sinkhole

Chinese conglomerate hits employees up for cash in its attempt to stay afloat.

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I'm sure it comes as no surprise to you that Chinese companies are attempting to take over the global business sphere through investments and acquisitions. What they don't often publicize, however, is what happens when investing gets the best of them and turnarounds don't happen quickly enough. HNA Group, the Chinese conglomerate with its fingers in various industries, is a prime example.

The conglomerate, headquartered in the port city of Haikou, is struggling under *$90 billion of debt* after rapidly investing in multinational corporations like Hilton Hotels and Deutsche Bank. Back in January, to stay afloat, HNA Group conceived a radical idea: they would ask employees for cash.

Not for nothing, of course. The conglomerate ensured its employees returns ranging from 8.5 to 40 percent, depending on the size of the cash infusion. The ask was not part of the employee stock program, but was, rather, its own "employee treasure" program, and did not include an actual stake in the company.

After numerous attempts to persuade employees to lend to the company fell short, HNA Group abandoned the effort and secured a loan from PAG Holdings, using their 40.98% stake in its Hong Kong International Construction Investment Management Group (HKICIM) as collateral. Financial details of the loan have not been released, but it's been speculated that the loan is worth $392 million – pennies, obviously, compared to the size of the debt. The conglomerate also sold large land plots in Hong Kong to Henderson Land Development for $2 billion, commercial properties in the US valued at $4 billion – some of which they'd just bought in 2017 – and some of its holdingsin Hilton and Deutsche.

Despite its debt, HNA Group will most likely remain a giant in the Chinese business world, although its ties to US banks are up in the air. Bank of America just recently resumed doing business – well, a single deal – with the conglomerate after pausing all transactions for a while. Other banking corporations, like Citigroup and Morgan Stanley, have also largely avoided working with HNA Group in recent months.

Although HNA Group may be the biggest example of a Chinese company being caught out with too much debt, it's not the only one. CEFC China Energy Co., another conglomerate that's among the ten largest privately-owned companies in China, just announced that it's planning to sell all of its properties– including its headquarters – after signs emerged that it may not be able to pay some of its debt. LeEco, *another* massive multinational conglomerate, has also run into lots of problems thanks to "frenetic expansion efforts and too little focus on profitability." And finally, Anbang Insurance Group Co. was actually seized by the Chinese government in February, in an attempt to crack down on risky overseas acquisitions.

In fact, nearly all of these moves are driven by the Chinese government in one way or another, as Xi Jinping looks to get Chinese debt under control and coordinate the flow of financial resources leaving the country.

And now, thanks to President Trump's similar strategy, we can expect the disengagement to continue, at least in the short term. Trump's tariffs on imported aluminum and steel were put into effect last week as part of an aggressive trade stance that includes other tariffs on up to $60 billion of Chinese goods.

While these moves, on the parts of Trump and Jinping, *don't* mean we're entering an anti-globalist era for trade, they do mean that countries are rethinking their trade strategies – and the rules-based system of global trade in which they're enmeshed – after two decades of mostly unchallenged globalism. Which leaves Chinese multinationals like HNA Group in the uncomfortable position of trying to decipher market trends and opportunities in "a climate of uncertainty," as Dan Ikenson, a director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies, described it.

"These companies have been getting mixed signals over the past year, at least," Ikenson said.

No wonder, then, as Reuters reports, that "dealmakers in Asia-Pacific have suffered their worst start to the year since 2014." Chinese companies have engaged in nearly 20 percent fewer merger-and-acquisition (M&A) deals than this time last year, and overall, the Asia-Pacific region has seen a 32 percent drop both in the value and number of deals.