Eastern Influence

CHINESE INVESTMENT IS STARTING TO POUR INTO THE WEST.

IN THE '80S and '90s, cash-rich Japanese firms acquired and invested in a cornucopia of businesses and other U.S. assets. Now, Chinese companies are becoming increasingly active in buying, merging with and doing joint ventures with smaller U.S companies, and experts say it looks like the beginning of another wave of Pacific Rim investment.

"China is definitely becoming a source of capital for U.S. companies," says Michael D. Lord, associate professor of management and director of the Flow Institute for International Studies at Wake Forest University in Winston-Salem, North Carolina. Lord says Chinese investment could parallel—and exceed—the Japanese buying binge.

Chinese investors are usually after technology, brands and access to U.S. markets, says Usha Haley, professor of management and international business at the University of New Haven in Deep River, Connecticut. "Nobody can beat the Chinese on labor costs," Haley says, "so they're looking for companies that have technology."

Chinese investment in U.S. firms has risen recently as Beijing relaxed regulations on such deals, says Haley. Like Lord, she expects the trend to continue and intensify. But she cautions that Chinese investments may not always be a boon. Compared to Japanese and Korean firms, Chinese businesses place less stress on service, expect profits more quickly and like to attack markets on a broad front rather than using wedge-style tactics, she says.

Lord expects Chinese VCs to eventually set up formal processes for tapping Chinese capital. For now, he urges entrepreneurs to consider visiting the country and to simply keep in mind that the world's biggest country could turn out to be a big source of capital as well. "They have a lot of cash from all [the Chinese imports] we're buying over here," he says. "So it's definitely going to grow." —MARK HENRICKS

CAPITOL ISSUES

STANDARD ISSUES

NEW FOOD AND DISABILITY RULES POSE CHALLENGES FOR SMALL BUSINESS.

HUNDREDS of thousands of independent food retailers, wholesalers, trucking companies and food distributors have a year and a half before they must comply with the new FDA rule on record keeping. Stemming from the 2002 Bioterrorism Act, the rule requires companies in the food distribution chain to obtain and record information on products received from suppliers and sold to customers.

Food retailers with 10 or more full-time employees must collect incoming data, which must be kept on the premises for six months to two years, depending on the perishability of the food. (Retailers with fewer than 10 employees are exempt.) Moreover—and this is the tricky part—food manufacturers must be able to link incoming ingredients with outgoing products. The FDA hasn't said how this should be done, but at a minimum, food manufacturers will probably have to print lot numbers or other identifying marks on outgoing products. The requirements go into effect on December 9, 2006.

While the FDA estimates compliance will cost companies only about $1,000 a year, another rule brewing at the Department of Justice could cost small businesses considerably more. The department's proposed revisions to the Americans with Disabilities Act would force companies to carry out costly construction projects.

The act's design standards specify what areas of a building, for example, must have wheelchair access, and the technical requirements for that access. Potential changes to those standards adopted last July by the Architectural and Transportation Barriers Compliance Board include requiring companies to make employee-only areas wheelchair accessible even if there are no employees in wheelchairs, and upping the number of public entrances which must be wheelchair accessible from the current requirement of 50 percent to 60 percent. The DOJ is at the start of encoding these guidelines into a final rule.

STEPHEN BARLAS *is a freelance business reporter who covers the Washington beat for 15 magazines.*

Illustration© Michael Austin

Illustration© S.M. Pollock