

From: [John Craig](#)
To: [RRAT, Committee \(SEN\)](#)
Cc: [Daryl Passmore](#); [Xenophon, Nick \(Senator\)](#); [Heffernan, Bill \(Senator\)](#); [Wayne Swan c/-](#)
Subject: National Interest Test: In the Too-hard Basket?
Date: Sunday, 2 September 2012 1:22:26 PM

-- -- -- This may be of interest re Passmore D., [Cubbie sale to Chinese attacked](#), *Sunday Mail*, 2/9/12 -- -- --

The reason that defining a realistic 'national interest' test probably remains in the 'too hard' basket is further indicated in [Beyond 'The China Choice'](#)

From: John Craig
Sent: Tuesday, 7 August 2012 3:32 PM
To: Brian Wilson
Cc: Michael Sainsbury
Enda Curran
Editor
Subject: In East Asia Deals Always Involve Politics

Brian Wilson,
Foreign Investment Review Board

Re: Curran E. and Sainsbury M., [Don't mix politics and deals: FIRB in warning to state-owned investors](#), *The Australian*, 7/8/12

You were quoted in this article as suggesting that investment in Australia by foreign entities should always be simply on a commercial basis.

Extract from the above article: "State-owned companies and sovereign wealth funds must not be driven by a political agenda when buying into Australia, the new chairman of the Foreign Investment Review Board has warned in a strong signal to overseas investors. Brian Wilson, an investment banker who became chairman of the foreign investment watchdog in April, said yesterday: "Investment decisions should be made by investors on a purely standalone commercial basis. "Australian businesses, however they are owned, should be run on a purely commercial basis and not as an extension of the policy, political or economic agenda of a foreign government," he told Dow Jones Newswires.

This highlights the very significant difficulties that the FIRB now faces because major East Asian economies (eg those of Japan and China) do not operate on a 'commercial' basis (ie where investment decisions are made by independent enterprises on the basis of expected profits). Even where economies involve market-focused economic activities, major investments tend to be made by state-linked enterprises (which may or may not be formally state-owned) drawing on national savings mobilized through state-linked banks, and to have nationalistic (mercantilist?) economic motivations – rather than 'commercial' motivations (see [Understanding East Asia's Neo-Confucian Systems of Socio-political-economy](#), 2009). Profitability, for example, seems to be considered relatively unimportant (see [Profitability?](#)).

The lack of Western-style 'commercial' motivations in East Asia not only causes problems for Australia's Foreign Investment Review Board. It has arguably played a major role in much recent world history (see [An Unrecognised Clash of Financial Systems](#), 2007) and in the genesis of the global financial crisis in particular (eg see [Impacting the Global Economy](#), 2009 and [GFC Causes](#)).

The lack of Asia-literacy that prevails amongst Western political and business leaders and amongst economists has also been a major factor in giving rise to these problems. Questions now being raised about investment by state-owned companies in Australia clearly require a

much greater effort to understand what is going on (eg as suggested in [An Opportunity to Boost Asia-literacy](#)). However, as implied above, this is not only necessary because of the need now to make difficult decisions about foreign investment.

Regards

John Craig

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