull,” *Sydney Morning Herald*, October 25, 2013.

also largely perceived as the outcome of intra-party competition. Turnbull's successor, Scott Morrison, is a leading figure in the conservative wing of the Liberal Party. In line with his anti-establishment agenda, Morrison attacked "negative globalism" and "unaccountable internationalist bureaucracy" in the same vein as Donald Trump.³²⁴ "Alert to the clash of values, he sees China's coercion as a long-run existential danger to Australia's way of life and himself as a defender of Australia's values and identity. He believes Australia faces not a military threat, but a sovereignty threat," concluded Paul Kelly in his analysis of Morrison's foreign policy (Kelly 2022, 77). Whether for tactical or ideological reasons, Morrison was quite susceptible to the lobbying of China hawks to restrict China's economic influence in Australia.

4.5 Restrictions: More than Red Tape

The securitization of Chinese investment in critical infrastructure has produced concrete policy changes. In the following discussion, I will classify pertinent legislative changes into four categories and elaborate on the implications of these policy changes.³²⁵ The first category of legislation sought to restrict foreign acquisitions of residential land, consisting of the Foreign Acquisitions and Takeovers Fees Imposition Amendment (Fee Streamlining and Other Measures) Bill 2017; Foreign Acquisitions and Takeovers Fees Imposition Amendment (Vacancy Fees) Bill 2017; and Foreign Acquisitions and Takeovers Fees Imposition Amendment (Near-

³²⁴ Katharine Murphy and Ben Doherty, "Scott Morrison Echoes Trump as He Warns Nations Must Avoid 'Negative Globalism'," *The Guardian*, October 3, 2019.

³²⁵ This section only discusses legislative changes proposed before March 2020, the worldwide COVID-19 outbreak.

new Dwelling Interests) Bill 2018. Introduced by the Treasury, this set of bills and acts imposed more fees and barriers to regulate foreign acquisitions of residential land. The legislative effort was a direct response to growing concerns about Chinese investment in residential property. However, it is questionable whether such red tape would resolve the issue, for the Chinese capital was not the main driver of Australia's rising housing prices.³²⁶ In response, the Labor Party criticized that the Liberal government was simply dancing around the central problem of Australia's housing market—negative gearing (Blunden 2016). Although these bills are not specific to critical infrastructure and national security, they indicate the intensified politicization of Chinese investment in Australia.

The second category of legislation was intended to establish a regime to manage national security risks associated with foreign investment in critical infrastructure. On January 23, 2017, the Critical Infrastructure Center (CIC) was announced to be established to identify and manage national security risks to Australia's critical infrastructure. The move was largely motivated by the controversial lease of the Darwin Port in 2015 and State Grid's failed bid for Ausgrid in 2016.³²⁷ Under the Department of Home Affairs, the CIC coordinates agencies and bureaucrats across the government to detect risks and provide advice to the FIRB. Along the same vein, the Treasury and the DHA announced new restrictions on future

³²⁶ Lorenzo Casavecchia and Adrian Lee, "Chinese Demand for Sydney Residential Property," Submission 10 to House of Representatives for the "Inquiry into Foreign Investment in Residential Real Estate," University of Technology, Sydney, 2014. See also Rogers, Lee, and Yan 2015.

³²⁷ As recalled by Turnbull, "around that time, we'd identified the lack of a coherent approach to assessing the national security risks associated with foreign acquisitions of critical infrastructure" (Turnbull 2020, 425).

and previous investments in electricity, “taking into account a range of factors such as the cumulative level of ownership within a sector, the need for diversity of ownership and the asset’s critical importance.”³²⁸

The center’s establishment and operations encountered little opposition in the government or the parliament, mainly because it ended the previous ad hoc procedures and institutionalized the national security assessment of foreign investment.³²⁹ The FIRB also applauded the decision, for “it was a measure to curb FIRB exposure; the FIRB did not want to be on the spot of deciding key national security decisions,” a former staff member at the FIRB told me.³³⁰ The center’s definition of critical infrastructure and national security, on the other hand, has been very vague. Besides the ambiguous definition shown in Table 4.1, the number of its covered sectors has expanded from four (i.e., electricity, gas, water, and ports) to eleven (i.e., communications, financial services and markets, data storage or processing, defense industry, higher education and research, energy, food and grocery, health care and medical, space technology, transport, and water and sewerage).³³¹

The founding of the CIC was accompanied by the Security of Critical Infrastructure Act 2018. It is a ground-breaking regulation designed to contain foreign influence in Australia’s critical infrastructural assets, making Australia a pioneer in addressing national security imperatives of critical infrastructure investments. The act

³²⁸ Scott Morrison and Peter Dutton, “New Conditions on the Sale of Australian Electricity Assets to Foreign Investors,” *Media statement*, February 1, 2018.

³²⁹ It examines acquisitions from domestic investors, too; moreover, its examination is not limited to ongoing or new deals.

³³⁰ Interview with a former staff member at the Foreign Review Investment Board, Canberra, ACT, 25 June 2019.

³³¹ Commonwealth of Australia, *Security Legislation Amendment (Critical Infrastructure) Bill 2020* (Canberra, 2020).

has mandated a register of critical infrastructure assets and granted the Minister for Home Affairs “the power to issue a direction to an owner or operator of a critical infrastructure asset to mitigate national security risks.”³³² On the grounds of national security, the bill had bipartisan support. “While maintaining competitiveness in a rapidly changing global market is essential, with this bill, the government is taking the steps necessary to strengthen the security and resilience of Australia’s critical infrastructure,” said Liberal Senator Mathias Cormann.³³³ The ALP took a similar stance: “We support these bills because we recognize the need to manage national security risks arising from the possibility of malicious foreign involvement in our critical infrastructure.”³³⁴

In her endorsement, Pauline Hanson reiterated One Nation’s deep-seated aversion to foreign investment: “One Nation is totally opposed to any sale of our assets. I have said, for the last 22 years, that neither our infrastructure, such as water, sewage, telecommunications, and electricity, nor our defense services should ever, in any way, shape or form, end up in the hands of foreigners.”³³⁵ The Greens also supported the essence of the bill, though they questioned the neglect of climate change as a national security threat to infrastructure assets.³³⁶

³³² Commonwealth of Australia, *Security of Critical Infrastructure Act 2018* (Canberra, 2018).

³³³ Mathias Cormann, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 7 December 2017.

³³⁴ Jenny McAllister, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 28 March 2018.

³³⁵ Pauline Hanson, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 28 March 2018.

³³⁶ Nick McKim, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 28 March 2018.

The third category of legislation signified the establishment of a broader security framework to combat foreign interference, in which foreign investment and foreign economic influence were crucial components. Foreign Influence Transparency Scheme Bill 2018; National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2018; and Foreign Influence Transparency Scheme Legislation Amendment Bill 2018 were a package of legislative responses to the Chinese influence debate as well as the fears of Russia's election interference. In his support for these bills, Senator Rex Patrick said bluntly:

“Although the government is understandably reluctant to talk publicly about the specific espionage and interference threat posed by China, that is what this legislation is about.... In the years and decades to come, China's reach and influence in our region, and inside Australia itself, will likely be the single most important issue in Australian national security.”³³⁷

Generally, the dangers of foreign espionage and covert operations were well recognized across party lines, which led to the successful passage of these bills. However, the expansive definition of espionage and national security offenses in these bills may suppress public discussion and endanger countervailing forces that disagree with the national security establishment. As a few Greens senators, the bills' major critics, pointed out,

“It risks curtailing press freedom by placing journalists and media outlets in a difficult, and, at times, almost impossible position. It will dissuade journalists

³³⁷ Rex Patrick, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 27 June 2018.

from publishing stories that are clearly in the public interest because they are too scared that they may be charged and face years, decades or their whole lives in prison.”³³⁸

While the first three categories of legislation were introduced by the Liberal government, the last category, including the Foreign Acquisitions and Takeovers Amendment (Strategic Assets) Bill 2016 and the Foreign Acquisitions and Takeovers Amendment (Strategic Assets) Bill 2020, was initiated by Senator Bob Katter and his Katter’s Australian Party to restrict foreign takeovers of Australia’s strategic assets. In prior years, the social conservative maverick had worked with other crossbenchers to advocate for more restrictions on foreign investment. Amid the controversy of Chinese investment in critical infrastructure in recent years, Katter and his party members continued to sell their agenda. Specifically, the two bills proposed to forbid foreign investments that would acquire more than 10 percent of Australia’s land, water, and other assets of strategic defense or economic importance. In the same manner as other bills and motions introduced by independents or niche parties, they did not pass in the parliament. Still, they were notable efforts to shape the discourse on foreign investment in Australia and paved the way for future policy restrictions.

To interpret the implications of these policy changes, I have concluded two important highlights. First was the expanding national security state. Security and intelligence agencies have surpassed fringe parties as the main sponsors of legislative efforts to restrict Chinese economic influence. With bipartisan support, their proposed

³³⁸ Nick McKim, “Commonwealth Parliament of Australia [*Hansard*],” *Senate, Parliamentary Debates*, 28 June 2018.

legislation has brought the national security aspects of foreign investment to the fore and enhanced their institutional power in the making of foreign economic policies.

Second, China was the elephant in the room. While restrictions on foreign and Chinese investment in previous cases could be interpreted as red tape to intended to appease nativist sentiments or establish good practices for Chinese investors, Australia's FDI policy changes in this period (2015-2019) demonstrate a clear hostility toward Chinese investment. Specifically, all Chinese firms may be seen as suspect in the review process, and Chinese investments in critical infrastructure have almost been blocked.³³⁹ Individuals or agencies with any interaction with Chinese entities can be viewed as suspicious.³⁴⁰ In short, we are observing "a genuine change of attitudes toward China among political elites."³⁴¹

4.6 Case I: The Lease of Port Darwin, 2015

The Port of Darwin debacle in 2015 is the starting point of Australia's political debate over Chinese investment in critical infrastructure. In 2013, the Northern Territory (NT) government began seeking external funds and resources to upgrade facilities at the port, when its capacity could no longer sustain the increasing volume

³³⁹ Besides interviews, this finding is also substantiated by the statistics in Tables 4.2 and 4.3 on Chinese investment in Australian critical infrastructure. In addition, according to a leaked document from the Chinese embassy in Canberra, Australia has rejected over ten Chinese investment proposals citing national security justifications since 2018 (Hartcher 2021).

³⁴⁰ I thank Dr. Dirk van der Kley for his credit to this observation and I verify it with the following informants. Telephone interview with Nick Bisley, 20 November 2019; Interviews with Peter Drysdale, Canberra, ACT, 1 March and 21 June 2019; Interview with James Laurenceson, Sydney, NSW, 1 May 2019; Interview with Stephen Kirchner, Sydney, NSW, 24 June 2019; Interview with David Uren, Canberra, ACT, 15 October 2019.

³⁴¹ Interview with Chris Uhlmann, political editor for Nine News who has been covering Chinese influence in Australia, Canberra, ACT, 7 October 2019.

of traffic. After the federal government declined to finance the port's development, the NT government turned to private operators and eventually announced in October 2015 that it would sign a 99-year lease with the private Chinese firm Landbridge (Uren 2019). One important fact of the commercial deal is that the U.S. sent approximately 100 naval and allied ships to visit Darwin Harbor each year and stationed over 2500 marines there. In fact, when the lease was announced, the Australian and American ministers for foreign affairs and defense were meeting at the annual Australia-United States Ministerial Consultation (AUSMIN) and drafting a joint statement on China's aggression in the South China Sea.³⁴² The U.S. government was shocked to find that it had been "blindsided" by the Darwin lease.³⁴³ In November, President Obama complained to Prime Minister Turnbull at the APEC summit that his government was unaware of the deal until he read about it in the Wall Street Journal.³⁴⁴ Even though Turnbull claimed that it had been public knowledge that Chinese companies were interested in bidding for the lease long before the October announcement and that the U.S. government's liaison officer in Darwin must have known (Turnbull 2020), it was evident that the miscommunication compounded the situation.

Moreover, the review process of the deal sparked considerable criticism in Canberra. At that time, a lease between a private firm and a state government could be exempt from federal oversight. Although the NT government consulted the FIRB for advice in late 2014, and Landbridge submitted its proposal to the FIRB in July 2015,

³⁴² Peter Jennings, "Security Crucial in Leasing Assets," *The Australian*, October 20, 2015.

³⁴³ John Kehoe and Laura Tingle, "US 'Stunned' by Port of Darwin Sale to Chinese," *Australian Financial Review*, November 18, 2015.

³⁴⁴ Philip Coorey and Laura Tingle, "'Let Us Know Next Time': How Obama Chided Turnbull over Darwin Port Sale," *Australian Financial Review*, November 19, 2015.

the FIRB did not conduct a formal evaluation of the case as it normally did with other investment proposals (Senate Economics References Committee 2016). In terms of the security concerns, the then-Secretary of Defense, Dennis Richardson, confirmed on multiple occasions that his department and the National Security Committee were advised by the NT government in early 2014.³⁴⁵ The examination encompassed a broad variety of security-related matters, including the risk of the port being shut down, cyberattacks, and theft of intellectual property (Senate Economics References Committee 2016). “No part of Defence had a concern from a security perspective in respect of the sale,” claimed Richardson in the parliamentary inquiry into the deal (Barnes et al. 2015, 3). However, he also admitted that the broader strategic implications were not fully considered:

The Navy’s interest was overwhelmingly the question of access, not the question of ownership, given that it is a commercial port, not a navy base....

The question about China’s broad strategic posture in the region and what they might own or lease in Australia and the security implications of that are really quite separate (Barnes et al. 2015, 4).

The primary opponent of the lease was the ASPI, a think tank with personnel and ideological ties to defense and intelligence hawks in Australia and the United States. Peter Jennings, the head of the ASPI and a former senior defense bureaucrat, voiced concerns with his colleagues about the lease’s national security risks in major news outlets, including *The Australian* and *The Australian Financial Review*. They

³⁴⁵ Susan McDonald, Matthew Doran, and Andrew Greene, “Port of Darwin: Concerns about Lease to Chinese Company ‘Alarmist’ and ‘Absurd’,” Says Defence Secretary Dennis Richardson,” *ABC News*, December 15, 2015.

cautioned against Landbridge's connections with the PLA and the CCP,³⁴⁶ the possibility of Chinese espionage and sabotage, and China's strategic expansion in the region.³⁴⁷ Neil James, executive director of the Australia Defense Association, joined the campaign, criticizing the "grand strategic failures" of the lease and stating that it was "a stupid decision in the first place."³⁴⁸ Issue entrepreneurs who had politicized the issue of Chinese investment in mining and agriculture also shifted their attention to critical infrastructure. Nick Xenophon, Jacqui Lambie, and Bob Katter questioned the Liberal government for the details of the lease and urged it to revoke the decision (Barnes et al. 2015).

As a result, the Australian parliament held hearings and conducted an independent inquiry into the Port of Darwin lease process. After the defense department and ASIO reexamined the lease, they reaffirmed the original conclusion that the lease raised no security concerns (Senate Economics References Committee 2016; Uren 2019). As a few informants told me, rather than strategic failures, the Darwin case was not well handled due to procedural issues between the federal government and the state government, "nobody realized that a state government would

³⁴⁶ Although Landbridge is a private firm, his owner, Ye Cheng, was found to have close ties with the CCP due to his membership of the 12th National Chinese People's Political Consultative Conference (CPPCC). ASPI also pointed out that the company has a militia unit. However, these claims were criticized by Linda Jakobson, China Matter's founder, for their ignorance of Chinese politics. The CPPCC is an advisory political body, and it is common for successful businessmen to be invited. Moreover, almost all large enterprises, hospitals, and colleges have militia units to protect assets and public safety, which are separate from the People's Armed Police or the PLA. See Linda Jacobsen, "Darwin Port Row Shows Australia Doesn't Understand China," *The Australian*, November 18, 2015.

³⁴⁷ Peter Jennings, "Security Crucial in Leasing Assets," *The Australian*, October 20, 2015; Paul Barnes and Peter Jennings, "NT Deals Show FIRB Must Be Given New National Security Credentials," *Australian Financial Review*, November 13, 2015.

³⁴⁸ Neil James, "The Grand Strategic Failures Underlying the Lease of Darwin's Commercial Port," *The Strategist*, November 23, 2015; Christopher Walsh, "How and Why Did the Northern Territory Lease the Darwin Port to China, and at What Risk?" *ABC News*, March 11, 2019.

do something that the Commonwealth dislike;”³⁴⁹ as well as a lack of communication with Washington: “it was handled badly on the Australian side because we didn’t talk to the US.”³⁵⁰

The timing of the case was vital. It was before the climax of the Chinese influence debate, Trump’s election, and the establishment of Xinjiang internment camps. Australia’s security and intelligence communities were still divided on how to treat China’s economic influence and how to define the scope of national security risks associated with foreign investment proposals. To a large extent, the lease of the Port of Darwin to Landbridge was a turning point in Australia’s political controversies over foreign investment. Since this case, foreign investment in critical infrastructure has received increased policy attention. Moreover, “investment suddenly started taking on, particularly through the appointment of David (Irvine) and of a more national security dimension.”³⁵¹ Apart from appointing the former head of ASIO to chair the FIRB, the Turnbull government also tightened FDI regulations so that any sale or lease of critical infrastructure assets from the state governments would need the formal approval of the FIRB.³⁵²

In its aftermath, the lease became a symbol of how badly Chinese investment in critical infrastructure was handled. “I do not know about other Australians but I personally have difficulty seeing clearly, in my rage over the sale of the Port of

³⁴⁹ Interview with Chris Richardson, Canberra, ACT, 15 March 2019.

³⁵⁰ Interview with Allan Gyngell, Canberra, ACT, 24 April 2019.

³⁵¹ Ibid.

³⁵² Eliza Borrello, “Scott Morrison Tightens Foreign Investment Rules in Wake of Darwin Port ‘Sale,’” *ABC News*, March 17, 2016.

Darwin. And it will stay in the memory of Australians indefinitely,”³⁵³ said MP Bob Katter in his motion to amend FDI regulations and protect strategic assets. Lately, some critics even compared the Darwin Port lease to Qing China’s 99-year lease of Hong Kong to the United Kingdom (Hartcher 2021). In addition, the controversial lease drew attention to another iconic Chinese investment proposal, Dakang’s bid for Kidman Co., during the 2016 federal election and contributed to Treasurer Scott Morrison’s decision to block the deal despite the FIRB’s approval.³⁵⁴ Citing national security concerns, the bid for Ausgrid, New South Wales’ power distribution business, by the Chinese SOE State Grid and private Hong Kong firm CKI, was also blocked (Uren 2019). Amid the heightened tensions between Beijing and Canberra, the Wolverines and other China hawks have advocated for overturning the lease,³⁵⁵ and it also appeared to be a hot issue in the 2022 federal election.³⁵⁶

4.7 Case II: The Block of CK Infrastructure Holdings’ Bidding for APA, 2018

Founded by Hong Kong’s richest man, Li Ka-shing, Cheung Kong Infrastructure Holdings (CKI) is one of the largest publicly traded companies in Hong Kong with a global impact on the infrastructure industry. As mentioned earlier, its bid with the State Grid Corporation of China for Ausgrid, an electricity distribution company in NSW, was vetoed in 2016. The bid reached the final phase before being

³⁵³ Bob Katter, “Commonwealth Parliament of Australia [*Hansard*],” *House of Representatives, Parliamentary Debates*, 10 October 2016.

³⁵⁴ Chapter 3 provides a detailed discussion of the case.

³⁵⁵ When Peter Dutton became Minister for Defense in 2021, he raised the issue with the cabinet and urged for an updated inquiry into the case.

³⁵⁶ Andrew Greene, “China’s Grip on Darwin Port Looks Shaky as Australia Grapples with Regional Security Changes,” *ABC News*, May 3, 2021; Andrew Tillett, “Ministers Split over Chinese Firm’s Darwin Port Lease,” *Australian Financial Review*, September 9, 2021.

rejected by the Australian Signals Directorate (ASD) at the eleventh hour (Uren 2019). The Treasury did not provide an explanation for the decision, which triggered the concern that “it set a precedent that would make it difficult to see how foreign investment in other critical infrastructure would be allowed in future.”³⁵⁷ While some indicated that the ASD was concerned about the fact that Ausgrid supplied critical infrastructure assets to Pine Gap,³⁵⁸ the joint defense facility between Australia and the U.S., there were counterarguments that the government could have revised the investment proposal by excluding the assets pertinent to Pine Gap (Tanter 2018).

In June 2018, CKI submitted a proposal to acquire APA Group, a leading energy infrastructure business in Australia. As a long-term investor in Australia, CKI had already acquired several energy companies and owned substantial energy assets, which sparked the concern of monopoly for the APA bid. Although the ACCC approved the investment proposal on competition grounds in September,³⁵⁹ worries about foreign ownership and control over Australia’s critical energy infrastructure based on national security grounds continued to rise. Moreover, the escalation of the Chinese influence debate heightened national security concerns. Critics asserted that CKI would comply with Beijing’s directives to commit espionage or sabotage, despite its status as a private firm listed in Hong Kong.

³⁵⁷ David Wroe, “Former Foreign Minister Gareth Evans Blasts Vague ‘Security’ Concerns about Chinese Bid for Ausgrid,” *Sydney Morning Herald*, August 24, 2016.

³⁵⁸ Peter Hartcher, “Revealed: Why the Sale of Ausgrid to Chinese buyers Was Vetoed,” *Sydney Morning Herald*, May 28, 2018.

³⁵⁹ That said, the FIRB can evaluate competition matters regardless of the ACCC’s conclusion. Angela Macdonald-Smith, “ACCC Approves CKI’s \$13 Billion Takeover of APA Group,” *Australian Financial Review*, September 12, 2018.

Minor parties and independents who had previously advocated for restricting foreign investment in mining and agriculture opposed the deal. Pauline Hanson reaffirmed her party's position that "vital infrastructure should always remain in the hands of Australian companies or governments."³⁶⁰ Senator Rex Patrick warned of the bid's significant national security implications on various occasions.³⁶¹ National MP Barnaby Joyce³⁶² criticized the reluctance of Liberal MPs to question the bid.³⁶³ Two other issue entrepreneurs were even more committed in the campaign. ASPI, the hawkish think tank dedicated to providing strategic and defense advice, has become an active lobbying force on the issue. Peter Jennings, the director of the ASPI, argued in a series of opinion pieces published in *The Australian* that the bid must be rejected as "the necessary price of maintaining national security interests in the face of an increasingly predatory China looking to maximize its own strategic interests at the expense of all others."³⁶⁴ Seeing that the government was still ambivalent, he added, "The outcome will show if the government puts national security priorities ahead of a seemingly limitless thirst for Chinese investment into critical infrastructure."³⁶⁵ Jim Molan, a Liberal Senator and former general in the Australian Army, echoed Peter Jennings in highlighting the national security risks posed by the bid:

³⁶⁰ Philip Coorey, "Hanson Warns Against Bid for Gas Pipelines," *Australian Financial Review*, September 19, 2018.

³⁶¹ Bridget Carter and Scott Murdoch, "Crossbenchers' Objections Create Blockage for CKI's APA bid," *The Australian*, September 21, 2018.

³⁶² He was no longer the leader of the National Party between 2017 and 2021 due to his dual citizenship as well as sex scandals

³⁶³ Primrose Riordan, "MPs Scared to Question CKI Takeover: Joyce," *The Australian*, October 10, 2018.

³⁶⁴ Peter Jennings, "Don't Let the Long Arm of China Reach Out Critical Infrastructure," *The Australian*, June 30, 2018.

³⁶⁵ Peter Jennings, "Standing Firm against Chinese Takeovers: We Actually Can Say 'No,'" *The Australian*, October 20, 2018.

“Under the CPC, no Chinese business, private or state-owned, can operate independently of the party’s wishes. China’s National Intelligence Law obliges businesses to comply with directions from intelligence agencies, and we know that there is an active Chinese intelligence-gathering effort targeting Australia. The potential to interfere with our critical infrastructure is unacceptable. Allowing Chinese to own APA would not only assist Beijing’s intelligence-gathering, it increases our vulnerability to sabotage. A hostile actor could wreak havoc by deploying malware into these industrial control systems.”³⁶⁶

The Liberal government was quite divided on the issue. Peter Dutton, then-head of the DHA and the CIC, and Andrew Hastie, then-Chair of the Parliamentary Joint Committee on Intelligence and Security, reportedly opposed the deal.³⁶⁷ In reviewing foreign investment in critical infrastructure, the ASIO also emphasized the importance of ownership diversity (Uren 2019). Bankers and economic advisors, in contrast, endorsed the transaction. So did some Liberal MPs and Senators. “If people are worried about it being a Chinese company, a pipeline is not something they can pack up and take home,” said Queensland Liberal MP Andrew Laming.³⁶⁸ Furthermore, Turnbull’s resignation in September delayed and complicated the matter. Whether the LPA could retain its seat in the Wentworth by-election was a crucial political factor. After losing in Wentworth, it became less likely for the Liberal government to approve the controversial bid.³⁶⁹

³⁶⁶ Jim Molan, “Beware Hidden Dragon in Any Energy Deal,” *The Australian*, September 18, 2018.

³⁶⁷ Matt Chambers, “APA Call Stuck in the Pipeline,” *The Australian*, September 27, 2018.

³⁶⁸ Primrose Riordan, “MPs Scared to Question CKI Takeover: Joyce,” *The Australian*, October 10, 2018.

³⁶⁹ Bridget Carter and Scott Murdoch, “Wentworth Result Crucial in CKI Bid for APA,” *The*

Eventually, the new Treasurer, Josh Frydenberg, announced the rejection of CKI's investment proposal in November. It was revealed that the FIRB and the Treasury were unable to reach a consensus, so they turned to the CIC and security agencies for the final decision. "I have formed this view on the basis that it would result in a single foreign company group having sole ownership and control over Australia's most significant gas transmission business," explained Treasurer Frydenberg.³⁷⁰ In this statement, Frydenberg lauded CKI's contribution to the Australian economy and emphasized that the decision was "not an adverse reflection on CK Group or the individual companies."³⁷¹ Scott Morrison also described the main problem with the proposal as "concentration and aggregation."³⁷²

We may never know the real reasons for the rejection. However, if the lease of the Port of Darwin signaled the beginning of political debates surrounding Chinese investment in critical infrastructure, then the case of CKI's bidding for APA Group in 2018 marked the peak of the securitization process. Although CKI had been an important investor for a long time, its bid for APA was perceived as that of a Beijing-linked company controlling strategically sensitive assets. It was the first time Australia rejected an HK bidder, and there has been almost no Chinese investment in Australian critical infrastructure since then, from either the mainland or Hong Kong. Together with crossbenchers who had long advocated for restricting Chinese investment,

Australian, October 19, 2018

³⁷⁰ Josh Frydenberg, "Final Decision on the Proposed Acquisition of APA," *Treasury Media Releases*, November 20, 2018. <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/final-decision-proposed-acquisition-apa>.

³⁷¹ *Ibid.*

³⁷² Primrose Riordan, "Howard Deflects Chinese Criticism," *The Australian*, December 11, 2018.

defense hawks portrayed China-linked investments in critical infrastructure as a matter of national security. After a series of institutional changes (e.g., the establishment of the CIC), national security agencies, particularly the DHA and the ASIO, exhibited a more aligned stance against Chinese investment and a greater influence over the foreign investment review process.

4.8 Discussion and Reflection

Since 2015–2016, the focal point of political debates over Chinese FDI in Australia has shifted from agriculture to critical infrastructure. With Beijing’s growing assertiveness and Washington’s uncertain commitment to its alliances, the latest controversy occurred in a heightened geopolitical environment. In general, the sweeping changes in Australia's strategic environment and Australia-China relations have restructured Australia's political process regarding Chinese investment. The issue of foreign investment has been incorporated into the broad Chinese influence debate. Featuring new issue entrepreneurs and new narratives, this stage of political contention surrounding Chinese investment demonstrated a distinctive political process from the previous phases.

Specifically, the process was characterized by the frequent use of national security narratives and the active role of the intelligence and defense communities, resulting in the securitization of Chinese investment in Australian critical infrastructure. For the first time in Australian history, the national security apparatus has been actively shaping economic policies. The bigger picture is the ascendancy of the security establishment in general policymaking, which has been regularly

consulted due to the growing geoeconomic implications of foreign economic activities. Together with China hawks in parliament and think tanks, security and intelligence agencies have framed foreign investment in critical infrastructure as a matter of national security and incorporated it into the broader debate of Chinese interference and espionage. Their mobilization has contributed to considerable institutional reforms to the foreign investment review regime in Australia. In addition to tightening rules on investments in critical infrastructure, the government established the CIC and nominated intelligence officers to the FIRB, strengthening the power of national security agencies, especially the DHA and ASIO, as crucial gatekeepers in Australia's FDI review process.

Meanwhile, minor parties such as One Nation, Bob Katter's National Party, and Centre Alliance, as well as politicians such as Pauline Hanson, Bob Katter, Fraser Anning, Jacqui Lambie, and Nick Xenophon, maintained their earlier efforts to restrict foreign investment, particularly from China. More importantly, a group of issue entrepreneurs actively advocating for limiting Chinese investment in critical infrastructure emerged in major parties. Peter Dutton and Jim Molan from the conservative faction of the LPA, along with the "Wolverines" across both parties, echoed the national security community by highlighting the national security risks of Chinese investment in critical infrastructure. Compared to crossbenchers, they demonstrated a more hawkish stance on China and emphasized the strategic implications of Chinese investment.³⁷³ Although parliamentary debates were no

³⁷³ For instance, although the Greens and Nick Xenophon often criticized Beijing's authoritarian rule, they also took issue with the Trump administration. Richard Di Natale, leader of the Australian Greens from 2015 to 2020, once claimed that America under the leadership of Trump was a "dangerous ally"

longer the main battlefield at this stage, their mobilization surely contributed to the securitization of Chinese investment.

As a result, national security concerns, which were rarely invoked to oppose foreign investment transactions in the past, have appeared more frequently. The backlash against Chinese investment in critical infrastructure is not solely a reaction to FDI in critical infrastructure, but rather a broad anti-China movement on national security grounds.³⁷⁴ In the securitization of Chinese FDI, the influence of national security bureaucracies was intertwined with some other factors. Primarily, we cannot assume the unity of national security bureaucrats. As discussed in the case study of Landbridge's 2015 bid for the Port of Darwin, DoD did not elevate the assessment of the investment proposal to the level of a broad strategic and geopolitical discussion. With regards to the making of Australia's China policy, several former top officials in defense and intelligence agencies, such as Dennis Richardson and Allan Gyngell, also voiced concerns over the exaggeration of China's threat and called for a more balanced and nuanced discussion. Nonetheless, as the relationship between Australia and China has deteriorated, the hawkish inclination of national security bureaucracies has been ascending. To some extent, the worsening of Australia-China relations benefited and empowered the China hawks in the national security apparatus.

and that the U.S.-Australia alliance might pose a national security threat to Australia. Nick Xenophon argued similarly for a "rethink of the alliance" due to Trump's election. Fergus Hunter, "Richard Di Natale: 'United States alliance now represents a security threat to Australia,'" *Sydney Morning Herald*, November 21, 2016; Deborah Snow, "US election 2016: Don't write off the ANZUS alliance yet, say defense experts," *Sydney Morning Herald*, November 10, 2016.

³⁷⁴ This generalization is based on my interviews with leading experts and observers of Australia's FDI policy. Interview with Peter Drysdale, Canberra, ACT, 1 March and 21 June 2019; Interview with Stephen Kirchner, Sydney, NSW, 24 June 2019; Interview with David Uren, Canberra, ACT, 15 October 2019.

Second, the shift in Australia's domestic political climate also contributed to the favorable reception of the national security agencies' arguments on Chinese investment. As one interviewee told me: "Political concerns are over the top."³⁷⁵ Most notably, the prominence of social conservatives in the LPA altered its foreign policy approach, which had previously been determined by liberal internationalists. The personnel shifts in national security bureaucracies, for example, the nominations of Peter Dutton and Andrew Hastie, largely reflected such changes under the Turnbull and Morrison administrations. In the case study of CKI's bid for APA Group, we also see the impact of Turnbull's expulsion and the Wentworth by-election on the Treasury's final decision.

While my examination of the case ended in 2019, the securitization of Chinese investment is still unfolding. 2020 was another tipping point in Australia-China relations. As the Chinese government covered up the outbreak of COVID-19 and the virus became a global pandemic, Australia requested an international investigation into the origins of COVID-19. Beijing saw it as a serious offense and retaliated by imposing trade restrictions on Australian coal, iron ore, wine, and beef; issuing travel warnings to Chinese students and tourists visiting Australia; detaining and jailing Australian journalists; and expanding its influence in the Pacific Islands. In response, the Morrison government enhanced its security and strategic alliances and joined the AUKUS and the quad,³⁷⁶ built up its military capabilities, including the pursuit of

³⁷⁵ Interview with Chris Richardson, Canberra, ACT, 15 March 2019.

³⁷⁶ The AUKUS is a security pact between Australia, the United States, and the United Kingdom, whereas the Quad is a security dialogue involving Australia, India, Japan, and the United States. Both are recognized as strategic partnerships against China.

submarines and nuclear weapons; banned Chinese news services CGTN (China Global Television Network) and CCTV (China Central Television); raided Chinese journalists in Australia; and increased its strategic and economic presence in the Pacific Islands (Medcalf 2020; Hartcher 2021; Kelly 2022). In this political context, Australia's foreign investment review mechanism has undergone significant reforms during the past two years. The issuing of the Foreign Investment Reform (Protecting Australia's National Security) Bill 2020 and the Security Legislation Amendment (Critical Infrastructure) Bill 2020 demonstrates the interventionist approach of the Australian government and the growing securitization of foreign investment.³⁷⁷ The reexamination of the Port of Darwin's lease to Landbridge and the heightened discussion on its possible revocation also reflected the intensification of hostility towards Chinese investment.

³⁷⁷ Josh Frydenberg, "Major Reforms to Australia's Foreign Investment Framework," *Treasury Media Releases*, June 5, 2020. <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/major-reforms-australias-foreign-investment-framework>.

CHAPTER 5

CONCLUSION

This chapter revisits the two proposed domestic processes that have shaped Australia's FDI policies and summarizes the findings from the case studies of Australia's political controversies over Chinese investment in mining, agriculture, and critical infrastructure. After comparing the two processes and discussing future research directions, I go on to discuss the implications of the two proposed processes by elaborating on their merits and perils. In particular, the mobilization by fringe parties has brought to light the social and cultural implications of foreign investment, which were often dismissed by establishment political parties in the making of FDI policy. However, this process is tinged with xenophobic and racist sentiments, obscuring the in-depth discussion on the problems of economic globalization. The second process, featuring the intervention of the national security apparatus in FDI policies, has raised awareness of national security imperatives in Chinese investment amid geopolitical uncertainties. The flip side, however, is bureaucratic outreach and an expanding security state in the economic realm. Exaggerating the national security threats of China's behavior and bashing China experts are also counterproductive to deterring Chinese influence and defending liberal values. Overall, my argument transcends the China debate and the context of Australia. Whether it be Australia's political contestation of foreign investment in history or the contestation over Chinese investment in other developed countries, I observe similar processes that

unconventional economic policymakers can influence FDI policy by emphasizing non-economic dimensions.

5.1 Revisiting the Argument

Summary of findings

This study has sought to explicate Australia's policy responses to Chinese FDI and examine the political mechanisms that have led to the tightening of Australia's foreign investment regulations. I divide the empirical analysis into three phases by their most contentious industry, namely mining, agriculture, and critical infrastructure, and elaborate on each in Chapters 2, 3, and 4 respectively. Each case study chapter delineates the international and domestic context of Australia's policy debates on Chinese investment and traces how the advocacy of issue entrepreneurs has contributed to a series of changes in Australia's FDI policy. Overall, my observations and analysis have crystalized into the finding of two domestic processes in which issue entrepreneurs can reshape the issue space of foreign investment by maneuvering political rhetoric. Specifically, I highlight the role of fringe parties and national security bureaucracies in affecting FDI policies from non-economic perspectives.

The first process, which I label as the process of party competition and popular politics in Chapter 1, centers on how crossbenchers emphasize the social-cultural aspects of economic issues to mobilize the public and pressure major parties to adjust their policy positions. The convergence of major parties on economic issues, notably the neoliberal consensus between the ALP and the LPA on the issue of foreign investment, has left room for parties and politicians at the periphery of Australia's

electoral politics to sway the issue. By underscoring the non-economic dimensions of economic issues, fringe parties seized the opportunity to break the monopoly of major parties in FDI policymaking.

For example, Chapter 2 illustrates the campaign led by the Greens, the Nationals, and independent Senator Nick Xenophon, to scrutinize Chinese investment in mineral resources in the 2000s. They framed the issue as a matter of national prestige, questioned the nature and motivations of Chinese SOEs, criticized the strengthening of economic ties with a police state, and stressed the importance of environmental concerns. Their statements in parliamentary debates and media interviews, along with their legislative efforts, managed to raise public awareness of the issue. Between 2010 and 2015, controversies over Chinese investment continued to rage, and the focus shifted to agricultural investments. As detailed in Chapter 3, more fringe parties and independents, including One Nation, Katter's Australian Party, and Senator Jacqui Lambie, joined the campaign to advocate for more restrictions. The assertion that "Australians should own Australian soil," embedded in their mobilization, resonated with the Australian public and invigorated widespread public discussion on Chinese investment in Australian agricultural land and assets.

The effective conversion of fringe party activism into public resistance to Chinese investment, as indicated by public polls, could be attributed to multiple factors. Primarily, the nativist narratives used by many fringe parties and independents revived some traditional anxieties about foreign investment. This was especially true for Australia's mining and the agricultural industries in Australia; the former was often connected with resource nationalism, while the latter was a symbol of the

Australian legend. Besides the discomfort with cosmopolitan values and globalism, the ingrained fear of Australia's Asianization, blended with anti-Asian racism, was amplified in the so-called "Asian Century," characterized by Australia's demographic changes and the rise of China. These cultural anxieties were further exacerbated by the suspicion that Chinese investments were orchestrated by an authoritarian government with a state capitalist system and a history of human rights violations.

Amid mounting concerns, the ALP and the LPA could no longer dismiss the issue and chose to adjust their policy positions. Although the ALP was relatively more defensive of Australia's status quo FDI policy, the Rudd government tightened the "national interest test" in response to the influx of Chinese SOE investments in mining; both Julia Gillard and Kevin Rudd recognized the concerns of Chinese agricultural investments in their public statements before the 2013 federal election. The Liberal Party adopted a more accommodative approach due in part to its formal alliance with the National Party. It not only opposed Chinalco's bid for Rio Tinto, but also agreed with its junior partner to impose restrictions on foreign investment in agriculture in 2015.

In Chapter 4, we can see that the mobilization by fringe parties and independents also contributed to the securitization of Chinese investment in critical infrastructure. While maintaining their previous critical comments on Chinese investment, their campaign absorbed the arguments raised by national security experts. Nonetheless, at this latest stage of political contention surrounding Chinese investment, party competition between the center and the periphery has been secondary to bureaucratic competition between national security agencies and

diplomatic and economic agencies, which I refer to as the process of bureaucratic competition and expert politics.

Particularly, in the vortex of geopolitical changes, security and intelligence bureaucracies have gained the authority and legitimacy to intervene in economic policymaking, challenging the dominance of diplomatic and economic agencies. By highlighting the geoeconomics of foreign investment, they could exert direct influence on political and economic elites and provoke a fundamental transformation of FDI regulations. In the case of Chinese investment in critical infrastructure, Australia's national security agencies, most notably ASIO and DHA, have incorporated the economic issue into the broader discussion of Chinese influence in Australia and framed it as an "existential threat." Along with other hardliners in the defense and intelligence communities (e.g., ASPI), they called attention to security concerns ranging from Chinese espionage and sabotage to Beijing's strategic expansion and intrusions on liberal values.

Their portrayal of Chinese investment in Australian critical infrastructure as a Trojan Horse to project Beijing's geopolitical ambitions has persuaded the Australian government into an overhaul of Australia's foreign investment review mechanism. Primarily, their information monopoly on security-related information and direct access to elected officials strengthened their capacity to shape the government's economic agenda. Moreover, the success of their agenda-setting was also associated with the ascendancy of China hawks in major parties. As members of the security and intelligence communities, conservative hawks such as Peter Dutton from the LPA and the Wolverines from both major parties have been active advocates for the

securitization of Chinese investment in critical infrastructure. Both Turnbull and Morrison accommodated the trend towards a tougher China policy and made corresponding personal and institutional changes, in part to consolidate their leadership within the governing party. After being granted the formal power to scrutinize foreign investments alongside the FIRB, national security agencies have become able to reject Chinese investment bids and advise Australian businesses against Chinese investors at their own discretion.

Comparison, contribution, and reflections

Overall, both processes have contributed to the changes in Australia's policy response to Chinese investment. That said, I find that the FDI policy restrictions in the first two phases, driven by the fringe parties' campaign to restrict Chinese investment in mining and agriculture, were symbolic changes. As noted in Chapters 2 and 3, whether the strengthening of the "national interest test" or the lowering of screening thresholds in given sectors did not affect the main structure of Australia's foreign investment review framework. Such red tape was intended to assuage community concerns rather than chill foreign investors. Moreover, although their campaign generated very strong political opposition to iconic cases (e.g., Rio Tinto, Cubbie Station, and Kidman Co), it did not curb the influx of Chinese FDI in mining and agriculture in those years.

By contrast, the policy changes in response to Chinese investment in critical infrastructure outlined in Chapter 4 were more significant. The CIC, a foreign investment review body separate from the FIRB, was established to manage national

security risks pertinent to foreign investment in critical infrastructure. With the introduction of several anti-foreign interference laws, the DHA and ASIO were also granted more power to intervene in economic matters on national security grounds. After CKI’s unsuccessful bid for APA Group in 2018, Chinese investment in Australian critical infrastructure was nearly nonexistent.

Table 5.1 Comparing the Two Processes

Issue entrepreneurs	Power of the narrators	Discourse strategies	Targeted audience	Scope conditions
Periphery parties and politicians	Weak	Emotive and nativist narratives	Mass public	Party convergence on neo-liberalism
National security agencies and defense hawks	Strong	National security narratives	Political elites	Geopolitical change

Despite the combined effect of both processes in the securitization of Chinese investment in critical infrastructure, the persuasion of intelligence and defense agencies has played a predominant role in generating the substantial changes in Australia’s FDI regulations. Therefore, the contrast of policy shifts between the first two phases and the most recent phase indicates that the advocacy of national security bureaucracies has been more effective than that of fringe parties. As illustrated by Table 5.1, this is mainly because of their disparities in the power of issue entrepreneurs, advocacy mechanisms, and discourse strategies. With little electoral power, non-mainstream parties and politicians must rely on mass mobilization to

affect policies, whereas the advocacy of national security agencies could enter the economic agenda in multiple ways. In addition to pushing the anti-China campaign through the media, they can directly promote their agenda within the cabinet and sway key policymakers. After acquiring the formal power to supervise FDI in critical infrastructure, they could veto individual transactions or discourage local businesses from partnering with Chinese investors. Last but not least, national security narratives, legitimized by geopolitical shifts, are considerably more incontestable and forceful than nativist narratives in their ability to overshadow other competing economic narratives.

My findings have made important theoretical, empirical, and policy contributions. Theoretically, this study highlights two unconventional economic policymakers and illustrates the mechanisms by which they affect foreign economic issues. By proposing two domestic processes, it supplements the economic, social-cultural, and geostrategic explanations of the backlash against economic globalization. It also contributes to research on niche parties and national security bureaucracies by introducing the case of foreign investment. Empirically, this is a comprehensive study of Australia's policy response to Chinese FDI and economic influence in the past decade. It sheds light to the empirical studies on Chinese outbound investment and its discontent in the developed world. Although this study does not take a side and evaluate the contrasting arguments in the China debate, it delves into the debate itself as well as its political processes.

While this study focuses on the influence of fringe parties and national security bureaucracies on economic policy, we shall take a more dynamic and nuanced view of

these organizations and their economic preferences. There were fringe parties that vehemently opposed FDI restrictions,³⁷⁸ as well as senior security and intelligence officials who were concerned about overreactions to Chinese investment and criticized the expanding national security state. Similarly, politicians from major parties might use nativist and emotive rhetoric to affect economic policies as if they were political outsiders;³⁷⁹ and economic bureaucrats are likely to evaluate economic issues through a security lens.³⁸⁰ Nonetheless, the essence is that issue entrepreneurs emphasize non-economic dimensions (i.e., values and security) to influence economic policymaking.

Moreover, this dissertation seeks to put the China debate in the context of domestic politics. Beyond party competition and bureaucratic competition, I have identified some other important factors that can be investigated in future studies. First, public opinion is a crucial link in the politicization of Chinese investment. It will be valuable to examine how layered and contradictory community attitudes interact with parliamentary politics. Second, newspapers, TV shows, and social media have all become battlegrounds for the China debate. An analysis of media effects on the evolution of the China debate would enhance our understanding of political advocacy in the contemporary world. Third, the fact that the NT government bypassed Canberra to collaborate with Landbridge Group in developing the Port of Darwin and the Victoria government defied Canberra's will to join the BRI indicates that the local

³⁷⁸ For instance, the Liberal Democratic Party was against the substantial changes to FDI policy in 2015.

³⁷⁹ This is especially true in countries where party discipline is not strict. Former U.S. President Donald Trump is a case in point.

³⁸⁰ Peter Navarro, Trump's chief economic advisor, is a prominent proponent of the notion that "economic security is national security."

politics of Chinese economic influence presents a different picture than federal political bargaining. Last, I also recommend future research examine how the transnational network of legislators and intelligence officers shapes the China policies of national governments.

5.2 Evaluating the Process of Party Competition and Popular Politics

Merits

Aside from changes to FDI policy, the two proposed processes have resulted in other important consequences, whether they were intended or not. In the first process, social and cultural ramifications of economic issues, which had been disregarded by mainstream politics, have been brought to the forefront by peripheral parties and politicians. For decades, the convergence of the center left and center right towards a neoliberal agenda had reduced the evaluation of economic globalization to a discussion of material interests – jobs, wages, revenues, growth, etc. But economy is more than a numbers game. Take Chinese FDI in agriculture as an example: it can be viewed as a matter of food sovereignty, a question of land use and environmental protection, a challenge to rural values, a moral dilemma regarding whether to collaborate with human rights violators, etc. To a great extent, the campaign led by fringe parties has enabled us to rethink globalization and go beyond a one-dimensional discussion.

Regarding the Australia-China economic partnership, a common sentiment among Australia's political elites was, "It was far more convenient to talk instead about common economic interests, as if values didn't matter at the end of the day, so

long as we were making lots of money with each other” (Rudd 2018, 46). However, community attitudes towards Chinese investors were mixed and layered. As discussed in Chapters 2 and 3, many Chinese firms initially lacked local knowledge and business maturity, so they tended to externalize their business models and practices in foreign markets. Amid intense political opposition and public resistance in host countries, they have become increasingly aware of the importance of local community engagement and social responsibilities (Li and Hendrischke 2020). In this regard, the activism of fringe parties has facilitated the localization of Chinese investment in positive ways.

Furthermore, the first process indicates an alternative channel for the public to affect mainstream politics. The control of established parties or a small circle of Canberra elites over foreign economic policies shall no longer be taken for granted. Oftentimes, the disagreement or even the mutual contempt between minor parties has disabled them from challenging the status quo approaches agreed upon by the major parties. However, when they do find common ground, as demonstrated in this study, their coalition can exert sufficient political pressure and push for desired policy changes. In some ways, crossbenchers’ mobilization has redefined the political center on the issue of foreign investment.

This is especially meaningful in light of the trust divide between citizens and the establishment. A growing number of Australians have expressed distrust and discontent with politicians, political parties, and government institutions. “We don’t get much choice; political parties are too similar” has been identified as the leading cause of distrust (Stoker, Evans, and Halupka 2018, 17). While I found little evidence that fringe party activism against Chinese investment translated into electoral results at

the time,³⁸¹ a substantial number of Australians voted for minor parties and independents in the 2022 federal election as a protest against politics as usual.³⁸² To some extent, my observation that crossbenchers could shape economic policies has foreshadowed the rise of fringe parties and independents as a third political force in Australia – the biggest political alignment in Australian electoral politics.

Perils

The first process has been accompanied by the bringing back of values in evaluating economic globalization. However, the concerns of issue entrepreneurs are layered and oftentimes contradictory. Then how do we rate the priorities of competing values and ideals in the moral universe of economic issues? This contradiction has been embedded in the unintended coalition between the far-left and far-right on the issue of Chinese investment. Although both sides advocated for greater scrutiny, they did so for different reasons. In the case of agricultural investments, the Greens were particularly concerned with the financialization of agriculture and, more specifically, agricultural land speculation. In fact, financial investors from developed countries, including domestic Australian capital, were the primary source of such “land grabs” in Australia (Sippel, Lawrence, and Burch 2017; Sippel, Larder, and Lawrence 2017). Nonetheless, other crossbenchers showed little interest in the seemingly anti-capitalist agenda and welcomed the influx of domestic hedge funds into the agricultural sector.

³⁸¹ As discussed in Chapter 4, economic voting has been uncommon in Australian elections. The recent electoral defeat of Clive Palmer’s United Australia Party, which prioritized opposition to Chinese investment in its election campaigns, also lends support to this claim.

³⁸² Josh Nicholas and Nick Evershed, “Votes for Labor and the Coalition Plummet to All-time Low as Australia Swings away from Major Parties,” *The Guardian*, May 27, 2022.

It was just more convenient to criticize foreign investors, particularly Chinese investors. Therefore, nativist sentiments, such as the slogan “Keep Australia Australian,” dominated the campaign. Ironically, when issue entrepreneurs advocated for restrictions in the name of “our fellow farmers,” they neglected the fact that Australian farmers cared much more about speculation than investor nations.

Such backlash would not resolve or mitigate the negative consequences of economic globalization; rather, it would foster xenophobic and racist attitudes and serve protectionist objectives. In Chapters 2 and 3, I have discussed how racism against Asians contributed to the popularity of nativist narratives concerning Chinese investment. Here, I contend that fringe party activism has in turn reinforced racist sentiments. The belief that “Chinese are buying up Australia” and “Chinese are taking over our land” was ingrained in the campaign, resulting in hostility not only towards Chinese FDI but also towards Chinese people and Asian Australians. According to a survey conducted by the Australian National University in 2019, approximately 81% of Asian Australians experienced some form of discrimination (Biddle et al. 2019). This was largely due to the cumulative effect of the politicization of Chinese investment and the Chinese influence debate.³⁸³

This raises a moral dilemma for issue entrepreneurs: How can they distinguish their stances and proposals from xenophobic and racist rhetoric while advancing their policy agendas? How can their advocacy maintain a nuanced discussion of economic globalization while not being overshadowed by populist arguments? There is no

³⁸³ Section 5.3 will continue to address racism as a negative consequence of the advocacy of the security and intelligence communities.

simple solution. In this increasingly polarized world, it is easy to criticize the status quo and the so-called “establishment,” but extremely difficult to agree on how to build the new normal. For instance, despite widespread grassroots protests and community concerns, Australia has been inactive on climate change over the past decade, due in part to the absence of a cohesive political coalition. Right-wing parties and independents opposed Labor’s proposed Carbon Pollution Reduction Scheme for going too far, while the Greens opposed it for not going far enough (McDonald 2012; Tranter 2011). On the contrary, the advocacy of China-related issues, including Chinese investment, has been more likely to garner support from across the political spectrum, albeit at the expense of nuance.

5.3 Evaluating the Process of Bureaucratic Competition and Expert Politics

Merits

Australia’s economic and security policies had long interacted with each other, but there was a lack of clear institutional arrangements for national security bureaucracies to provide security advice and manage the security components of foreign economic policies. As discussed in the case of the Darwin Port lease, the assessment of its national security risks was ad hoc and somewhat disorganized. This might be a fatal flaw in a world with increasing strategic uncertainty. Therefore, the rise of the national security apparatus in economic policymaking has institutionalized the evaluation and management of the strategic and security implications of economic globalization.

Moreover, the intervention of national security bureaucracies in economic policymaking has adapted to rapid geopolitical changes and added a national security layer to the evaluation of economic globalization. With China's growing assertiveness and America's weakening deterrence in recent years, Australia needs to reevaluate the geoeconomics of its relationships with both China and the United States. Specifically, by evaluating Chinese investments through the security lens, Australia's security and intelligence communities have engendered and maintained important debates on Chinese influence activities and economic statecraft. The complexity of today's capital, data, and people exchange has made espionage and sabotage more sophisticated. Furthermore, strategic implications have loomed large, for it would be appalling if a country's economy were excessively dependent on its strategic competitor. Although it is questionable whether China would impose its political ideologies on Australia or even invade the country, China's predominant influence in the Australian economy would compel Australia to comply with China's core interests and refrain from criticizing Beijing's misconduct.

In addition to foreign investment, the persuasion of national security bureaucracies has incurred changes in a few other issue areas. First, it has served as a wakeup call to diversify Australia's trade partners and transform its growth models. Despite the huge costs to farmers, Australia's agricultural industry shifted its position and backed the Morrison government's effort to stand up to China. "Australia has ideals that the government is responsible for upholding and I don't think any Australian would want them to back down on that," said National Farmers' Federation

President, Fiona Simson.³⁸⁴ Second, anti-CCP dissident groups from the mainland, HK, Tibet, and Xinjiang have gained more visibility and resources in Australia. One dissident disclosed to me that their opinions have been much better received and valued by the Australian government and parliament in recent years.

Perils

Nonetheless, the process of bureaucratic competition and expert politics begs the questions of how and who defines national security risks. In fact, the OECD has provided a guideline for updating investment policies regarding national security, emphasizing openness, non-discrimination, transparency, and predictability (OECD 2009). Other studies also echoed the OECD framework and advocated for the establishment of rule-based ex-ante FDI policies with a narrow focus and tailored responses to national security concerns (Cuervo-Cazurra 2018; Moran 2009). Nevertheless, the definitions of national security and national interests are vague, contested, and malleable in political discourse. In practice, national security and critical infrastructure are defined differently in most countries' investment laws (Wehrle and Pohl 2016). The great ambiguity of their definitions and the uncertainty of their implementations have allowed for political maneuvers (Lai 2021). As cautioned by the U.S. Chamber of Commerce, “non-security interests—e.g., economic protectionism and political control—are becoming increasingly intermingled with real

³⁸⁴ Brad Thompson, “Farming Boss Says Morrison Right to Stand up to China,” *Australian Financial Review*, December 9, 2020.

security concerns, undermining the legitimacy of essential security-oriented policies” (U.S. Chamber of Commerce 2016, 7).

Moreover, information monopoly and policy control of national security agencies over security-related issues have led to their ascendancy in general policymaking and brought the problem of bureaucratic outreach. Given the growing complexity of public policy issues and the eroding policy expertise of legislators and politicians in recent years, their oversight of executive agencies is found to be descending.³⁸⁵ When a government agency has sufficient resources and zeal to advocate for a particular policy, it is very costly for elected politicians to neglect or violate its will. In Australia, the lack of parliamentary oversight of intelligence agencies has been pronounced (Browne 2020). In fact, a 2016 independent intelligence review commissioned by Prime Minister Turnbull identified oversight as a reform priority for the intelligence service (L’Estrange and Merchant 2017), yet the Turnbull government did not seek to address the issue in the subsequent reform.

A related problem is the expanding security state. Historically, Australian security and intelligence agencies erroneously associated social movements on Aboriginal rights, the Vietnam War, and racism with foreign communism, endangering civil liberties and wasting political resources (Blaxland 2015). Since 2017, Australia’s national security establishment has enacted a succession of anti-foreign interference laws. Their expanded definitions of espionage and national security offenses could stifle or even criminalize news coverage and public discourse

³⁸⁵ Politicians and legislators tend to rely on bureaucracies and technocrats to identify policy issues and design corresponding solutions. There are also very limited political benefits for them in closely overseeing bureaucracies (Boushey and McGrath 2017).

that contradicts the government's stances. The power granted to intelligence agencies to access encrypted messages has also raised concerns about invasions of privacy (Toohey 2019). As illustrated by Greens Senator Richard Di Natale, "when we have national security being used in this parliament, it is almost always used as an excuse for a bipartisan consensus to ram through laws without any scrutiny."³⁸⁶

Furthermore, the rise of the national security apparatus is susceptible to miscalculation and overreaction. The central challenge of FDI policy reforms these days is how to simultaneously address security concerns and economic imperatives. In the updated OECD framework to address national security risks in foreign acquisitions, Moran alarmed the danger of implausible concerns and overreactions: "the argument that the goods or services provided by the target of a foreign acquisition are critical to the national interest is a necessary but NOT a sufficient condition to block the acquisition" (Moran 2009, 9). However, in the case of Australia, the growing divisions between national security agencies and diplomatic and economic agencies reflect the clashes of two mindsets. Jenny Gordon, chief economist at the DFAT, describes the divergent mentalities of the two tribes as follows: "We're [economists] about trade-offs, and the difference on the geopolitics side is they're less able to think about trade-offs.... We live in this trade-off world, and they [national security officials] tend to live in this more absolute world."³⁸⁷ As discussed in Chapter 4, ASIO labeled foreign investment as a threat in its annual reports and interpreted Chinese FDI as the main source of Chinese espionage and inferences, posing an

³⁸⁶ Richard Di Natale, "Commonwealth Parliament of Australia [*Hansard*]," *Senate, Parliamentary Debates*, 27 June 2018.

³⁸⁷ John Kehoe, "Canberra Divided on How to Handle China," *The Australian*, September 3, 2019.

“existential threat” to Australian society. When national security agencies have an ingrained aversion to foreign investment, it is difficult for them to reconcile economic and security interests.

Besides the common organizational pathologies of national security bureaucracies (Kaufmann 2004; Zegart 2000; 2022), a more pressing issue is that ideology has been carrying more weight than expertise in the process of expert politics (Drezner 2017).³⁸⁸ For example, Andrew Hastie, founder of the Wolverines and current Shadow Minister for Defense, has frequently accused Canberra’s foreign and security establishment of failing to combat China’s rise and safeguard Australia’s national security. In response, Dennis Richardson, former defense secretary and a representative of the so-called “Canberra bubble,” condemned Hastie’s remarks: “For one group to continually wrap themselves in the flag and want to imply that those who disagree with them are not loyal Australians is simply crossing a line.”³⁸⁹ Nevertheless, hawkish arguments have become rewarding in security and intelligence communities, empowering China hawks with great policy influence and disadvantaging opposing voices. As a result, Australia’s national security apparatus has been experiencing a personnel reshuffle, with more China hawks assuming senior roles (Dziedzic 2022). This has also encouraged political opportunists across party lines to adopt hawkish rhetoric and agenda. Meanwhile, many politicians, bureaucrats, and policy experts who called for a sensible discussion on China have been labeled as

³⁸⁸ Meanwhile, the expertise of policy elites is also found to be declining (Saunders 2022).

³⁸⁹ “Andrew Hastie and ‘Wolverines’ are ‘crossing a line’: Former DFAT head,” *Sky News*, June 24, 2020.

“panda-hugging traitors.” Personal attacks and conspiracy theories have gradually eclipsed the substance of policy debates.

Last but not least, the securitization of Chinese investment could be a self-defeating strategy to counter China’s influence and defend national interests and liberal values. In this process, China has been largely perceived as a monolith capable of planning and controlling the behavior of individual companies and businesspeople. This has not only impeded a measured and nuanced policy discussion on China, but has also fueled virulent racism against individuals of Chinese descent. In the year 2020, according to a public opinion poll on Chinese Australians conducted by the Lowy Institute, 40 percent of respondents experienced racism, 31 percent were called offensive names, and 18 percent were subjected to physical threats or attacks (Kassam and Hsu 2022). Ironically, this has fed into the CCP’s nationalist propaganda at home, empowering “wolf warriors” who embrace coercive diplomacy and disadvantaging pro-Western liberals who support openness and international cooperation.

5.4 The Bigger Picture: Beyond China, Beyond Australia

Australia’s mixed attitudes to FDI in history

“Unfortunately, rational discussion about the economic implications of foreign investment often takes second place to arguments about the non-economic considerations We frequently hear expressions of concern about the exploitation of our natural resources by the so-called multi-nationals, and fears

that control over Australia's industries will fall into the hands of foreign companies."³⁹⁰

This is not a comment on the contested Chinese FDI in Australia, but rather a 1975 quote from Bill Hayden, the Gough Whitlam administration's treasurer, addressing political controversies over American investment in Australia. The political contention surrounding Chinese investment is not at all a unique phenomenon. As discussed in Chapters 2 and 3, Australia had experienced waves of opposition to foreign investment. The historical political debates over American and Japanese investment reveal similar sentiments, narratives, and policy responses to the contemporary China debate.

In the 1960s and 1970s, foreign investment was a major political issue in Australia. The influx of foreign capital, particularly from the United States, into a variety of industries, such as mining, agriculture, real estate, manufacturing, finance, and media, sparked significant public anxiety. There was widespread concern that Australian assets and markets would be dominated by foreign interests and that the aggression of foreign investors would threaten Australian values and ways of life. A combination of nationalist and anti-capitalist sentiments, as well as the rise of anti-Americanism due to the Vietnam war, contributed to multinational bashing during the period (Crough and Wheelwright 1982; Crough, Wheelwright, and Wilshire 1980; Pokarier 2000).

³⁹⁰ Bill Hayden, "Foreign Investment in Australia," Australian-American Association Luncheon Address, October 10, 1975.

In this process, the political entrepreneurs who adopted nativist and nationalist rhetoric to advocate for FDI restrictions were primarily from the major parties. As discussed in Chapter 2, prior to the liberalization reform of 1983, there was intense tension between free trade advocates in New South Wales and protectionists in Victoria regarding Australia's economic policies. So was the partisan divide. In the 1960s and 1970s, the ALP and the Country Party³⁹¹ embraced protectionist policies to safeguard the control and ownership of Australian assets and resources (Kasper 1984; Uren 2015); their leaders, such as John McEwen and Gough Whitlam, demonstrated a keen interest in this subject with economic nationalist objectives (McAllister and Moore 1991). In contrast, the Liberal Party endorsed a more liberal approach. That said, the Liberal Party was somewhat divided on the issue, with some members expressing nationalist and protectionist tendencies.³⁹² Liberal government under John Gorton also recognized the need for more state intervention in the management of foreign investment (Sadleir 2017). Eventually, political entrepreneurship and party competition in this period led to the establishment of the FIRB and a series of restrictions on foreign investment (Pokarier 2000; 2017).

In the 1980s and 1990s, Japanese investment poured into the Australian market with a focus on real estate, finance, agriculture, mining, and tourism (Drysdale and Farrell 1999; Farrell 1997; Nicholas et al. 1996). During the Hawke–Keating administration, the economic benefits of foreign investments were significantly better

³⁹¹ This is the predecessor of the National Party (1982 onward). John McEwen, one of the party's legendary leaders, served as Prime Minister from 1967 to 1968 and was a major advocate for protectionist policies.

³⁹² Maximilian Walsh, "Nationalism splits the Liberals," *Australian Foreign Review*, August 7, 1973.

received. Ross Garnaut's³⁹³ seminar cabinet report, "Australia and the Northeast Asian Ascendancy," also marked the government's policy focus on Asian engagement (Garnaut 1989). Nevertheless, the advent of Japanese investment sparked a new wave of resistance to foreign investment. In addition to the antipathy of foreign ownership of Australian assets, the backlash against Japanese investment was a mix of war memories, fears of the "yellow peril," and worries about Japan's growing economic power (Gyngell 2017; Pokarier 2004). There was a widespread belief that Japanese firms were unethical and "not playing fair and square."³⁹⁴ Japanese immigration and capital were also perceived as the primary cause of the housing price inflation (Hajdu 2005). At the same time, the intense competition in trade and technology between Japan and the U.S., Mitsui Real Estate's symbolic takeover of Rockefeller Center, as well as the controversy of Japan's lobbyists buying influence in Washington all contributed to the prominence of the "Japan Problem" in the U.S. (Choate 1990; Morris 2013). This further fueled Australia's anti-Japan sentiment.

Far-right and far-left groups were aligned to oppose Japanese investment in Australia and challenge the new consensus between major parties towards a liberal FDI approach. The Iwasaki Group's investment proposal to establish a tourist development project at Yeppoon, Queensland, and the Multifunction Polis (MFP), an ambitious scheme to build a high-tech city in Australia proposed by the Japanese Minister for International Trade and Industry (MITI), were two cases in point.

³⁹³ Ross Garnaut was Australia's primary economic policymaker at the time. As discussed in Chapter 4, his son John Garnaut exerted considerable influence over Turnbull's China policy.

³⁹⁴ Ivor Ries, "Japan's Takeover Tactics May Wear the Foreign Welcome Mats a Little Thin," *Australian Financial Review*, April 7, 1988. See also Susan Hely, "Unethical, Can't be Trusted, But They Think We're Pushovers," *Sydney Morning Herald*, October 26, 1984.

Specifically, not only was the Iwasaki Yeppoon project opposed by the “old left” on anti-capitalist grounds, but it was also targeted by far-right racist movements. On the day of the 1980 state election in Queensland, protestors even threw bombs at the construction site of the Iwasaki Sangyo resort, making the investment project a prominent political issue. Similarly, when the MFP was proposed in 1987, left-wing activists took issue with the social consequences of the project and expressed concerns about Japan’s economic dominance. In the meantime, members of the Queensland community launched the “Heart of a Nation” movement to oppose the Gold Coast MFP and, at large, the future of a “yellow Australia.”³⁹⁵ Radical racists also sent threatening letters to the Japan Chamber of Commerce and Japanese embassies, urging them to cancel the project. When asked about the issue during the 1990 federal election, Bob Hawke denounced the opposition as xenophobic and racist. However, soon after the election, his government acknowledged community concerns and ultimately shelved the project due to mounting pressures (David and Wheelwright 1989; McCormack 1991; Morris 2004; P. Myers 2001; Pokarier 2004).

Overall, the politicization of Chinese investment in mining and agriculture was strikingly similar to the two historical cases. It is remarkable that despite the differences in investor nations and their relationships with Australia (e.g., regime type, alliance relations, cultural affinity, etc.), we observe very similar political discourse and policy responses. Put differently, the two historical cases powerfully demonstrate

³⁹⁵ Although the campaign’s leader, Bruce Whiteside, failed in local elections, his campaign platforms greatly influenced subsequent far-right politicians, contributing to the emergence of Pauline Hanson’s One Nation in the late 1990s (Morris 2004). In addition, even though this was a campaign by far-right populists, a few Maoists joined to fight against the MFP (Myers 2001).

that many alternative explanations for the politicization of Chinese investment are simplistic or inadequate, such as “Australians are just racists,” “PRC is a socialist country, so FDI from there is treated differently,” and “China and Australia are not allies.”

Table 5.2 Party Competition and Bureaucratic Influence on FDI Policy

		Neoliberal Consensus	
		Y	N
Geopolitical Shift	Y	Partisanship: mainstream vs. niche Bureaucracy: active role of security agencies	Partisanship: left vs. right Bureaucracy: active role of security agencies
	N	Partisanship: mainstream vs. niche Bureaucracy: inactive role of security agencies	Partisanship: left vs right Bureaucracy: inactive role of security agencies

That said, party competition and bureaucratic influence on FDI policy, conditioned by ideological and geopolitical contexts, are different in the cases of the U.S., Japan, and China, as indicated by Table 5.2. Primarily, the convergence of mainstream right and mainstream left parties on the neoliberal agenda is a prerequisite for the active lobbying of fringe parties on economic policy. Therefore, party competition over the policy response to American investment was primarily between the major parties, specifically between the left and the right, at a time when the major parties still covered the entire political spectrum of economic issues. By contrast, crossbenchers have been enabled to advocate for FDI restrictions since Australia’s liberalization reform in the 1980s. They gained the political space to challenge the major parties’ consensus on Japanese and Chinese investments. Moreover, only under

geopolitical changes can national security bureaucracies intervene in economic policymaking. Hence, it is reasonable that they were inactive in the policy debates over American and Japanese investments; the persuasion of national security agencies is a distinctive observation in the controversy surrounding Chinese investment in Australia's critical infrastructure.

The politicization of Chinese investment in the developed world

My findings in Australia have broad implications for the study of economic policymaking in the developed world. Similar sentiments and narratives, political processes, and policy responses can be found in political contestations over Chinese investment in other developed countries. Prior to the global emergence of the Chinese influence debate and the U.S.-China geoeconomic confrontation, most developed nations and their major political parties took a welcoming, liberal stance toward Chinese FDI. It was their fringe parties and anti-establishment politicians who raised concerns about Chinese investment from non-economic perspectives and advocated for policy restrictions.

In particular, my proposed process of party competition and popular politics can well explain the politicization of Chinese land-based investment in New Zealand. Agriculture, especially the dairy sector, has been vital to the economic prosperity and national identity of New Zealand. In the early 2010s, Chinese acquisitions of New Zealand's agricultural assets, such as Shanghai Pengxin's takeover of Crafar Farms, the country's largest family-owned dairy business, generated heated debate. Minor parties in New Zealand, including NZ First, the Green Party, and the Maori Party,

mobilized the “Save Our Farms” campaign and advocated for policy restrictions to limit Chinese land-based investment. The Labor Party echoed their effort to reform New Zealand’s investment regulations and control foreign ownership of farmland, despite its general support for closer economic ties with China. Meanwhile, the controversy surrounding Chinese real estate investments exacerbated the resentment of Chinese agricultural investments. Nativist sentiments, as represented by the slogan of New Zealanders being “tenants on our own land,” dominated the political campaign to restrict Chinese land-based investments.³⁹⁶ As a result, the Overseas Investment Office (OIO) was subjected to intense political pressure in its review of Chinese investment proposals in agriculture and real estate;³⁹⁷ its foreign investment review regime was also tightened in 2018 with a particular focus on “sensitive land” encompassing both farm and residential land.³⁹⁸

In Canada, the Green Party criticized the signing of the Canada-China Foreign Investment Promotion and Protection Agreement (FIPA) and called for “standing up against the sellout to China.”³⁹⁹ In the United States, when a Chinese meat processing company, Shuanghui International, proposed a bid for Smithfield Foods, the largest U.S. pork producer in 2013, it also sparked political debates regarding Chinese agricultural investments (Gooch and Gale 2018). A few Democratic and Republican

³⁹⁶ “Crafar Dairy Farms Deal Finally Settled,” *NZ Herald*, November 30, 2012; Rajeshni Naidu-Ghelani, “China’s New Zealand Farm-buying Runs into Opposition,” *BBC News*, October 29, 2015; Eleanor Ainge Roy, “‘Tenants on Our Own Land’: New Zealand Bans Sale of Homes to Foreign Buyers,” *The Guardian*, August 15, 2018.

³⁹⁷ Cecile Lefort, “New Zealand Rejects \$56 mln Farm Purchase by Chinese Company,” *Reuters*, September 16, 2015.

³⁹⁸ The Parliament of New Zealand, *Overseas Investment Amendment Act 2018*, 22 August 2018..

³⁹⁹ The Green Party of Australia, “Stand up against the Sellout to China,” September 2014.

<https://www.greenparty.ca/en/content/stand-against-sellout-china-0>.

Senators were concerned about the impact of the proposed deal on America's food safety and urged the Committee on Foreign Investment in the United States (CFIUS) to reject the deal and increase oversight of foreign agricultural investments.⁴⁰⁰

The other process, characterized by the ascendance of national security agencies in economic policymaking and the priority of national security considerations in evaluating foreign investment, has been pervasive in the developed world over the past five years. Since 2017, the Chinese influence debate has spread from Australia to the U.S., Canada, New Zealand, and Europe, with Chinese investment portrayed as a crucial channel for Chinese influence activities (Brady 2017; Diamond and Schell 2018; Parello-Plesner and Li 2018). On national security grounds, security and intelligence communities have sought to persuade their national governments to restrict Chinese investment in critical infrastructure respectively.⁴⁰¹ The intelligence chiefs from the Five Eyes countries also coordinated their positions on the cyber threat posed by China and contributed to the Huawei ban.⁴⁰² In the meantime, hawkish politicians from the Inter-Parliamentary Alliance on China (IPAC), a global version of the "Wolverines," have advocated for legislation in various issue areas that could curb Chinese influence.⁴⁰³ Consequently, most developed countries have made significant

⁴⁰⁰ John Ydstie, "Senator Express Concerns about Smithfield Foods Merger," *NPR*, July 11, 2013; U.S. Congress, Senate, *Food Security is National Security Act of 2017*, 115th Cong., introduced in Senate March 14, 2017, <https://www.congress.gov/bill/115th-congress/senate-bill/616/text>.

⁴⁰¹ Phil Stewart, "U.S. Weighs Restricting Chinese Investment in Artificial intelligence," *Reuters*, June 13, 2017; Jamie Smyth, "New Zealand Security Chiefs Warn of China Threat," *Financial Times*, December 11, 2017; David Hutt, "Europe's China Hawks Circle and Squawk," *Asia Times*, July 21, 2020; Bruce Shen, "Europe Faces the Tricky Task of Policing Chinese Investments," *The Diplomat*, August 6, 2021.

⁴⁰² Chris Uhlmann and Angus Grigg, "Secret Meeting Led to the International Effort to Stop China's Cyber Espionage," *Australian Financial Review*, December 13, 2018.

⁴⁰³ Amy Gunia, "Lawmakers form Global Coalition to Tackle the China 'Challenge,'" *Time*, June 5, 2020.

changes to their foreign investment screening mechanisms since 2018 and prioritized national security when reviewing foreign investment in critical infrastructure.⁴⁰⁴

As detailed in Chapter 4, critical infrastructure is a nebulous concept, and security concerns of Chinese investment are multi-dimensional. In addition to espionage, ownership diversity, and strategic implications discussed in the case of Australia, technology transfer has been a central concern of Chinese investment in the U.S. and Western Europe. The concern existed before the emergence of the Chinese influence debate. In 2016, the Chinese company Midea's acquisition of German robotics company Keller und Knappich Augsburg (KUKA) and Fujian Grand Chip's bid for Axitron, a world's leading semiconductor manufacturer⁴⁰⁵ were two prominent cases that garnered considerable policy attention (Senecal 2020; Zimmerman 2019). Amid the U.S.-China tech-trade war, it has become a pressing national security concern. Moreover, China's deployment of its economic clout to silence critics of its appalling human rights record has challenged the core values of liberal democracies. The ideological clash has added another layer to the U.S.-China "strategic competition" and the EU-China "systemic rivalry."⁴⁰⁶ These political contexts further substantiated the notion that "economic security is national security" and favored the tightening of investment rules in domestic political bargaining regarding economic policymaking.

⁴⁰⁴ For a more detailed discussion, see Section 4.1 in Chapter 4.

⁴⁰⁵ The German government initially approved the bid, but later rescinded the approval due to national security concerns. Later, the CFIUS rejected the takeover of Axitron's American assets. Eventually, Fujian Grand Chip withdrew the whole investment proposal.

⁴⁰⁶ Hans von der Burchard, "EU Slams China as 'Systemic Rival' as Trade Tension Rises," *Politico*, March 12, 2019.

The discussion above demonstrates that the two processes, which I identify based on the Australian case, are characteristic of other cases as well. Nonetheless, more work needs to be done to probe the external validity of my findings: under what conditions can we observe similar domestic processes and policy outcomes? And what about the dogs that didn't bark? At a high level, Table 5.2 suggests the predictions of my argument. First, ideological contexts determine the partisan divide on economic policy. In line with this, the economic agenda in the developed world has been witnessing the ascending influence of fringe parties and political outsiders in the past decade. In developing countries, where this study does not seek to explain, I reckon that policy debates over Chinese economic influence have been mainly between the government party and the opposition parties rather than the mainstream and the fringe. That said, policy outcomes are contingent on different political contexts. Political persuasion effectiveness is associated with the power of issue entrepreneurs, advocacy mechanisms, and discourse strategies in specific political contexts.

For example, in Canada, other minor parties did not join the Green Party to lobby against the FIPA in 2014, so the campaign run by the Greens alone could hardly exert enough pressure on major parties and result in real policy changes at the time. Between 2010 and 2016, peripheral parties and politicians in Germany, France, and the U.S. did raise concerns of human rights, ideology, and environmental protection in combination with nativist arguments to call for restricting Chinese FDI. However, Chinese investment in culturally sensitive sectors in these countries was negligible, so their demands did not gain much policy attention at the time. By contrast, crossbenchers' mobilization in Australia and New Zealand, where agriculture is

closely linked to national identity, managed to spark a national conversation sufficient to put pressure on major parties to change the status quo FDI policy.

Second, geopolitical contexts condition the influence of national security bureaucracies on economic policymaking. This explains why it was not until recently that we saw the growing presence of national security bureaucracies in economic policymaking. For instance, technology transfer had long been a topic of debate in Western European countries' political contestations over Chinese investment, but it wasn't until the strategic environment of Europe changed that national security experts intervened and pushed for institutional changes to manage economic security. Of course, the timing and scope of policy changes vary across different political contexts. Where the grand strategy is less concerned with strategic or ideological competition with China, the persuasion of defense hawks is less effective, and policy changes typically occur later.

Admittedly, my assertion here is suggestive and warrants a comprehensive longitudinal cross-country study to test its validity. I will therefore only make a weak claim on the generalizability of my findings. Nevertheless, I hope this will be a springboard for future studies to reflect on the rise of new economic policymakers as well as their advocacy strategies that emphasize non-economic dimensions of economic issues.

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