Preface

One of the world's most important bilateral relationships is that between China and the United States. An increasingly visible component of that relationship concerns foreign direct investment (FDI).

United States firms have invested in China for years – some US\$96 billion since China opened to the world in 1978. They have been welcomed and play an important role in many sectors of that country's economy. Chinese firms are only now beginning to establish themselves in the United States, pushed in many ways by the same factors that drive their competitors from other countries to enter the world market.

And like their competitors, Chinese firms enter foreign markets not only through greenfield investments but increasingly through mergers and acquisitions (M&As) as well. Naturally, like all firms, they need to observe the regulatory framework of the United States, both when establishing themselves in that country and when operating in it. They also need to become accepted insiders that contribute to their host country's economy and society.

All indications are that a growing number of Chinese firms are interested in investing in the United States, and are prepared to allocate considerable resources for that purpose. This raises an important question: is the United States ready to receive foreign direct investment from China, including in the form of cross-border mergers and acquisitions?

The United States certainly has an open and welcoming investment climate, and its market is one of the most dynamic ones in the world. Not surprisingly, therefore, the United States is the most important host country, having attracted \$233 billion in 2007 alone, about 16 percent of global flows that year. It is also a highly sophisticated and competitive market with a well-developed regulatory framework. Investors, especially from emerging markets, are therefore well advised to familiarize themselves thoroughly with the entry and operating conditions in the United States. This is particularly important for Chinese firms, not only because many of them are relatively inexperienced newcomers in the global FDI market and especially the United States, but also because recent events suggest that they are receiving more scrutiny than their competitors when they enter via cross-border M&As.

This volume contains the results of a joint project between the US Chinese Services Group of Deloitte LLP and the Vale Columbia Center on Sustainable International Investment. It looks at the principal issues with which Chinese firms – and, for that matter, any foreign firms – need to deal with when investing in the United States. Anyone interested in direct investment in the United States will hopefully find this volume useful, be it from a business, policy or academic perspective.

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