Written by **Clinton Alexander** on March 22, 2016

China Buys U.S. Firms at Record Rate

From January 2000 to the end of 2015 China closed 1,200 merger and acquisition deals in the United States worth a combined total of $63.3 billion. Already this year, announcements have been made of Chinese intentions to purchase Hollywood's Legendary Entertainment Group for $3.5 billion, large construction equipment manufacturer Terex Corporation for $5.4 billion, General Electric's appliance division Haier for $5.4 billion, Fortune 500 company Ingram Micro for $6.3 billion, and what would be the largest acquisition of a U.S. firm by a Chinese company to date, Starwood Hotels & Resorts for $14.3 billion.

It would seem that the way to overtake a country may not be with planes, guns, and bombs, but rather with the almighty dollar.

Another interesting announcement came earlier this year when China's Chongqing Casin Enterprise Group signed an agreement to purchase the Chicago Stock Exchange, a deal expected to close later this year. While a smaller purchase — one that values the Exchange at slightly less than $100 million — it signifies China's goal of inserting itself into every aspect of American busines, and will give even greater influence to Chinese intentions.

While the $63.3 billion worth of Chinese investment into corporate America definitely shows Chinese intent to exert influence on the U.S. marketplace, apparently there is no time like the present to "Buy American." The intended mergers and acquisitions (M&As) announced this year alone total about 55 percent of the total Chinese M&As over the past decade and a half, and already this year nearly four times the total amount of Chinese-U.S. deals over all of 2015. Richard Peterson, senior director at S&P Global Market Intelligence, recently stated: "The deal flow is self-explanatory. It will be a record year for Chinese acquisitions of companies based in the U.S."

In a previous article, we listed some other notable Chinese-U.S. M&As:

• Waldorf Astoria Hotel — last year China's Anbang Insurance Group bought the famous New York City landmark for $1.95 billion from Hilton Hotels & Resorts.

• Smithfield Foods — In September 2013, Shuanghui International Holdings Ltd completed its $4.72 billion purchase of Virginia-based Smithfield Foods,the world's biggest pork producer and processor, whose brands include Armour, Farmland, and Smithfield.

• AMC Entertainment — The $2.6 billion takeover of AMC, the U.S. theater group, in 2012 by China's Dalian Wanda Group, made China the world's largest cinema chain owner, and gave it thousands of new American employees.

• Morgan Stanley — In 2010, the U.S. Federal Reserve approved the purchase of a 10-percent voting stake in the Wall Street investment bank Morgan Stanley by China Investment Corp (CIC).

- Chesapeake Energy Corp. — Sinopec Group, China's huge energy SOE, has taken a $1 billion stake in Chesapeake's Mississippi Lime shale formation.

Published in May 2015, a report by the National Committee on U.S.-China Relations and The Rhodium Group entitled "New Neighbors: Chinese Investment in the United States" found that "The recent US expansion of Chinese companies means more than 80,000 Americans are on Chinese company payrolls, up from fewer than 15,000 five years ago." As 2016 looks to break all records seeing Chinese Foreign Direct Investment (FDI) funds used to purchase U.S. companies, that number will most assuredly skyrocket.

With offices in New York, California, and Washington, The Rhodium Group supports Chinese FDI into U.S. markets. As we noted in a previous article,

> The folks at Rhodium/NCUSCR see nothing but roses coming from this rosy, cozy, growing relationship. A subhead in "New Neighbors" cheerfully reports: "Much is still to come.... Chinese FDI is only at the initial stage Japanese firms reached in the 1980s, and there is tremendous growth potential for Chinese investment, job creation, and other benefits."

However, others definitely have concerns, one of which is the Trans-Pacific Partnership (TPP). Last year during the fourth Republican presidential debate, speaking of the TPP, candidate Donald Trump stated:

> The TPP is a horrible deal. It is a deal that is going to lead to nothing but trouble. It's a deal that was designed for China to come in, as they always do, through the back door and totally take advantage of everyone. It's 5,600 pages long. So complex that nobody's read it. It's like Obamacare; nobody ever read it. They passed it; nobody read it. And look at the mess we have right now. And it will be repealed.

Rand Paul then took a jab at Trump, saying to moderator Gerald Baker, "Hey, Gerald, you know, we might want to point out China is not part of this deal."

Although Paul is technically correct that China is not part of the TPP, Trump never said that it was. What Trump actually said about the TPP and China was, "It's a deal that was designed for China to come in, as they always do, through the back door." And Trump is exactly correct.

On their website, the Office of the United States Trade Representative bills the TPP as a tool intended for "Leveling the playing field for American workers and American businesses." Also on their website, the following statement can be found: "The Trans-Pacific Partnership (TPP) writes the rules for global-trade-trade — rules that will help increase Made-in-America exports, grow the American economy, support well-paying American jobs, and strengthen the American middle class."

However, as we revealed in another article on the TPP:

> The TPP, which currently involves 12 nations — Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam (Japan is negotiating for membership and is likely to join soon) — is really intended as an interim arrangement, on the road to an expanded Free Trade Area of the Asia Pacific (FTAAP) that would include all 21 nations of the grouping known as the Asia-Pacific Economic Cooperation (APEC). That includes China and Russia.

The TPP looks to do exactly the opposite of its stated goals: open a back door to China — a back door which in combination with massive Chinese investment into corporate America will strengthen China at the expense of U.S. jobs and security.

While many sound the cry to "Buy American," the proposition is increasingly becoming more difficult.

People may indeed buy a product or service which has been “Made in America”; however, while they may be supporting American jobs, they also may be supporting foreign companies and/or governments. Deals such as the General Electric appliance division sale to a Chinese group make it more difficult to support American jobs and keep from supporting foreign interests and entities.

The sole remaining appliance manufacturer owned by American investors and assembled in the United States is Whirlpool. With facilities in Ohio, Iowa, and Tennessee (where the author of this article worked assembling kitchen ovens at one time), it is still possible to keep funds largely “inside the borders.” However, with the February 2016 passage of the TPP (though it is not yet in force), and record-breaking Chinese investment dollars pouring into American industry, it is a task becoming more difficult every day.