

Be bold on Asia or miss out, business leaders warned

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Australian companies have been warned they could miss out on a global investment boom associated with the energy transition if they avoid China because of uncertainty about tensions between Beijing and the West.

Business leaders at The Australian Financial Review Asia Summit on Tuesday were urged to be bolder about investing in China and South-East Asia despite a daunting laundry list of challenges to the international business environment.



Foreign Minister Penny Wong at The Australian Financial Review Asia Summit.

“It’s a pretty confronting picture for a great trading nation like ours that has benefited so much from globalisation,” Foreign Minister Penny Wong told the Summit, after reeling off worries ranging from the Russia-Ukraine war to the unregulated use of artificial intelligence, attacks on democracy and the undermining of trade rules.

“The complexity and interconnected nature of the challenges we face cannot easily be compared to any other period in history.”

Experts told the Summit Australia could make a faster transition to a lower carbon economy by embracing Chinese investment and technology and putting it to work on the nation’s huge solar and wind resources.

Former Australian ambassador to China and coal mining director Geoff Raby said China dominated the global supply of solar panels and batteries, and Australia should not try to replicate industries that had already been built by the Asian superpower.

“Spending a billion dollars of Australia’s taxpayers’ money trying to build solar panel manufacturing capacity in Australia when we can get it for next to nothing from China – it’s nuts. The securitisation of this space is going to cost Australians dearly,” he said.

PM's grants and subsidies

Prime Minister Anthony Albanese announced a [\\$1 billion package of grants](#) and subsidies for domestic solar panel manufacturing in March then promised a further [\\$523 million for early-stage battery-making](#) projects in May's federal budget.

Energy analyst Tim Buckley said Australia should embrace the decarbonisation opportunity that would come from a more open stance towards Chinese investment. "It's critical Australia actually double down and work and enhance and partner with China, because if not, they will go elsewhere," he said.

"At the moment, I don't think that message is coming through loud and clear. We don't know what the rules or China doesn't know what the rules are for when they do invest here."

There has been a marked slowdown in Chinese investment in Australia, including a 57 per cent drop in 2023 to \$US613 million, according to KPMG. High-profile rejections of proposed takeovers by Chinese-linked firms of gas pipeline owner APA Group and lithium miner Alita Resources have heightened uncertainty about

receptiveness to investments, particularly in the energy and green metals sectors.

“We should be smarter about foreign investment into Australia,” Lowy Institute fellow Richard McGregor said. “It’s often said that when FDI (foreign direct investment) goes into China, that’s a compliment to China, it’s this vote of confidence in China. When Chinese investment comes into here, it’s considered somewhat of a weakness or a bit scary.

We have a good foundation with the region, but our investment doesn’t keep pace. We are being left behind.

— Penny Wong

“So, we’ve got to get smarter about what we harness, about how we harness that Chinese investment.”

Senator Wong acknowledged the threat of conflict remained a key investment risk and a lack of transparency over China’s military build-up was worrying.

She cited China's greater military co-operation with Russia and Beijing's efforts to normalise "dangerous actions" by repeatedly clashing with Philippines ships in the South China Sea, and sailing warships and flying fighter jets into Taiwanese water and airspace as other disturbing developments.

"Behaviour speaks louder than words, and we share our region's concerns that these activities stand in contrast to the stated and shared objectives of peace and prosperity," Senator Wong said.

Australian ambassador to the US, Kevin Rudd said strong deterrence by Western allies was crucial to stop a conflict erupting between the two superpowers.

"Is [the US-China relationship] better than it was before? Yes," he said. "Have any of the fundamental security differences between the two sides been substantively dealt with? No."

Senator Wong also said Australian businesses had failed to take advantage of the explosive growth in South-East Asia, where other countries have gained a foothold in investment opportunities.

“We have a good foundation with the region, but our investment doesn’t keep pace. We are being left behind.”

The Summit was held against the backdrop of China’s growing economic uncertainty, buffeted by a property crisis, debt bubble, rising youth unemployment, and an ageing population.

One of the ramifications has been the iron ore price – which has underpinned Australia’s prosperity for more than decades – now languishing at about \$US100 a tonne, hurting the federal budget.

The president and CEO of international think tank the Asia Society, Kang Kyung-wha, said a recent survey of business, academics and other figures in South-East Asia revealed Australia ranked very low on their radar.

No visible business presence

“I think it’s because there is no visible business presence,” she said. “There’s lots of trade ... and there’s lots of academic presence

... but I think there's not much business investment that brings in business expertise.”

Businesses would go where they would be profitable, “but I think we need to take a longer-term [approach] when engaging and growing with ASEAN”, Dr Kang said.

Mr Buckley said the biggest opportunity for Australia in decarbonisation would be to convert the iron ore export industry to selling “green iron”, a more processed product that is almost pure iron.

Accelerating the nascent green iron industry could protect Australia against a possible, long-term decline in the coking coal export industry, given coking coal is used to turn iron ore into pure iron.

Rio Tinto's head of steel decarbonisation, Simon Farry, said he was optimistic Australian iron ore miners could make the pivot to green iron. But he said a switch to green production fuelled by green hydrogen was more than 15 years off, and would require strong policy support through incentives and subsidies.

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