

Executive Summary



New Neighbors

Chinese Investment in the United States by Congressional District

A Report by the National Committee on US-China Relations and Rhodium Group

May 2015

Foreign direct investment (FDI) is a vital component of the United States economy today and has been throughout the nation's history. Investors from abroad are a source of growth, employment, competitiveness, and innovation, and their presence is living proof of America's commitment to openness, market competition, and putting the interests of consumers above the welfare of corporations.

Companies from China have not historically played a direct role in the US economy, and FDI was largely a one-way street from the US to China from the 1980s to the 2000s. In recent years, however, Chinese FDI into the US has taken off, bringing a growing number of firms from China face-to-face with US communities; new corporate neighbors are moving in.

This report details – for the first time – Chinese commercial investment in the US down to the congressional district level, using a unique dataset in development since 2009. With that granular information

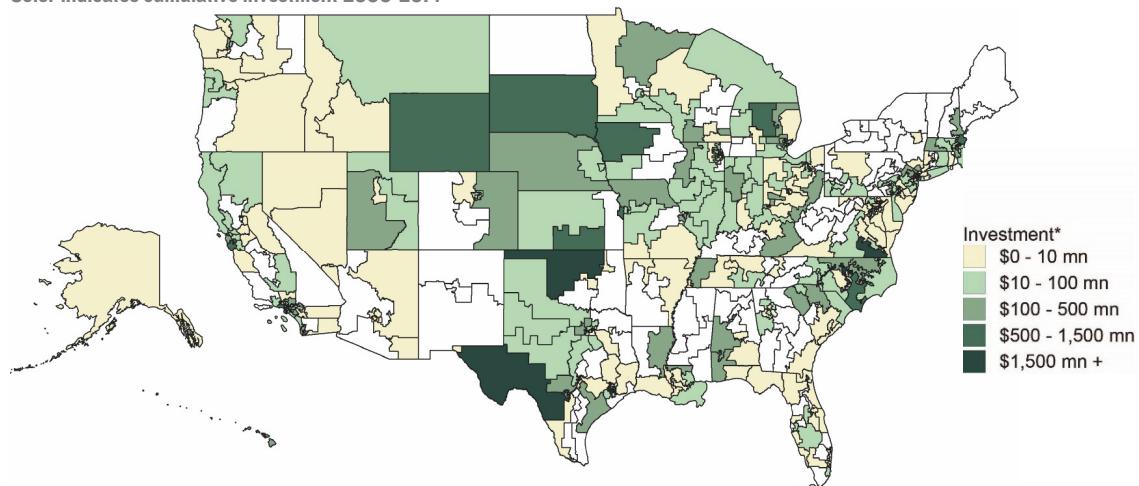
the report describes the picture so far in terms of investment value, operations, and associated employment.

The key findings are:

(1) The recent wave of Chinese FDI has brought new Chinese neighbors to towns across America: From 2000 to 2014, Chinese firms spent nearly \$46 billion on new establishments and acquisitions in the US, most of it in the past five years. As of the end of 2014, we count 1,583 establishments by Chinese firms in the US, stretching across all regions of the country. Importantly, while investments in perceived trophy assets such as the Waldorf Astoria Hotel dominate the headlines, Chinese firms are clearly interested in the value of American workers and manufacturing in some of the areas with the lowest per capita incomes in the United States as well. The benefits of Chinese capital are distributed nationwide, not just in high-income parts of the country.

Figure E.I: Chinese FDI in the US by Congressional District

Color indicates cumulative investment 2000-2014



Source: Rhodium Group. *Cumulative Value of Chinese FDI Transactions, 2000-2014.

(2) Local economies benefit from greater levels of investment: The biggest recipients in terms of cumulative investment from 2000-2014 were districts in North Carolina, Illinois, New York, Virginia, and Texas. While acquisitions (which account for the majority of investment) mostly represent change in ownership, many Chinese takeovers have generated local investment as the new owners have saved firms from bankruptcy and provided new financing lines. In most cases, acquisitions have led to expansions, and examples of downsizing are rare. Greenfield projects have already generated billions in local investment and investments in big manufacturing and service sector projects have accelerated significantly in the past 18 months.

Table E.1: Top 15 Recipient Districts of Chinese FDI in the US

District	Investment (\$ million)	Metro Area	Representative
NC-04	3,360	Raleigh-Durham Triangle	David Price
IL-07	3,210	Chicago	Danny K. Davis
NY-12	2,250	New York City	Carolyn Maloney
VA-04	1,980	Eastern Virginia	J. Randy Forbes
TX-07	1,780	Houston	John Culberson
TX-23	1,640	SW Texas	Will Hurd
OK-03	1,580	NW Oklahoma	Frank Lucas
KS-03	1,380	Kansas City	Kevin Yoder
MA-06	1,270	NE Massachusetts	Seth Moulton
NC-07	1,250	Southern NC	David Rouzer
CA-17	1,040	San Jose	Mike Honda
CA-12	1,020	San Francisco	Nancy Pelosi
TX-09	1,010	Houston	Al Green
NY-10	920	New York City	Jerrold Nadler
IA-04	870	NW Iowa	Steve King

Source: Rhodium Group.

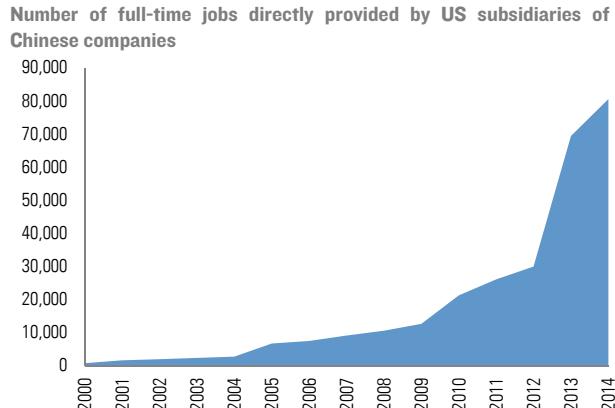
(3) Chinese-affiliated companies now directly employ more than 80,000 Americans: The recent US expansion of Chinese companies means more than 80,000 Americans are on Chinese company payrolls, up from fewer than 15,000 five years ago. These figures do not include indirect employment during construction or at suppliers, which would add tens of thousands of additional jobs. The top districts in terms of jobs are home to Chinese-affiliated companies in manufacturing and services sectors, which have higher employment intensity than energy or real estate investments. Fears that Chinese acquirers could systematically move acquired assets and related jobs back to China have not materialized. Instead, new Chinese owners have, in most cases, sustained and expanded local employment after they acquired US assets. Job creation through greenfield FDI is approaching the 10,000 mark, with significant further growth imminent from projects already in the pipeline.

Table E.2: Top 15 Districts in Terms of Direct Jobs Provision by Chinese Companies in the US

District	Jobs	Metro Area	Representative
NC-07	7,640	Southern NC	David Rouzer
MI-05	5,230	Central Michigan	Dan Kildee
NC-04	4,120	Raleigh-Durham Triangle	David Price
VA-04	3,800	Eastern Virginia	J. Randy Forbes
SD-01	3,400	South Dakota at-large	Kristi Noem
IA-04	3,290	NW Iowa	Steve King
MO-06	3,190	Northern Missouri	Sam Graves
NE-03	2,280	Western and Central NE	Adrian Smith
IL-07	2,110	Chicago	Danny K. Davis
IL-17	1,710	NW Illinois	Cheri Bustos
CA-17	1,450	San Jose	Mike Honda
KY-05	1,220	Eastern Kentucky	Hal Rogers
CA-12	1,110	San Francisco	Nancy Pelosi
NY-12	1,100	New York City	Carolyn Maloney
CA-33	1,100	Los Angeles	Ted Lieu

Source: Rhodium Group.

Figure E.2: Employment Provided by Chinese Companies in the US



Source: Rhodium Group.

(4) Chinese companies are contributors to American innovation and competitiveness: There is no evidence that Chinese investors are moving high value-added activities back to China. Instead, US innovation clusters, strong protection of intellectual property rights, and the talent pool are major draws for Chinese companies, which now spend hundreds of millions of dollars every year on research and development activities in the US. Chinese companies also contribute to the training of local workers, and technology investors such as Tencent and Alibaba have emerged as important sources of capital for startups and early stage growth companies.

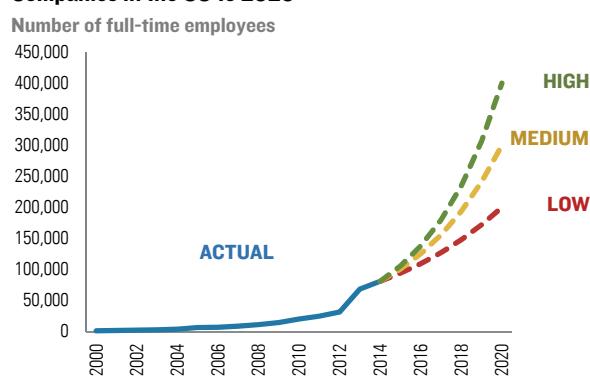
Table E.3: Chinese-owned Companies with R&D Operations in the US

Company	Location
A123 Systems	Massachusetts, Michigan
Baidu	California
Changan Automobile	Michigan
Cryptic Studios	California
Epic Games	North Carolina
Huawei	California
Lenovo	North Carolina
MiaSole	California
Riot Games	California
Suning Commerce	California
WuXi AppTec	Pennsylvania

Source: Rhodium Group

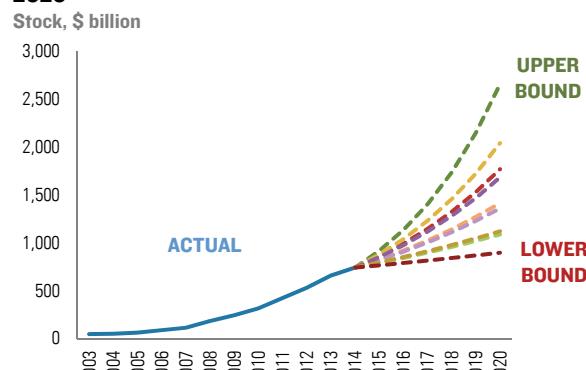
(5) FDI can be a catalyst for greater exports of “Made in the US” goods and services to China: Growing investment creates important linkages which can help local economies reach the Chinese market with their goods and services. There are already many success stories in advanced manufacturing and consumer goods and there is tremendous potential to expand US exports in those categories and new areas such as agriculture and food. FDI from China can also help to facilitate the export of US services – including entertainment, hospitality, and financial and business services – to Chinese consumers.

Figure E.3: Projections for Employment at Chinese-affiliated Companies in the US to 2020*



Source: Rhodium Group. *Projections are based on three different scenarios for cumulative Chinese investment in the US in 2020 (\$100, \$150, \$200 billion) and the current employment intensity of investment.

Figure E.4: Projections for China's Global Outbound FDI in 2020*



Source: Rhodium Group.

(6) Much is still to come: Chinese FDI is only at the initial stage Japanese firms reached in the 1980s, and there is tremendous growth potential for Chinese investment, job creation, and other benefits. If the US continues to be a major recipient of China's booming outward investment, it could receive between \$100–200 billion of investment by 2020. Based on past employment intensity, this would increase the number of full-time US jobs provided by Chinese US affiliates to somewhere between 200,000 and 400,000.

(7) Greater Chinese FDI marks a new chapter in US-China economic relations: Growing outbound FDI is a major channel through which the changes in the Chinese economic model will be felt in the US economy. Higher levels of investment mark the beginning of an era of US-China economic engagement that brings a wider array of mutual benefits rather than a limited set of winners and losers, as arose from the deepening of goods trade of the past two decades.

(8) From local impacts to national interest: The United States is competing with dozens of other attractive economies including Europe, Australia, Canada, and Brazil for these new capital flows. Recent years have seen greatly stepped-up local-level effort by mayors, governors, and other local officials to attract these new investors to the neighborhood. Greater awareness of the local benefits from Chinese investment should help to sustain recent progress in aligning local opportunities and national interests so the US will be successful in that competition.

About this Report

About the National Committee on US-China Relations

The National Committee on United States-China Relations is a private, nonpartisan, American non-profit organization that promotes understanding and cooperation between the United States and Greater China in the belief that sound and productive Sino-American relations serve vital American and world interests. Since its founding in 1966, the Committee has created opportunities for informed discussion and reasoned debate about issues of common interest and concern to the United States, Mainland China, Hong Kong and Taiwan. It currently organizes programs for private and public sector participants on politics and security, governance and civil society, economics and finance, education, and transnational issues such as energy and environment. It carries out its mission via conferences and forums, public education programs, professional exchanges and collaborative projects.

About Rhodium Group

Rhodium Group (RHG) is an economic research firm that combines policy experience, quantitative economic tools and on-the-ground research to analyze disruptive global trends. It supports the investment management, strategic planning and policy needs of clients in the financial, corporate, non-profit, and government sectors. RHG has offices in New York, California and Washington, and associates in Shanghai and New Delhi. RHG's cross-border investment practice analyzes the rise of China and other emerging markets as trans-national investors. RHG senior staffs publish frequently on the growth and impact of Chinese outbound FDI in the United States, and maintain the China Investment Monitor, a unique database tracking Chinese investment in the US economy.

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