

Chinese firm abandons acquisition over US scrutiny

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A Chinese tech firm has abandoned a multi-billion dollar investment in an American hard-disk manufacturer, state media reported Thursday, after the plan came under scrutiny from US lawmakers.

Unisplendour Corp (UNIS) will rescind its \$3.8 billion dollar offer for approximately 15 percent of California-based Western Digital, the Global Times reported.

The decision followed an announcement that the deal would be reviewed by the Committee on Foreign Investment in the United States (CFIUS), a group tasked with examining outside acquisitions for potential national security concerns.

The announcement triggered a clause that allowed UNIS, a subsidiary of state-owned Tsinghua Unisplendour Group, to withdraw from the deal, Western Digital said in a statement Tuesday.

CFIUS has increased its scrutiny of Chinese firms in recent years as capital increasingly flows from China into the US.

Growth in the world's second largest economy has waned in recent years, and Beijing has pushed local firms to look beyond the country's borders for deals that can both improve their balance books and strengthen their operations.

As a result, eye-popping acquisitions of US companies by Chinese firms

have become increasingly common.

The Unisplendour investment would have given the company a seat on Western Digital's board and made it the largest shareholder. The company's core business is hard drives and other storage devices.

Last week, the Chinese firm HNA agreed to pay \$6 billion for a Ingram Micro, a California-based tech company that distributes products for Apple and Microsoft.

And earlier this month, state-owned China National Chemical Corp. (ChemChina) offered \$43 billion for Swiss pesticide and seed giant Syngenta, which, if completed, will be the biggest-ever overseas acquisition by a Chinese firm.

As the number of such deals has increased, so have reviews by US regulators.

Over the last three years, CFIUS has reviewed 68 Chinese acquisitions, more than any other country, according to a report from the committee to the US Congress. The UK held the number two spot with 45 reviews, followed by Canada with 40.

Bids in the manufacturing sector, especially in the category of "computer and electronic product", were most likely to receive scrutiny, it said.

In 2014, the committee rejected only one of the 147 deals that were notified of the review process the document showed.

Nevertheless, the heightened scrutiny has drawn complaints of unfairness from Chinese analysts.

Speaking to the Global Times, Huang Wei, an expert on economics at

the Chinese Academy of Social Sciences said that the attention to Chinese companies "shows that the US does not trust China".

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