

How China's HNWI will fund Australian innovation

18:33 [No comments](#)



Since the introduction of the significant investor visa program in November 2012, close to \$2 billion has been invested in Australia. Overseas investors, mostly Chinese nationals, have parked their money in ultra-safe government bonds, blue chip companies as well as real estate, in exchange for their prized Australian residency.

This is a bad deal for Australia. Federal and state governments can sell their bonds easily without this kind of assistance. Australian government bonds have gold-plated credit ratings and offer attractive yields. Similarly, commercial and residential real estate funds and large cap companies also offer good returns and low risk.

“If (the funds) are going to governments, which could be sold anytime and anywhere at a good price, Australia is getting nothing out of it,” Andrew Robb, the Minister for Trade and Investment, told Business Spectator.

“They just park money there for four years and get citizenship. It does not make a lot of sense to me from a public policy point view.”

The Minister is right. Australian citizenship and associated benefits are highly sought after, and channeling investor’s money into mature and low risk areas is a waste of time as well as a lost opportunity for Australia.

The federal government’s new plan is to re-direct these funds from low risk government bonds and real estate trusts to more risky areas such as venture capital and small cap companies that are crying out for capital.

“In those areas, the few hundred million additional dollars invested into venture capital space, for instance, would be transformational. It could make a real difference,” the Minister said.

Australian start-ups have always struggled to get money and many have been forced to seek funding from abroad, including from Silicon Valley. The commercialization of great Australian inventions like CSIRO’s Wi-Fi, weren’t

successful domestically and instead took place abroad.

It is a shame that Australian inventors have to leave the country to make their dreams a reality. The government proposal to channel overseas investors' funds to the sector is a good move. Canberra is right to capitalise on people's desire to move to Australia and ask them to contribute to Australia's economic future by investing in innovation.

I can already hear grumblings from bankers and real estate fund managers about the risks associated with the new proposal. This may turn away some investors with a lower appetite for risk. But the reality is Australia is one of the few wealthy countries in the world that still retains an investor visa program.

Canada and Singapore shelved their programs and the US just has already reached its quota for the year. So there are not many other options available for investors, especially Chinese investors, who simply want security.

Many Chinese investors see Australia as a safe haven during this period of economic and political uncertainty in China. And you can never charge too much for a life insurance policy.