

Special Report **Investing in America**

**Foreign investment in US**

## China culls spend in response to US trade hostility

Restrictions imposed over national security concerns have taken their toll on US communities dependent on foreign-owned projects



The US has been at odds with China since 2019 when security concerns led to a bans of telecoms equipment made by Huawei and other Chinese companies © Doug Barrett/Bloomberg

**Amanda Chu** in New York and **Claire Bushey** in Chicago 7 HOURS AGO

Chinese businesses are retreating from the US as relations between the world's two largest economies deteriorate.

Chinese investment plunged to \$2.5bn in the US last year — the lowest in more than a decade and down from a record \$48bn in 2016, according to an analysis by Rhodium Group, a think-tank. Business activity, including revenue and local employment, at Chinese companies that were already present in the US market has also declined.

“The environment in the US has become more challenging for Chinese investors,” says Adam Smith, a partner at law firm Gibson Dunn and a former US Treasury adviser. “Being concerned about China has become a real bipartisan issue upon which almost everybody can agree, rightly or wrongly.”

More than 80 per cent of Chinese companies cited the stalemate in bilateral relations as the leading challenge for business, according to the latest survey conducted by the China General Chamber of Commerce, which represents Chinese investors in the US. More than one-third reported unstable US policies towards foreign investment as a concern.

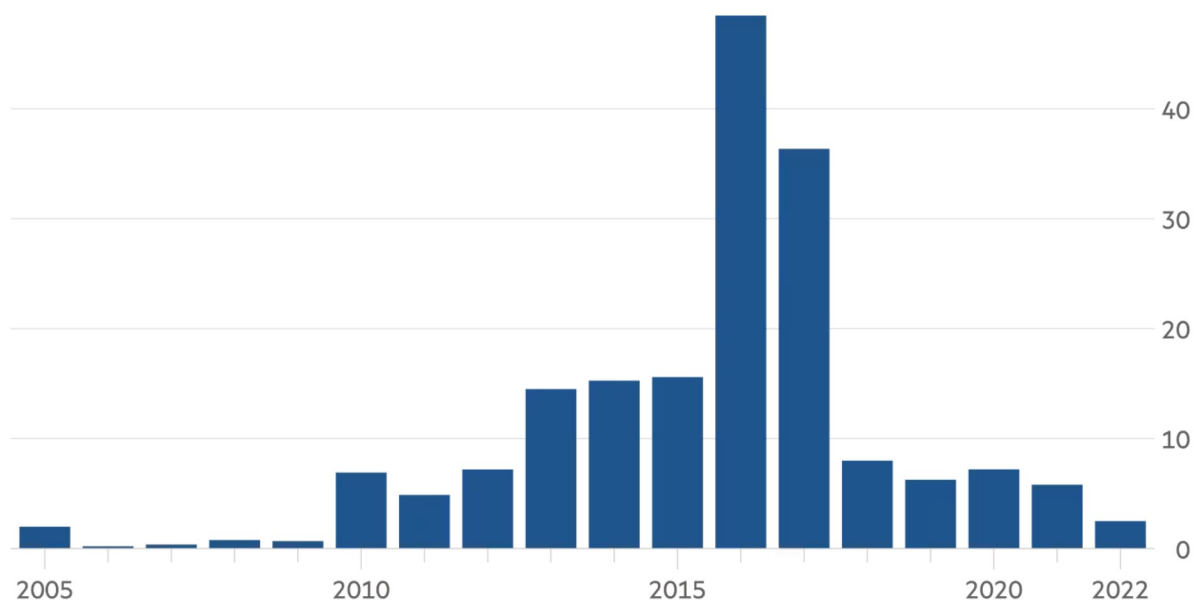
“We used to be a panda . . . We were liked by everybody but, then, we became the

skunk, and people are afraid of getting close to you,” says Pin Ni, president of Wanxiang America, a subsidiary of China’s largest auto components manufacturer.

Ni adds that, while the company is a US legal entity and has operated in the country for nearly 30 years, potential business partners have become wary of its Chinese connections. “People still say, ‘Oh, as long as you carry the name, it looks like you’re Chinese. If you’re Chinese, then we’re concerned.’”

## Chinese investment in the US is trickling

Chinese foreign direct investment transactions in the US by year, \$bn



Source: Rhodium Group

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After former president Donald Trump imposed tariffs on billions’ worth of Chinese goods, his successor Joe Biden has banned outbound investment in strategic sectors and created historic subsidies for domestic semiconductor and clean tech manufacturing. These include provisions that exclude Chinese companies or sourcing.

While other East Asian countries have announced dozens of large-scale cleantech and chips projects in the past year, Chinese companies that have attempted to make large US investments have faced backlashes and divided local towns that need jobs and new business.

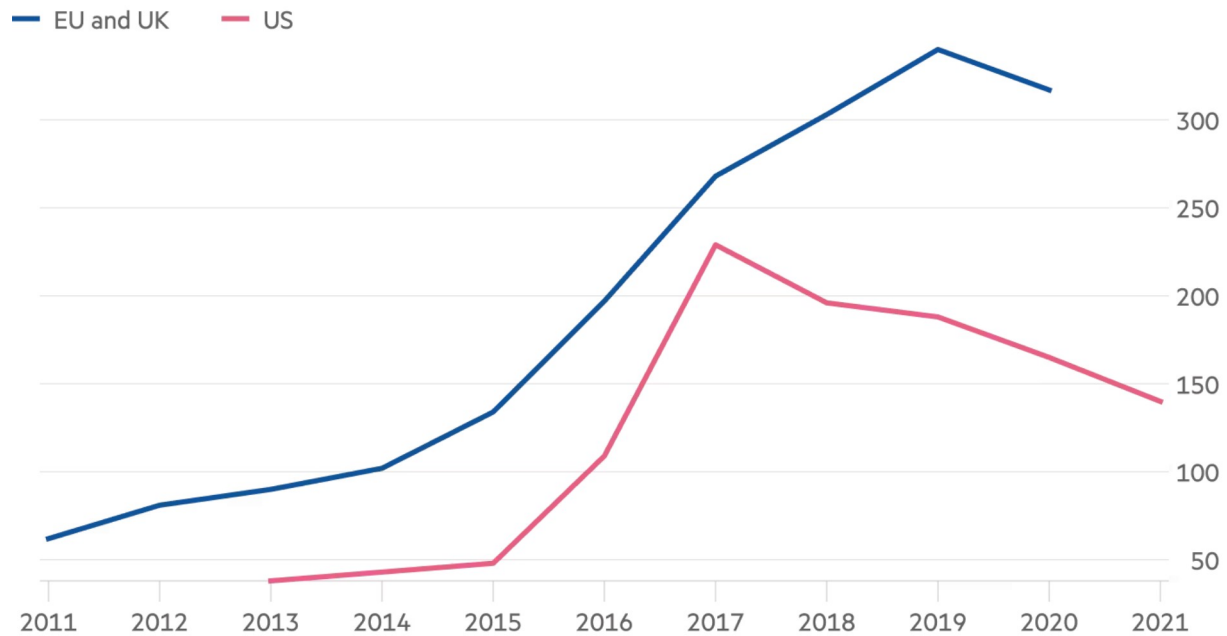
Last month, Republican presidential candidate Vivek Ramaswamy criticised Chinese battery company Gotion’s planned factory in Big Rapids, Michigan, arguing “we will not let our children become Chinese serfs”.

“It’s tearing us apart . . . The community is divided really in a bad way, and I have friends on both sides of the issue,” says Fred Cuenther, mayor of Big Rapids, who has

interests on both sides of the issue, says Peter Guenther, mayor of Big Rapids, who has received death threats for his support of Gotion's factory, which promises to create more than 2,000 jobs in the community.

## Employment by Chinese firms in the US is falling

Number of local jobs provided by Chinese multi-national companies (thousands)



Source: Rhodium Group

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The Committee on Foreign Investment in the United States — the federal agency responsible for screening — reviewed a record number of transactions in 2022, with Singapore and China among the top investing countries. China filed 36 notices last year, down from 44 in 2021 but more than double the number in 2020.

State governments are also moving to crack down on foreign investment. About three dozen states have proposed bills that would restrict foreign ownership of land this year, up from 12 proposals last year. Some 24 states have enacted bans, primarily targeting agricultural land and foreign adversaries such as China, according to the National Agricultural Law Center.

Micah Brown, a senior attorney at the NALC, says the majority of laws enacted in 2023 are targeted at “foreign adversaries” and have become “political flashpoints” for national security.

“This is about where your loyalties lie,” Arkansas Republican governor Sarah Huckabee Sanders said last month when she announced an agricultural land ban directed at nine foreign entities, including China, and forced Swiss seed company Syngenta to sell 160 acres of its land because of its Chinese ownership. ChemChina, a Chinese state-owned enterprise, purchased Syngenta in 2017.

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Saswato Das, a spokesperson for Syngenta, calls the announcement a “shortsighted action” that “hurts Arkansas farmers more than anyone else”. All of Syngenta’s land holdings have been examined by the US government, and no one from China has ever directed the company to “buy, lease, or otherwise engage in land acquisition in the United States”, says Das.



Syngenta has had to sell land © Daniel Acker/Bloomberg

John Ling, a former Chinese investment recruiter for South Carolina and Georgia and founder of consultancy LinVest, warns that state land bans undermine investment and job creation, and that there are better options to address national security without hurting business. “I don’t think it bodes well for economic development and our strategies in trying to bring more manufacturing into the US,” Ling says.

Civil rights activists worry that efforts to address national security are discriminating against people of Chinese descent, while business leaders also warn that isolating Chinese investment could have adverse consequences for the US and global trade.

“The question is: is it only China, or is it then other jurisdictions?” says Smith at Gibson Dunn. “How much do we want to retreat from the world?”

