China Buys the World

MORGAN STANLEY. VISA. RIO TINTO. CHINESE ACQUIRERS—THEIR COFFERS OVERFLOWING WITH STATE MONEY—HAVE BEEN DOING PROGRESSIVELY BOLDER DEALS. HERE WE'VE HIGHLIGHTED THE BIGGEST PURCHASES FROM THE PAST DECADE—INCLUDING THE FIVE LARGEST BY DOLLAR AMOUNT—AS WELL AS WHAT BUYERS ARE TARGETING IN EACH REGION.

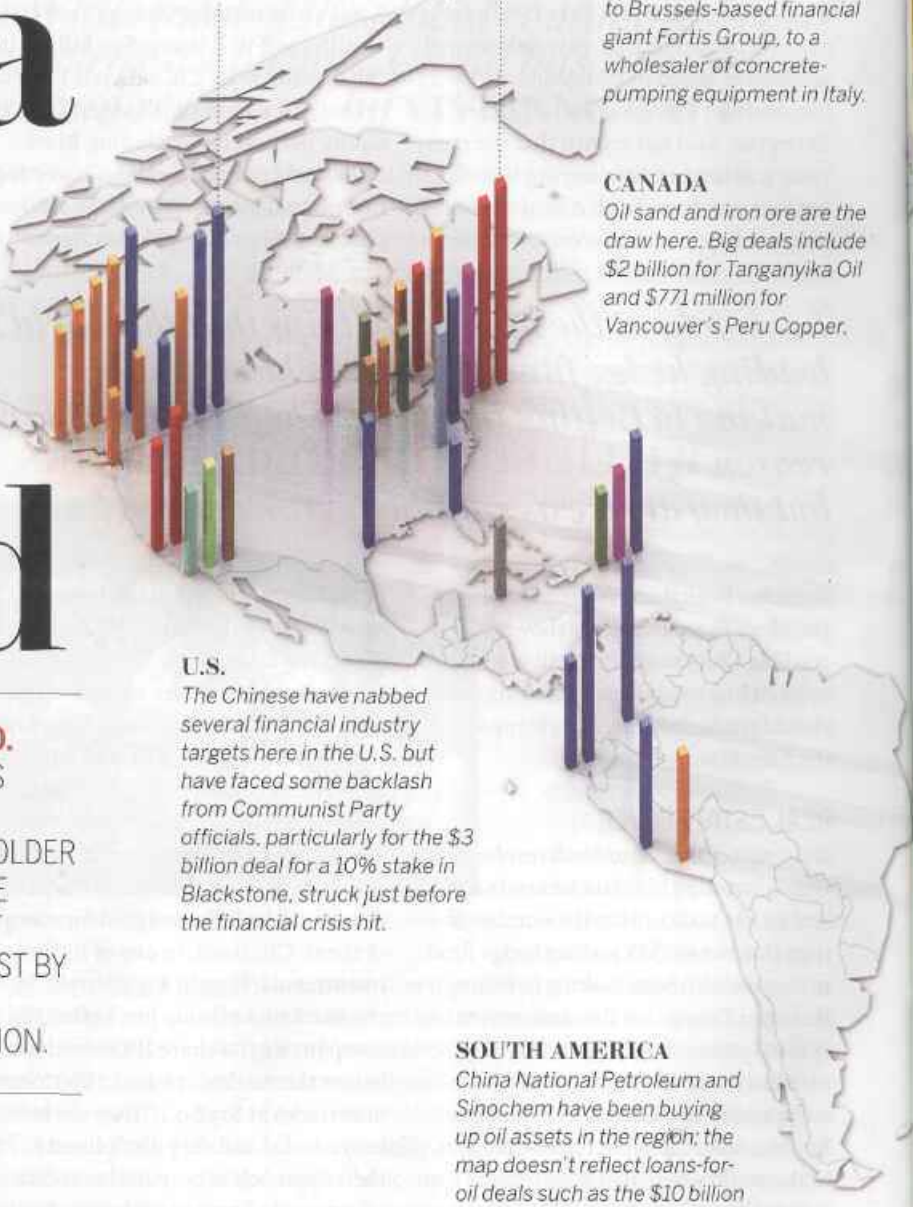
by **ALYSSA ABKOWITZ**

MAP BY BRYAN CHRISTIE

4. Morgan Stanley (10% stake)
$5.0 billion
In 2007, China Investment Corp. acquired a chunk of the storied U.S. investment bank.

1. Rio Tinto (9% stake)
$14 billion
Aluminum Corp. of China (Chinalco) teamed up with Alcoa in 2008 to buy a stake in the Anglo-Australian mining company.

5. PetroKazakhstan
$4.1 billion
China National Petroleum took over this oil company, based in Calgary, Alberta, in 2005.



EUROPE
Targets have run the gamut from offshore oil and gas producers in Norway, to Brussels-based financial giant Fortis Group, to a wholesaler of concrete-pumping equipment in Italy.

CANADA
Oil sand and iron ore are the draw here. Big deals include $2 billion for Tanganyika Oil and $771 million for Vancouver's Peru Copper.

U.S.
The Chinese have nabbed several financial industry targets here in the U.S. but have faced some backlash from Communist Party officials, particularly for the $3 billion deal for a 10% stake in Blackstone, struck just before the financial crisis hit.

SOUTH AMERICA
China National Petroleum and Sinochem have been buying up oil assets in the region; the map doesn't reflect loans-for-oil deals such as the $10 billion the Chinese government lent to Brazil's Petrobras earlier this year for a guaranteed number of barrels of oil per day.

2. Addax Petroleum
$7.5 billion

Sinopec increased its presence in oil-rich West Africa and parts of the Middle East with this 2009 deal.

CHINA

ASIA
The Chinese have scoured Singapore for utilities and financial services targets, and Japan for semiconductor manufacturers.

3. Standard Bank (20% stake)
$5.6 billion

The Industrial & Commercial Bank of China purchased a 20% stake in the Johannesburg, South Africa, financial institution in March 2008.

AFRICA
Though wholesale corporate deals are few, the Chinese have grabbed hundreds of millions of dollars of mineral-rich land directly from local governments. Trade between China and Africa boomed to $107 billion in 2008—a 45% increase from 2007.

AUSTRALIA
Kevin Rudd, the Australian Prime Minister, is a fluent Mandarin speaker who has made forming solid ties with Beijing one of his top priorities. Chinese consortiums have done more than two dozen deals Down Under for iron, copper, gold, and other resources since 2000.

HOW TO READ THE MAP

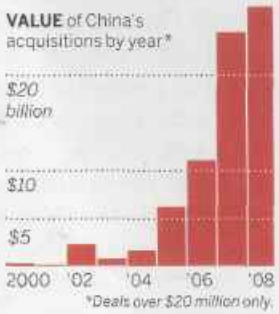
Based on data provided by M&A tracker SDC, the map depicts 122 acquisitions of $20 million or more made by China since the beginning of 2000.

HEIGHT OF BARS corresponds to the value of the acquisition plotted on a logarithmic scale, from a high of $14 billion (a 9% stake in England's Rio Tinto) to a low of $20 million (Honeywell International in Canada). Median value: $159 million.

BAR COLORS correspond to the acquisition's sector:

Metals, mining **36 DEALS**	*Energy* **32**	*Financial* **18**	*Electronics* **11**	*Transport* **8**
Manufacturing **6**	*Food, beverages* **3**	*Health care* **3**	*Software* **3**	*Telecom* **2**

VALUE of China's acquisitions by year*



*Deals over $20 million only.

ADDITIONAL REPORTING BY MARILYN ADAMO AND L. MICHAEL CACACE

SOURCE: SDC, THOMSON REUTERS

WHY OBAMA FIRED A SHOT *Hitting China with a tire tariff, the President hoped to show Americans that he'll enforce the rules on free trade. But he hasn't got much room to alienate the country that finances growing U.S. deficits.* by NINA EASTON

"NO, WE ARE NOT IN A TRADE WAR," chief White House economist Lawrence Summers declared when I raised the prospect with him two days after the Beijing regime lobbed U.S. auto parts and chicken wings back at 1600 Pennsylvania Avenue in retaliation for President Obama's Chinese tire tax. So far Summers, who by all accounts was deeply involved in the President's decision to slap a 35% tax on Chinese tire imports, appears to be right: We'll call this episode a contained skirmish.

So far. What's at risk in U.S.-China relations is the possibility of trade tension that will cloud efforts to reach deals on other critical fronts like climate change and nuclear nonproliferation. The reason: With Americans saving more and consuming less, the U.S. will need to ramp up exports to maintain its own economic growth. "With both of us promoting exports, there is going to be trade friction," says Kenneth Lieberthal, a China expert at the Brookings Institution.

WHAT GOES AROUND AT A TIRE EXPO IN SEPTEMBER, A MODEL DREW ATTENTION TO CHINA'S PRODUCTS, BUT U.S. LABOR UNIONS HAD ALREADY NOTICED.

Add to that mix President Obama's Big Labor love; unions supported his presidential bid to the tune of more than $50 million. Labor and its Democratic allies have long blamed China for the loss of U.S. jobs and are pressing the President to get tough with Beijing, just as NAFTA was an earlier target. Like the President, Summers argues that the "credibility of our policies" rests on enforcing the commitments that China made when it joined the World Trade Organization in 2001. The tire case fell under a provision, called Section 421, that gives the President broad discretion on whether to impose quotas or tariffs when imports disrupt the U.S. market. Faced with similar cases, President Bush took a pass on punishing China. Advocates of the tire tariffs argue that a skeptical public won't support open markets unless Obama shows he's willing to take a stand. The tire case, Summers notes, involved a market segment "in the millions, not the billions," so the White House was able to make its point with limited pain.

Given the complexity of global trade, however, that get-tough policy can rebound to hurt American interests. U.S. tire manufacturers, several of which have Chinese factories, and American distributors, which now must raise prices on struggling consumers, vociferously opposed the tariffs. U.S. producers of auto parts and chickens will be hurt if China moves forward on plans to tax them in return. "It was folly and will probably cost jobs here," C. Fred Bergsten, director of the Peterson Institute for International Economics, says of Obama's decision. The tire tax could also whet the appetites of labor to pursue more cases against China. "People are a bit emboldened by the President making this decision," Ohio Sen. Sherrod Brown, a leading trade skeptic, told *Fortune*. "The Chinese don't play fair, and we've been cowards. Every time China threatens, we back off."

Yet Obama can ill afford to alienate China. Besides needing the country to buy more U.S. goods, the U.S. will depend on Beijing to help fund $9 trillion in deficits it will produce over the next decade. In July the administration humbly offered a visiting delegation of top Chinese officials a promise to control spending and contain inflation. The tariffs, however, sparked a nationalistic outburst in China, with bloggers calling for disinvestment from the U.S.

As a candidate, Obama described China as "neither our enemy nor our friend. They're competitors." Ideally, the two countries need to become self-interested cooperators. "They are moving toward an informal G-2 where the /U.S. and China will start to come to a meeting of the minds," says Bergsten. But on trade, harmony remains a long way off. In the end the President's biggest challenge on China may not be in Beijing but here at home—managing the expectations of his own friends.

ABKOWITZ, Alyssa. China buys the world. **Fortune**, Amsterdan, v. 160, n. 7, p. 56-58, 26 October. 2009.