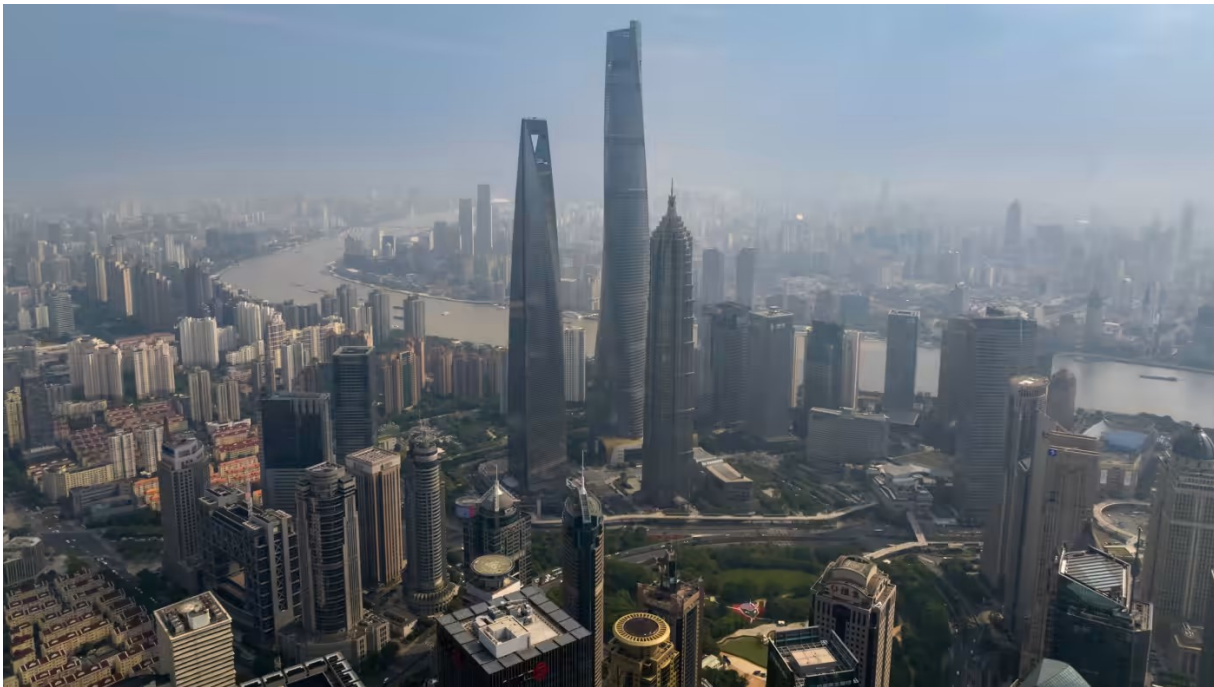


Mergers & Acquisitions

Chinese deal activity in US slumps to lowest level in 17 years

Geopolitical tensions and national security issues curb enthusiasm for merger and acquisition investments



Shanghai's financial district. The chill in outbound activity contrasts with growth in inbound M&A deals in mainland China © Alex Plaveski/EPA-EFE/Shutterstock

Thomas Hale in Shanghai 11 HOURS AGO

Chinese deal activity in the US has fallen to its lowest level in almost two decades, in a sign of geopolitical tensions between the two countries weighing on cross-border financial activity.

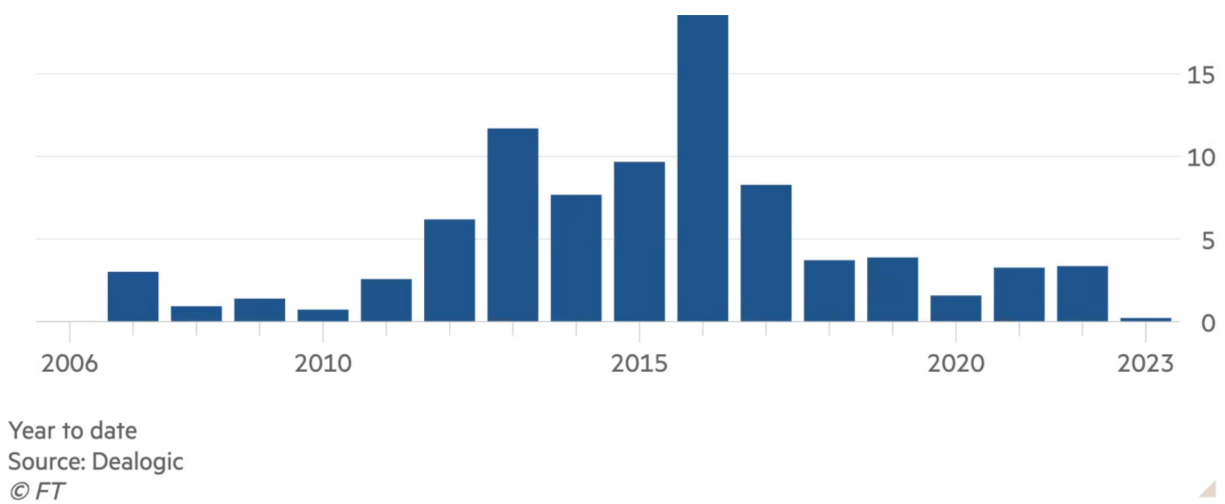
US merger and acquisition investment from [China](#) has totalled just \$221mn so far this year, representing the slowest pace of investment since 2006, according to data from Dealogic. The total at this point last year was \$3.4bn.

The figure contrasts with growing investment into mainland China and highlights the impact of geopolitics on a previously booming cross-border financial sector that for years provided a bridge for Chinese businesses into lucrative western markets.

Chinese investment into the US has collapsed this year

Deal value (\$bn)





Besides the US, Dealogic data showed just \$189mn of Chinese deals in Germany so far this year, the lowest amount in more than a decade, while activity in the UK and Australia has totalled \$503mn and \$228mn so far. There are no recorded deal figures for Canada.

“This year, at least for the first half, there’s not [been] that much activity,” said Crystal Zhang, a Shanghai-based partner at financial firm Arc Group.

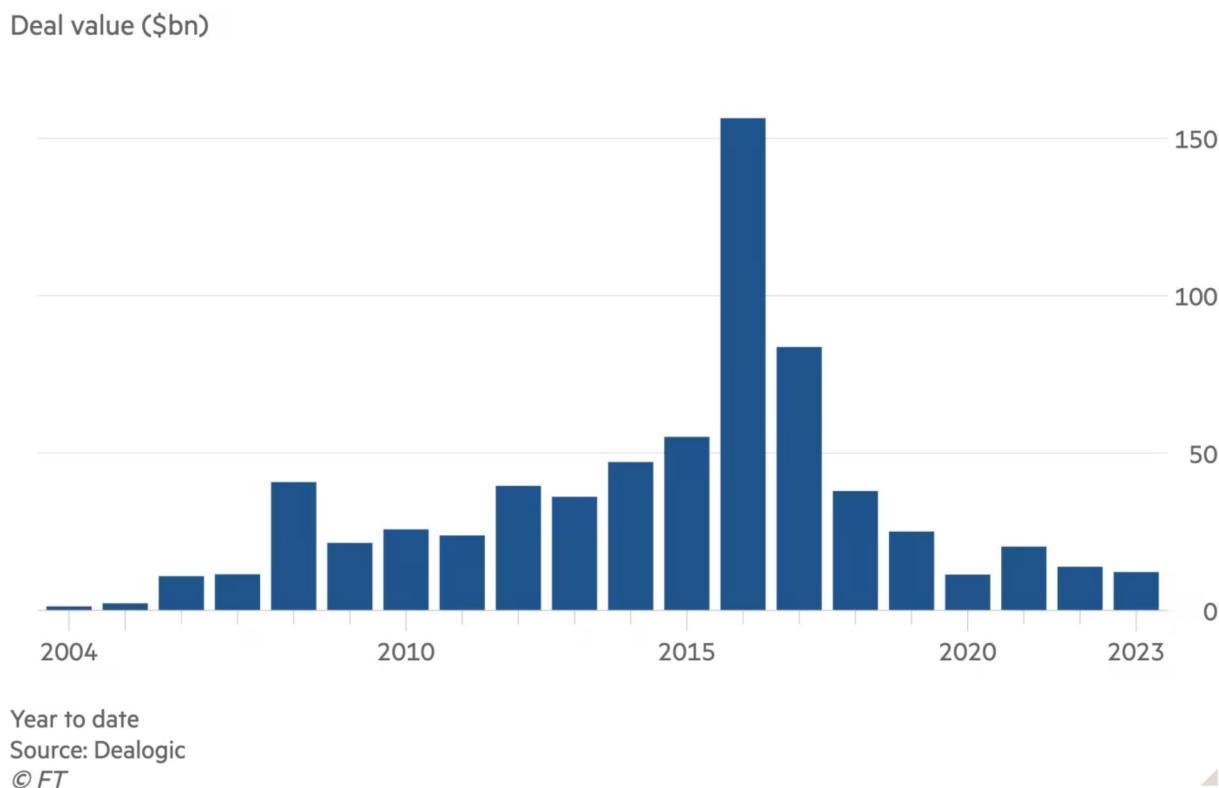
“There are things that are being worked on, but clearly volumes have fallen a lot, there is more regulatory intervention,” said one banker at a leading international bank in Asia, who spoke on the condition of anonymity and suggested future activity would be “outside of the national security box”.

He pointed to the example of the critical minerals and metals industries, which became subject to [new restrictions by China last month](#). “There are a lot of Chinese companies who would very much like to pursue M&A [in critical minerals] in Canada, Australia or North America. That seems harder in this kind of environment.”

Relations between the US and China worsened this year after the US shot down a suspected Chinese spy balloon. The launch of a congressional committee on China has added to the scrutiny of business relations, while the US has also imposed [restrictions on Beijing’s access to semiconductor technology](#).

Chinese outbound [M&A](#) has shown signs of growth in other parts of the world, such as in Peru, where Italian utility company Enel this year sold assets to China’s Southern Power Grid International for \$2.9bn in the biggest outbound deal of the year. The next three largest deals were in Singapore.

Chinese outbound investment has slowed over recent years



But the total of just under \$12.2bn invested so far this year contrasts with the tens of billions of dollars invested annually for the decade prior to the coronavirus pandemic. In 2016, China's full-year outbound M&A peaked at \$212bn, while in 2019 it was \$54bn.

The chill in outbound activity contrasts with less volatile inbound M&A deals on the mainland, which have picked up in recent months and are so far running at their fastest pace since 2015, at \$27bn this year.

One source of deals has been multinationals seeking to restructure or carve out their mainland operations amid the worsening climate, industry participants said.

Alongside a tougher climate for M&A, foreign investment banks have also struggled to remain active in China's vast initial public offering market, which is now completely dominated by domestic players.

As of June, foreign banks had been [involved in just 1 per cent of deals](#) this year.

