

PRC again fails in Australian resources bid

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China's efforts to gain a greater stake in Australia's resource industry suffered a new setback yesterday when a Chinese miner dropped a US\$400 million bid for a controlling stake in an Australian rare earths miner.

Earlier yesterday, the Australian defense department rejected a separate Chinese investment in an outback mining venture, saying it threatened national security.

China's latest failed attempt to gain a larger slice of Australia's raw materials will upset the already strained ties between Canberra and Beijing.

China is Australia's biggest export market, with trade worth US\$53 billion last year, but ties soured in August when China arrested an Australian mining executive and Canberra granted a visa to exiled Uighur leader Rebiya Kadeer.

China Nonferrous Metal Mining (Group) Co Ltd (CNMC) terminated its bid for Lynas Corp, owner of the world's largest undeveloped deposit of rare earths, citing stiff conditions imposed by Australia's Foreign Investment Review Board.

There is strong public and political opposition in Australia to China's moves to gain a greater hold of its resource industry.

Australia's Defense Department said yesterday that it would not support a proposed joint venture between Wugang Australia Resources, a wholly owned unit of Chinese state-owned Wuhan Iron and Steel, and Australia's Western Plains Resources.

The proposed deal would have seen Chinese magnetite resource investment inside the outback Woomera missile range, used as a weapons-testing ground by the military and Australian allies.

The military's lack of support means there is virtually no chance that approval will be given.

Australian Defense Minister John Faulkner said the defense department's rejection of the deal had nothing to do with China, but was purely a security issue.

"The Woomera test range is a significant contributor to Australia's defense capability, and that of our allies, and that's the focus that defence brings to bear on these issues," he said.

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