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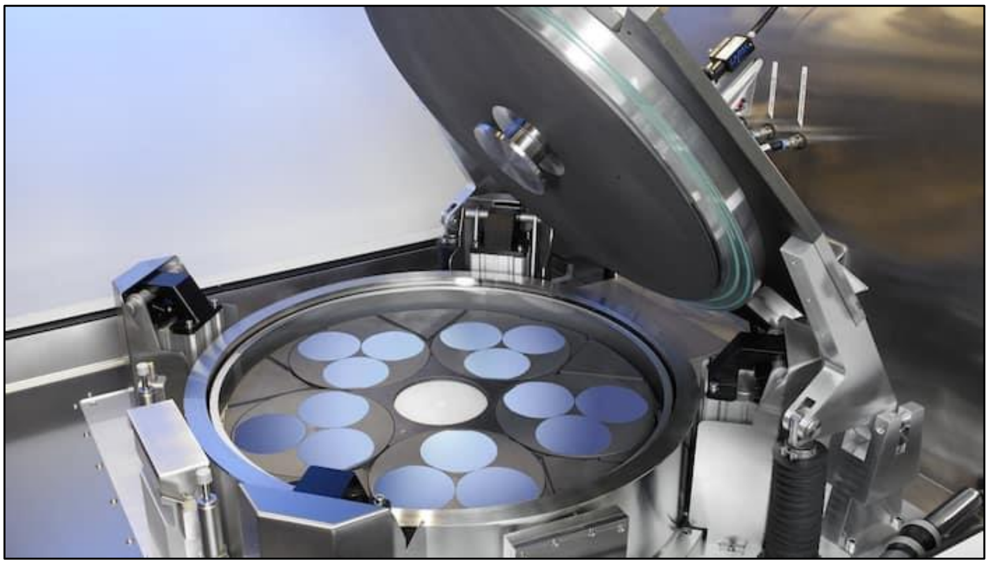
# Resistance to China's acquisition spree stiffens

***Beijing needs to take reciprocity for foreign investors more seriously***



***Berlin withdrew permission for a buyout of Aixtron, the German manufacturer of semiconductors***

**Chinese companies scouring the world to buy technology, brands and multinational corporations have sparked a significant trend this year. The scale is impressive.**

**The value of Chinese overseas acquisitions announced in the first nine months totalled about $191bn, almost double the inflows of foreign investment into China over the same period.**

**The acquisitions are generally welcomed by recipient countries. They help create jobs and economic growth. Signs of resistance are mounting in the US, Australia and recently in Europe too. Nearly $40bn in planned Chinese deals have been scuppered since mid-2015, mostly because of tightened scrutiny over competition and national security concerns.**

**The list of deals inviting examination is lengthening, with the proposed $44bn Chinese takeover of Swiss agribusiness Syngenta one of the latest to face delays. Amid signs of a protectionist backlash in Germany, Berlin has withdrawn approval for the €670m acquisition of chip equipment maker Aixtron by Chinese interests citing "previously unknown security-related information".**

**Such repercussions were entirely predictable. The deal bonanza highlights stark asymmetries between China and the west, raising questions not only of corporate governance but also of whether there can be reciprocal treatment between a highly restrictive authoritarian state and open industrialised democracies.**

**The plain fact is that western companies would stand little chance of securing Beijing's approval to buy an important state-owned Chinese corporation — or even a privately owned one in a restricted industry.**

**The OECD, a grouping of industrialised countries, places China last but one for restrictiveness towards foreign direct investment out of 59 countries ranked. The World Bank put the country in 84th place, behind Saudi Arabia and Ukraine, in a ranking for ease of doing business.**

**At the sector level, the mismatch between China and the west becomes even clearer. Media, telecoms, legal and financial services are either completely closed to foreign investment in China or highly restricted, according to OECD data. By contrast, such industries are almost entirely open to acquisitions in the west.**

**This means that companies such as Dalian Wanda, a Chinese company with strong government connections, has been able to snap up iconic Hollywood film studios but foreigners are barred from buying equivalent Chinese firms. Similarly, Chinese company Midea has bought Kuka, a robotics maker and one of Germany's most advanced companies. But when Carlyle, a US private equity firm, tried to buy XCMG, a Chinese machine tool maker, it was blocked by Beijing.**

**Such a lack of balance is neither sustainable nor desirable. If China wants to continue to benefit from virtually free access to the best technology and brands the west has to offer, it needs to take reciprocity more seriously.**

**With Chinese gross domestic product growth slowing, Beijing should recognise that it needs the US and Europe as much as they need China. It should also redouble its energies to negotiate a bilateral investment agreement with the EU.**

**The upsurge in foreign investment and engagement that would follow a liberalisation of China's highly restrictive investment regime would provide impetus to flagging growth. It would also help neutralise the growing wave of protectionism in the west that is threatening to thwart some of corporate China's biggest overseas deals.**