China’s Bid for US Pork: How Big a Concern?

Gary Clyde Hufbauer says Congressional critics are sounding a false alarm over a Chinese company’s proposed acquisition of Smithfield Foods.


Steve Weisman: A giant Chinese firm, Shuanghui, has plans to acquire Smithfield Foods, one of the biggest producers of pork products in the United States. Some in Congress are worried about food security and safety issues. Gary Hufbauer of the Peterson Institute for International Economics is more expert than anybody on foreign acquisitions and foreign direct investment in the United States. In fact, Gary, you've got a book coming out later this year on it. First, what do the Chinese want and how unprecedented is it?

Gary Hufbauer: The Shuanghui Corporation has offered to buy Smithfield for $5.4 billion so it’s unprecedented in terms of size. It's also the first really big Chinese investment in the US food processing industry, so you could say that that's new as well. Otherwise it's a routine takeover.

Steve Weisman: The Chinese investments in the past have stirred controversy because of national security concerns in the telecom area and in the energy sector. But ham? Pork? Is that a national security issue by anyone's definition?

Gary Hufbauer: To make a little joke, I think it's hogwash. It's a real stretch to see this as national security. What the Senate hearings are ventilating are, I would say, three concerns.

Steve Weisman: Okay.

Gary Hufbauer: One, food safety in China is not what it should be. The Chinese say this, and we say it too, and it's in the press. Two, this particular company, Shuanghui, has had bad episodes in its past; it's not always been as good as it should have been in terms of its own food processing.

Steve Weisman: In the safety area or the quality of the food?

Gary Hufbauer: No, I think it was safety—contamination.

Steve Weisman: Contamination, okay.

Gary Hufbauer: Contamination issues. And, three, that if the deal were reversed, if a US firm were trying to take over Shuanghui for example …

Steve Weisman: They couldn't.

Gary Hufbauer: They couldn't.

Steve Weisman: I think that's true, isn't it?
Gary Hufbauer: Well, I think the third one is not necessarily true.

Steve Weisman: I see.

Gary Hufbauer: The Chinese do restrict investment in a great many sectors citing national security just as we do. But I don’t believe food processing is one of those. Now, you wouldn’t know unless there was an attempt made, but it’s well outside the so-called prohibited list or restricted list of industries in China.

Steve Weisman: The leadership of Smithfield says this is going to create jobs, but there is also a concern that the Chinese ownership could dampen exports to other countries? Is there any basis for that?

Gary Hufbauer: No. I think two good things are going to happen: One, I think one reason Shuanghui is buying this is to upgrade their own practices. Food distribution is a pretty complicated thing, especially to keep fresh meat fresh and so forth. So they’re going to learn a lot from Smithfield, which is an exemplary producer. Secondly, the US is by far one of the cheapest, if not the cheapest, places in the world to produce pork. My guess is that this will lead to much greater US exports, firstly to China but then to the world, thanks to this new ownership.

Steve Weisman: But some would take what you just said and turn it on its head and say, “Do we want to give the Chinese this great technology in food processing. Won’t they then use it for building factory farms elsewhere?”

Gary Hufbauer: I guess some people would say that and I just happen to disagree. I think that the better food processing technology, which we have in the United States, the quicker that spreads around the world, the better for everybody’s diet …

Steve Weisman: You are actually interested in that sort of thing?

Gary Hufbauer: Yes, I would like to see people have better meat. But we all seem to be very good at producing chickens. Nobody has tried to buy Tyson’s or Perdue yet, but again, they’re top of the line in terms of food processing.

Steve Weisman: Gary, what is the prospect for Congress or the politics stopping this?

Gary Hufbauer: I think it’s pretty moderate compared to the CNOOC [China National Offshore Oil Corporation] case, which we referred to, though as the Unocal takeover which was blocked essentially by Congress and the Huawei deals which were blocked both by politics and by the CFIUS [Committee on Foreign Investments in the US] Committee. This one, if this were blocked, this would really put a freeze on US-Chinese investment relations in both directions.

Steve Weisman: To the detriment of both.

Gary Hufbauer: Oh, yes. We have a lot of investment in China; we want to do more. This wouldn’t be a good symbol.

Steve Weisman: Thank you, Gary.

Gary Hufbauer: Thank you.