Nikkei Asia US-China relations

Chinese companies still keen on US but face higher hurdles

Many groups want to open factories in America but geopolitical and local issues often prevent investment

US secretary of state Antony Blinken speaks at the 2023 SelectUSA investment summit in Washington. China had the third-largest delegation © FT Montage/Saul Loeb/AFP

Marrian Zhou, Nikkei staff writer YESTERDAY

When Pin Ni arrived in Washington, he mentioned to his taxi driver how cold it felt. The driver told him that it wasn't the temperature, but the wind that made it feel so chilly.

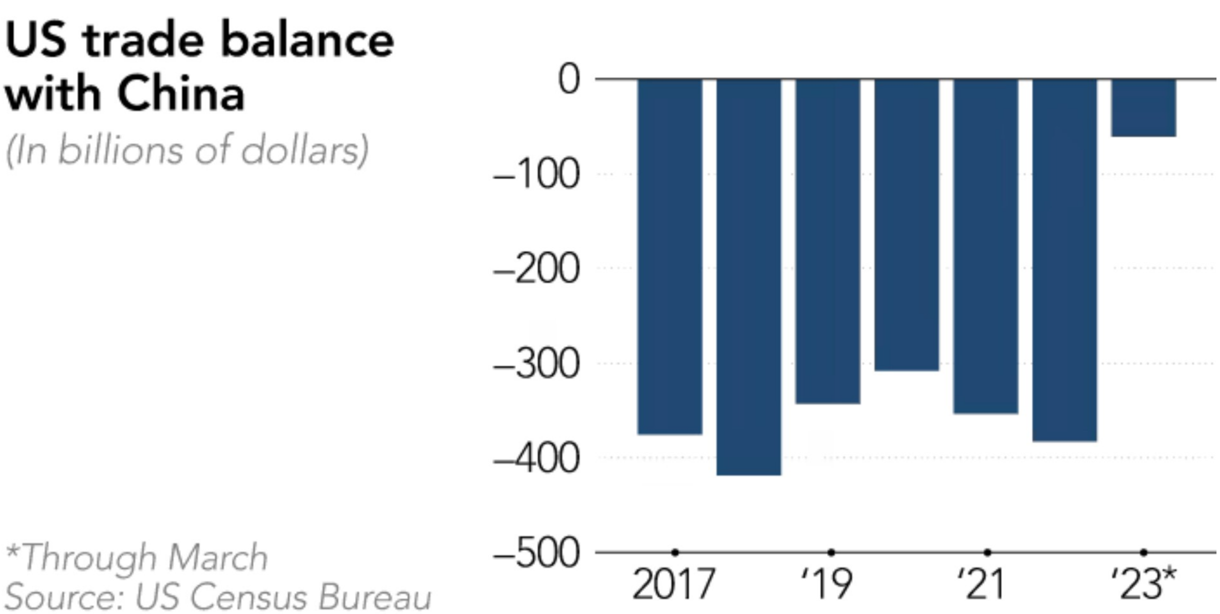
Ni, president of Wanxiang America and vice chair of the China General Chamber of Commerce (CGCC) USA, drew a parallel between the blustery weather in the US capital and worsening Washington-Beijing relations.

"That's interesting for our business. The temperature is still there, the business logic is still there, and the business opportunities are still there," Ni said. The chill, he argued, was coming from political rhetoric. "The best way to deal with wind is to try not to deal with it . . . If you focus on what you're supposed to do, then you should survive well."

Ni aired his views as a panellist at the CGCC's reception at the recent SelectUSA event in Washington. His cautious optimism is shared by many Chinese companies and their American counterparts who are still bullish on expanding in the US market.

Attendance at the SelectUSA 2023 conference, an event that brings together US state officials and foreign investors, set a record of more than 4,400 people. China had the third-largest delegation, at 80 members, behind India and Taiwan.

More Chinese companies would have attended if acquiring a US visa had been easier, according to people familiar with the matter.



Ni's positive outlook was reflected in the results of the CGCC's annual survey of Chinese companies in the US, released to coincide with the event. Over half the respondents said they had met or exceeded their goals last year, while more than 80 per cent said they were satisfied with or neutral regarding all aspects of the US business environment. About 67 per cent of Chinese companies said they expanded their business and investments in the country. All companies in the consumer discretionary sector reported they had expanded their US operations and increased investment.

Many Chinese companies who participated in this year's trade event are looking for manufacturing sites in US states, often to serve an existing customer base in the country. It is not all sunny skies, however, with geopolitics and local US issues both clouding the horizon.

About 81 per cent of Chinese companies cited bilateral relations as the top challenge in the near future, followed by inflation and uncertainty in the US economy in second, according to CGCC's survey.

Benjamin Yin, executive director of building hardware maker Trigo Enterprises, is one of those facing the dilemma of wanting to expand in the US but not knowing where.

Yin told Nikkei Asia that his company ships 80 per cent of its products to customers in the US, but only has factories in China and Vietnam. Sales to US customers have increased over the past three years, he said, but rising shipping costs and other logistics problems have made it barely profitable. For example, in 2020 his company spent $300,000 to book a plane to ship goods worth $300,000.

"We're looking to establish a factory here, move some production over to mitigate our risks, be closer to our customers and hopefully gain more customers," said Yin. "In the long run, maybe instead of being an [original equipment] manufacturer, we can sell our own products under our own brand name."

Yin said he is looking at several possible locations but feels torn between "red" Republican-controlled states and "blue" Democrat-led ones.

"The red states are more pro-business, lower taxes, but the challenge is, if you look at the polls, 60 per cent of the people in red states see China as an enemy, we don't want to go to a state to establish a factory and people think we [are] the enemy or spy," Yin said. "The blue states are much friendlier to Chinese, but [have] higher taxes, more worker unions, overall high costs and possibly more safety issues."

"Maybe we need to find these purple states," Yin added.

Some red states are moving to shut their doors on Chinese investment: Florida, South Carolina and Oklahoma are among those that have recently barred or restricted Chinese nationals from buying property.

Others, however, are more welcoming. Kelly Anthon, Republican Senate Majority Leader of Idaho, said the state still has an office in China to help promote Idaho's exports and attract foreign direct investment.

"At the state level, we're just trying to make sure that we do right by Idaho," said Anthon. "Some of those geopolitical things that are out there [are] probably above our pay grade."

In the middle are states like Oklahoma. Governor Kevin Stitt told Nikkei Asia that the state will follow the federal government's lead on treating Chinese companies warily.

"There's already a law that foreigners can't buy farmland [in Oklahoma], it's something that we're concerned about and we're monitoring," Stitt said. "Obviously we're not stopping those [Chinese] investments from coming in, but we're not going to go out and pursue [them]."

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