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Smithfield pork deal with China is a positive

By Eric Heyl – June 8th, 2013

Dan Ikenson is director of the Cato Institute's Center for Trade Policy Studies, where he conducts international trade and investment policy research. Ikenson spoke to the Trib regarding Chinese corporation Shuanghui International Holdings' agreement to purchase Smithfield Foods, the world's largest pork producer.

Q: Do you see the Committee on Foreign Investment in the United States (or CFIUS, a federal panel that reviews national security aspects of foreign investment in American companies) making any attempt to nix this deal?

A: I see the investment bankers and lawyers for Shuanghui have put this before CFIUS, and they'll take a look at it. But I'm not familiar with anybody angling within CFIUS for blocking the deal. In fact, I think that would be kind of silly. I don't see ham as being an industry of national security.

Q: Shuanghui was involved in a scandal a few years ago over livestock being fed a chemical that is harmful to humans. Do you see that as possibly causing a political flare-up in Washington?

A: I think it could be used as sort of an entrée for members of Congress who would like to thwart the deal. But I still don't see this as being a national security issue. We are not talking about importing pork from China, where the food, health and safety standards are lower in quality than they are here. We are talking about a Chinese company running the operations of Smithfield primarily to export to China.

Q: Could this deal cost Smithfield some American customers?

A: I see some Americans being turned off by purchasing food from a company headquartered in China, because China has a richly deserved bad reputation for food and other product safety standards. But people in China love imported foods because they know that Western brands have gone through a much more rigorous protocol to make it to market. So I think what this company sees is, yes, they probably are going to lose some U.S. market share because some Americans won't be able to stomach buying what is perceived to be Chinese food. But they are going to pick up a lot more market share in China.

Q: Should there be concerns that the Smithfield acquisition might start a trend of Chinese investment in American companies?

A: I don't see anything wrong with that unless there is a very clear national security concern. The Chinese have a lot of money, and the U.S. is competing with the rest of the world to attract foreign direct investment.

Q: Do you see this acquisition as having any significant impact on U.S.-China trade relations?

A: I do. I think if it goes through and there aren't any objections and frictions, that will serve as a salve to a certain extent because right now, tensions (between the two countries) are running kind of high in other areas, such as cyber security and cyber espionage.

But if there is resistance and that prolongs the acquisition or, even worse, prevents the acquisition, then I think there will be retaliation against U.S. companies. If we can preach open trade and open investment as we do, but engage in investment protectionism, then all bets are off.