

Guest Opinion

Open the door to Chinese investment

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China is about to launch the next big wave of global investment, and the U.S. could miss the boat.

China's foreign exchange reserves exceed \$2.85 trillion, almost half in U.S. government securities. Now Chinese companies have been given a green light to invest overseas in a broader range of assets. It would be short-sighted to discourage investment here simply because the funding comes from China.

This is a real concern. The misguided attempt in 2005 by the Chinese National Overseas Oil Corp. (CNOOC) to buy Unocal met a firestorm of opposition. So did a later attempt by a Chinese shipping company to acquire a terminal at the Port of Los Angeles. Last year, a plan by China's Anshan Steel to acquire a minority stake in U.S. Steel Co., which included \$168 million to build a state-of-the-art production facility in Mississippi, met strong opposition from the U.S. steel industry.

In recent years China has moved from 12th place to fifth place among global investors. Investment in the U.S. is growing but still accounts for only 2 percent of China's total, leaving tremendous upside potential. In California, China could invest in infrastructure, including high-speed rail. Chinese solar companies have opened North American offices in San Francisco, and battery manufacturer BYD recently opened in Southern California.

Some industries and unions will resist the competition, just as they did from Japan. We benefit, however, from the contributions of foreign companies that are now integral parts of the U.S. economy. If our door is shut to Chinese investment, others will surely open theirs and we will be the losers. While caution is needed regarding the few proposals that raise genuine national security concerns, in most cases this is investment we should welcome. The opportunity is real, and in today's connected global economy, paranoia is no substitute for policy.

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