China is buying up American companies fast, and it's freaking people out

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Here's a story you'll be hearing about a lot this year.

Chinese companies have been buying up foreign businesses, including American ones, at a record rate, and it's freaking lawmakers out.

There is General Electric's sale of its appliance business to Qingdao-based Haier, Zoomlion's bid for the heavy-lifting-equipment maker Terex Corp., and ChemChina's record-breaking deal for the Swiss seeds and pesticides group Syngenta, valued at $48 billion.

Most recently, a unit of the Chinese conglomerate HNA Group said it would buy the technology distributor Ingram Micro for $6 billion.

And the most contentious deal so far might be the Chinese-led investor group Chongqing Casin Enterprise's bid for the Chicago Stock Exchange.

A deal spree

To date, there have been 102 Chinese outbound mergers-and-acquisitions deals announced this year, amounting to $81.6 billion in value, according to Dealogic. That's up from 72 deals worth $11 billion in the same period last year.

And they're not expected to let up anytime soon. Slow economic growth in China and cheap prices abroad due to the stock market's recent sell-off suggest the opposite.

"With the slowdown of the economy, Chinese corporates are increasingly looking to inorganic avenues to supplement their growth," Vikas Seth, head of emerging markets in the investment-banking and capital-markets department at Credit Suisse, told Business Insider earlier this month.

China's economic growth in 2015 was its slowest in 25 years.

The law firm O'Melveny & Myers recently surveyed their mainly China-based clients and found that the economic growth potential in the US was the main factor making it an attractive investment destination.
Nearly half of respondents agreed that the US was the most attractive market for investment, but 47% felt that US laws and regulations were a major barrier. They'd be right about that.

A major barrier

Forty-five members of Congress this week signed a letter to the Treasury Department’s Committee on Foreign Investment in the US, or CFIUS, urging it to conduct a "full and rigorous investigation" of the Chicago Stock Exchange acquisition.

"This proposed acquisition would be the first time a Chinese-owned, possibly state-influenced, firm maintained direct access into the $22 trillion US equity marketplace," the letter reads.

"While it is unclear the level of influence the state holds over CCEG, the firm is involved in a number of important Chinese sectors that would likely require close ties to the state."

CFIUS is meant to vet deals for any national-security issues. It recently prevented the $3.3 billion sale of Philips’ lighting business to a group of buyers in Asia, but its reasons for blocking that deal weren't disclosed.

"I would be very surprised if CFIUS did not have an interest in taking a look at this deal," said Anne Salladin of law firm Stroock & Stroock, referring to the Chicago Stock Exchange deal.

Also this week, California-based Fairchild Semiconductor refused an offer from the state-backed China Resources and Hua Capital, the Financial Times reported.

They bid $2.6 billion for the company, but Fairchild turned it down, citing concerns about US regulators, and accepted a lower bid from a US-based rival.

While not all the companies doing the buying are state-owned enterprises, they do need to have the full backing of the Chinese government in order to close foreign deals. That's because they need approval to get enough foreign exchange to pay for the acquisitions, something the government monitors closely.

Given the recent volume of deals, though, it would appear that the Chinese government is supportive of the foreign-buying spree. That may be exactly what has folks so worried.