



For Immediate Release

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**California Poised to Attract up to
\$60 Billion in Investments from China by 2020**

New report shows investments already creating new businesses, jobs, tax revenues in the state

San Francisco, CA—A new report published by the **Asia Society** finds that California has attracted more investment projects from China than any other state in the U.S., but remains fifth in the nation in total investment value. Negligible before 2008, Chinese investments in the state are growing at triple-digit levels and could reach \$60 billion by 2020 – if the state and private sector do a better job working together to attract Chinese capital. The report is co-authored by **Daniel H. Rosen** and **Thilo Hanemann** of the Rhodium Group.

Four decades ago, Japanese direct investment in the U.S. was at a similar stage. Now, it totals some \$300 billion in the U.S., employs 700,000 Americans, and undergirds a strong and stable U.S.-Japan relationship. Investment and trade between the U.S. and China show even greater promise today.

Compared to the rest of the U.S., Chinese investment in California is disproportionately from private rather than state-owned enterprises, greenfield rather than M&As, and strongest in high-tech and the service sector—areas that the Chinese government and private sector have targeted for accelerated growth.

Of the \$1.3 billion in Chinese investment in the state, Southern California leads the state in investment with 69 deals totaling \$618 million since 2000. The San Francisco Bay Area and Silicon Valley/South Bay regions are the second and third most attractive regions for Chinese investors.

“California has been the leading edge of America’s Asian economic engagement for nearly 200 years, so it is not surprising that the state is one step ahead when it comes to hosting direct investments from China,” says **Daniel H. Rosen**, one of the authors of the report. “What is more surprising is just how much further the Golden State can benefit from China’s new commercial outflows if it gets serious about courting them.”

“California’s private sector has been a strong leader in bringing Chinese investment to the state,” says **Jack Wadsworth**, Co-Chairman of Asia Society Northern California. “We need state government to make the same commitment, and efforts from ChinaSF and GO-Biz are steps in the right direction.”

Among the report’s policy recommendations:

- **Understand California’s value to China.** The state’s economy is the largest in the U.S. It has strong competitive advantages in high-tech sectors like software, IT, electronics, and cleantech.

The state has long ties with China and has one of the most highly educated, multi-cultural workforces in the world.

- **Target the right Chinese firms.** High-tech firms in China seek what their California counterparts have: technology, know-how, and market experience. This is also true for high-value services in China seeking to move up the value chain. The Chinese government has identified exactly these areas as priorities for future economic growth.
- **Step up the state's investment promotion efforts.** Continued growth of Chinese investment is not foreordained. Competition from other states, and nations, is intensifying, and the traditional hands-off approach is outdated and inadequate. The new GO-Biz office is an encouraging development, and more must be done to support innovative local initiatives such as ChinaSF in San Francisco.
- **Lead the way to help resolve national anxieties over China.** Growth in China's U.S. direct investment has rekindled old arguments about foreign firms and the national interest. While security screening for foreign investments is both necessary and legitimate, concerns can be politicized for protectionist ends. California has more self-interest than any other state to step up and contribute to solutions based on its experience with successful, and failed, deals and a sophisticated understanding of cutting-edge industries.

The report will be released at Asia Society events in San Francisco on October 10 and Los Angeles on October 11. A Chinese version will be released on November 15 in Shanghai and on November 16 in Beijing. For further information and to download the report, please visit www.AsiaSociety.org/ChinaCAInvestment.

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