

# Let's attract more Chinese investment: State and local success in attracting Chinese firms can be supplemented

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As Chinese direct investment through acquisitions and greenfield development in the U.S. continues on its upward trajectory, North Carolina is securing a noteworthy share of the activity. According to the China Business Monitor published by the Rhodium Group, Chinese firms made nine investments in North Carolina during 2012, which was second to California (10) in the number of investments.

While the total amount of investment here (\$47 million) was a relatively modest share of the total amount invested in 2012 (\$6.5 billion, a number skewed by oil and gas investments), all the N.C. investments were greenfield projects (i.e., job creators). They involved a broad array of industries, including automotive, energy, electronic equipment and information technology.

The Charlotte region benefited from several of last year's investments. The Charlotte Chamber's long-standing recruiting efforts, led by Eileen Cai, have resulted in ongoing successes this year. They include the March announcement by Masterwork USA Inc., a Tianjin-based manufacturer of print-finishing equipment, to establish its U.S. headquarters, sales and customer-service operations in Charlotte. In April, Pactera Technology International Ltd., a Beijing-based information-technology consulting firm, announced plans to expand its local presence by moving its U.S. headquarters to Charlotte, with 200 additional jobs forecast.

The announcements are just the latest in a series of developments in which Charlotte has exploited its geographic location and transportation network to provide a U.S. hub from which Chinese firms can endeavor to capture the "downstream" segment of the value chain.

In contrast to the general downstream aspect of Charlotte investments, Chinese investment decisions in the region have focused on production facilities.

In fact, the Rhodium Group highlighted one such investment decision in a recent report about Chinese investment in the United States. That was the October 2012 announcement that Chongqing RATO Power Co. Ltd. and its Denver Global Products subsidiary would be investing \$30.2 million in a Lincoln County assembly and distribution center for RATO engines and vehicles.

As noted by the Rhodium Group, this RATO project reflects several reasons for Chinese investments in the U.S. — to better understand the local market, to trumpet the "Made in America" moniker, to hedge against trade-protection measures and to secure the higher margins presented by sales, distribution and after-sales service (as opposed to the limited margins of contract manufacturing).

There is ample evidence to support the belief that Chinese direct investment in the U.S. is gaining steam and will result in China becoming a major source of capital for future economic development.

How can we support the Charlotte Chamber and other economic-development agencies in their recruiting efforts and otherwise better position the Charlotte region to gain its share of future Chinese investments? Several steps come to mind:

- Seek the assistance of Chinese firms already here in developing relationships in their headquarters cities.
- Encourage entrepreneurs by highlighting Charlotte's advantages for Chinese families in terms of education and lifestyle.
- Elicit the support of Charlotte-based companies in pursuing their Chinese suppliers.
- Continue developing cultural and civic ties in China, including Charlotte's Sister City relationship with Baoding.

Such steps would help build on the successes of the past year and raise the Charlotte region's profile as a target of Chinese direct investment.