

US Has History of Spurning Chinese Direct Investment

By Lisa Gordon

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PITTSBURGH -- Anshan Iron & Steel Group's planned investment in Steel Development Co. LLC's (SDCO's) greenfield project in Mississippi is drawing fire, but Chinese direct investment is not new to the American steel industry.

Evrax's Claymont Steel, the Delaware plate mill, was once owned by a China-based investment group, and Chinese oil country tubular goods producer Tianjin Pipe (Group) Corp. plans to build a \$1-billion, 550,000-ton-per-year mill in San Patricio County, Texas.

The Texas investment, which will create about 600 permanent jobs has been welcomed by local development officials and building trades unions, and -- despite opposition by the United Steelworkers union -- does not appear to have experienced the same political pressure confronting SDCO and Anshan.

The Congressional Steel Caucus has asked the Committee on Foreign Investment in the United States (CFIUS) to "thoroughly investigate" Anshan's investment in the planned SDCO mill. CFIUS, an interagency committee, is tasked with reviewing deals that might result in foreign control of U.S. businesses as well as determining their impact on national security.

While the U.S. is open to outside investments, CFIUS has a growing track record of discouraging Chinese investments. Just weeks ago, Emcore Corp., a U.S.-based producer of fiber optics, said it was withdrawing from a joint venture with Tangshan Caofeidian Investment Corp. (TCIC). "The withdrawal was made jointly in response to an indication from CFIUS that it has certain regulatory concerns about the transaction as it is currently proposed," said the Albuquerque, N.M., company.

In December, efforts by a Chinese mining company attempting to buy a 51-percent stake in Firstgold Corp., a Nevada gold mine, came up empty. The mine's proximity to a military base was identified as the reason for CFIUS disapproving of China-based Northwest Nonferrous International Investment Co. Ltd.

National security was cited as the reason behind another CFIUS decision that led to the withdrawal of a Chinese investment in 3Com Corp. in 2008.

In 2005, China National Offshore Oil Corp. offered \$18.5 billion for U.S.-based oil company Unocal Corp. Two months later, the Chinese company withdrew its bid due to pressure from members of Congress who, like CFIUS, played the national security card.

It is Anshan's direct ties to the Chinese government that is prompting the steel caucus to demand a CFIUS investigation. The U.S. Treasury will decide if an investigation is warranted but has not commented on the matter.

"There is less of a chance they will be turned away because we are looking for a relationship with China and it would send a negative message to China. But (a probe) could be used as leverage to lower foreign restrictions in China," said **Michael Locker, president of Locker & Associates**, a New York-based business consulting firm.