

It is hard to think of an issue more likely to antagonise and enflame the wider Australian public than Chinese involvement in local agricultural land. This is despite most only holding a hazy notion of either how agriculture as a sector works, or the mechanisms and reality of foreign direct investment. This area is laden with symbolism, whatever (and often despite) the underlying facts.

The tone of Treasurer Scott Morrison's "[preliminary decision](#)" on the sale of the huge S. Kidman & Co. estate to a predominantly Chinese-owned consortium, suggests it is much more likely the deal will not happen, even though the proposed buyers have until tomorrow to lodge an appeal.

Turning its back on investment from a source with the potential and importance of China would be a huge strategic decision for Australia. The Turnbull government may argue this is not what they have done with the Kidman decision.

But it certainly will be interpreted this way by some potential investors from China. It grates with the friendly messages being put out by, for instance, the large trade delegation that visited China in April. It threatens to show that this is all fluffy rhetoric and that, in many ways, as with the [Huawei decision](#) in 2012, Australia holds a hostile view to Chinese investment.

Land, particularly agricultural land, occupies an almost spiritual position in the Australian psyche. And the Kidman sale involved a significant chunk of it. The largest private estate in the country, it constitutes 1.3% of the whole Australian landmass. Even with Chinese investment becoming better known and increasing over the last ten years, this particular deal, at any time, would have been a contentious one.

The current political leadership in Canberra has shown they are as unwilling to break with the mould of the past and relinquish caution as their predecessors. Chinese President Xi Jinping may well have invited Australians to use "imagination and vision" over the bilateral relationship when speaking in Australia in late 2014, but his audience evidently hasn't taken those words as having any application to an issue like this.

Chinese investment even outside of land has raised questions of just how closely the investors are linked to the Chinese state back home, what their real agenda is, and how much of a security issue they raise. A recent example was the Gillard government's decision to prevent [Chinese telecommunications giant Huawei](#) from bidding for the National Broadband Network.

Land is about the most tangible thing there is to invest in. As Mark Twain once urged: "Invest in Land; they've stopped making it!" Any foreign purchase of land is often interpreted as an outsider buying a part of a country in a way that is fundamentally different from taking control of other parts of its economy. This is despite the fact that the latter may involve ceding far more influence than the former. Land is just so solid. Investment in it has a visibility and concreteness it enjoys in few other areas.

Morrison hasn't spelled out in any detail the national security issues he may have based his preliminary judgement on. Regardless, there are two problems the Turnbull government now faces. The first is that despite much effort, no local potential replacement investor has been forthcoming. This is despite hopes [expressed by Deputy Prime Minister Barnaby Joyce](#) that one will eventually appear. If there were a queue of attractive counter bids, then the government would be in an easier position. In saying no to Dakang, they might be pushing away the only group at the moment that has the resources, desire and ability to buy an estate of this size.

And secondly, there is the larger political cost. For all the travails it is going through at the moment, China remains a global economic powerhouse. And an increasingly important part of that story is its outward investments. [Chinese investment into the European Union](#) has soared in the last 12 months. Australia has been a recipient for much of this global flow of outward money for several years now.

The problem is that for Chinese investors, the message they are getting from Australia is shifting from ambiguous (we like your investment, but only in certain areas) to ominously hostile. The Kidman decision reinforces this sense of hardening opposition to Chinese large scale investment.

If that does prove to be the way this decision is interpreted, and Chinese investors start to fall away, there currently appears to be no alternative source of new investment waiting in the wings.

Kidman Co and Huawei decisions mean mixed messages for Chinese investors

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