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Chinese Companies' Total Investment in California Reaches $1.3 Billion

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For the past decade, many Chinese-funded, publicly-traded enterprises have sought to acquire high-profile "brand-name" companies in the United States. But now more small to medium sized non-listed Chinese-funded enterprises are looking for opportunities to invest in the United States rather than the publicly-traded companies. These investors tend to keep a low profile and have a keen awareness of how to protect their rights and interests.

One possible explanation of this phenomenon is that because of the continued trade deficit between the United States and China, the increase of the Chinese RMB's purchasing power and the push by the Chinese government for businesses to invest overseas, many experts believe it is inevitable that numerous Chinese enterprises will expand their businesses across the Pacific.

According to a recent Los Angeles Times article (October 10th, 2012), Chinese companies are using cash to buy various companies and businesses in the US at record-breaking speed. California has many such target companies. The article cited recent data from the Rhodium Group, a New York policy research group, which shows that between 2000 and 2011, Chinese companies invested more than $1.3 billion dollars in California. However, the bulk of these investments were completed in the past few years, especially the record breaking $560 million from last year alone. The global financial tsunami and economic downturn after 2008 provided Chinese companies with the golden opportunity to enter the playing field to buy undervalued assets.

The total amount of investments mentioned above excludes any personal property as they are more difficult to track. The investments that the Chinese companies made in California include purchasing new warehouses, office buildings, and the merging or acquisition of existing companies comprising of electronics, information technology, biotechnology, logistics, renewable energy and consumer products, etc.

According to an insider who assists Chinese companies in investing in the US, in the past when Chinese companies like Lenovo purchased IBM, they were more focused on "brand names." While it may look glamorous from the outside, these deals were actually made at a huge disadvantage to the acquiring Chinese company.

Last year, Shenzhen magnate Winston Chung bought two well-known landmarks in Newport Beach: the Balboa Bay Club and the Newport Beach Country Club. However, due to his funding not arriving in time, he was forced to forfeit millions of dollars in deposit. After these valuable lessons, Chinese companies have gradually shifted away from chasing after “brand-names.” Instead, they are putting more focus on whether a company has the patent rights to its products, whether it is consistent internally and externally, and the value of investment.

China Enterprise Appraisal (CEA), rated number one in the China business appraisal industry, has established China Enterprise Appraisal Investment Consultation (U.S.A) Inc. in the United States to better assist Chinese companies in finding high-quality U.S. corporate investments. According to CEO Jeffrey Wang, who is also a practicing attorney in the US, target companies for Chinese enterprises investing in the US are mainly in the agriculture, automotive, aircraft manufacturing, logistic, high-tech and wineries sectors. A new wave of investment has also bankrolled companies in the pharmaceutical and medical equipment industries.

While many Chinese companies would like to bring home the technologies in which they have invested in the United States, it is important that they exercise caution and seek legal advice. The U.S. restricts certain advanced technologies from export. As an experienced attorney, Mr. Jeffrey Wang’s job is to provide consultation to help keep Chinese companies from making legal missteps.

According to Mr. Yan Gu, who provides accounting service to Chinese corporate investors, while Chinese original equipment manufacturers (OEM) are still prospering, costs have gradually increased. Chinese companies have realized that to compete in the world market, they have to improve quality and quantity, which is why they want to come to the US, a developed country. For example, a Chinese company in the food industry wants to invest in US pastures because Chinese people generally thinks that Chinese food products are unsafe. In addition to making a real property investment, they can also utilize the lower shipping cost to China, resulting from high percentage of empty containers, to ship hay back to China for consumption by farm animals, making the public feel safer in eating them. Mr. Yan Gu thinks that while Chinese companies may currently face difficulties trying to enter the United States, in the long run, because they will create job opportunities for local Americans, these companies can look forward to gaining public support through local integration like Japanese companies such as Honda and Toyota.

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