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## **China's Reviving the American Heartland — One Low Wage at a Time.**

For six years, the General Motors factory that used to make Chevy Trailblazers in Moraine, Ohio, sat abandoned, a rusting monument to the decline of the American auto industry.

These days, the plant is humming again, fueled by a resurgent U.S. consumer — but now under Chinese management. On the shop floor, Chinese supervisors in sky-blue uniforms that carry the logo of the new owners, Fuyao Glass, teach American employees how to assemble windshields.

Drive along Interstate 75, through America's industrial heartland, and you'll find no shortage of Chinese-owned firms like Fuyao. They're setting up shop in states such as Ohio and Michigan, key voter battlegrounds in November, where traditional manufacturing has been hollowed out — in many cases, by trade. With China.

It's those losses that shape election headlines. Republican candidate Donald Trump excoriates China as an unfair trading partner, and blames a whole class of American politicians — including his Democratic rival Hillary Clinton — for selling out U.S. workers to Beijing. It's an aggressively America-first brand of capitalism. Clinton's whole career suggests she's more comfortable with globalization, though lately she's been drawn into the China-bashing and trade-skepticism too.

### **Open Arms**

But away from the sound and fury of the national campaign, state and municipal governments of both stripes have welcomed Chinese firms with open arms. When it took over the GM plant, Fuyao got a \$9.7 million tax credit from the Republican-run state of Ohio, which also kicked in a \$1-million grant for road work.

"This is an example of international capital choosing to locate here in Dayton, Ohio," said Republican Congressman Michael Turner, who represents Moraine, about a 10-minute drive southwest of Dayton. "And that international capital happens to be Chinese."

For a quick wrap of the free-trade debate, [click here](#).

And there happens to be a lot of it about. This year has seen \$75 billion of Chinese acquisitions across the U.S., more than double the previous record — ranging from luxury hotels to aluminum-foil makers. Since 2008, Chinese companies have invested \$4.1 billion in Ohio and Michigan alone, according to the Rhodium Group, a research firm.

Fuyao acquired roughly half the old GM plant in 2014, spending \$450 million to buy and remodel it. For a company that started out as a small producer of covers for water-meters and is now the world's second-biggest auto-glass supplier, the acquisition capped a decade-long push into U.S. markets.

For the Dayton area, it meant employment: the city, hometown of the Wright brothers, was hit hard

by the shutdown of the GM plant two days before Christmas in 2008. The following year another big local name, NCR Corp., announced it was moving to Atlanta after pioneering the cash-register during more than a century based in Dayton.

So what do locals make of the changes? Clinton-friendly confirmation that the wheels of global capitalism are turning more or less as they should? Or vindication for Trump's dark vision of a declining America betrayed by its economic leaders?

A bit of both, it turns out.

### **'Sitting Empty'**

"Hey, 1,700 jobs is 1,700 jobs," said Shawn Kane, a 28-year-old chef shopping at the Kroger grocery store in Moraine last month. "At least it's not sitting empty anymore."

They're jobs that tend not to pay as well as factory work once did, though — and there probably aren't as many of them. To keep its production in the U.S. viable, Fuyao uses more automation than it does in China, said John Gauthier, president of Fuyao Glass America Inc. "Our customers, all they care about is that their cost doesn't increase," he said.

A line worker at Fuyao starts at \$12 per hour, equivalent to an annual salary of about \$25,000. GM workers at the old Moraine plant could make at least twice that, topped off by perks like defined-benefit pensions, according to union officials and former employees.

"When you don't have enough protections for American workers, and when you've got a globalized economy, this is what happens," said Chris Baker, a 40-year-old sales rep based near Moraine. "This is the new normal. It's very sad."

### **Fearing Japan**

Anyone wanting to defuse the tensions around economic competition from China could point to the 1980s version, featuring Japan as the feared rival. Those one-time bugbear companies seem like features of the landscape now: Toyota is the third biggest seller of vehicles in the U.S., ahead of Chrysler.

China's carmakers are on the way too, said Paul Haelterman, managing director of automotive advisory services at IHS Markit in Southfield, Michigan. They'll be "selling product in the United States before the end of this decade," he said. (Chinese-owned Volvo already is, of course.)

For now, it's the Chinese parts-makers that are taking the lead, and location is key to their investments. Fuyao's factory in Moraine is close to Big Three plants in the Detroit area, as well as a Honda factory in Marysville, Ohio.

Saginaw, Michigan, where Nexteer Automotive makes power-steering systems, is plugged into the same geographic nexus. Seven years ago, Nexteer was part of Delphi, which was in bankruptcy protection. Its suitors included a private-equity firm that was considering "chopping the business up and marketing it off in pieces," said Mike Richardson, interim president of Nexteer. "Within three years, we wouldn't have existed as we did before."

### **Patient Capital**

Instead, the company was sold for \$465 million to Chinese investors. It's now majority-owned by state aircraft maker Aviation Industry Corp. of China. One of AVIC's first moves was to ratchet up

spending on research and development by 50 percent, Richardson said. Nexteer turned a profit of \$205 million last year and is now worth \$3.9 billion.

“When AVIC came along, we didn’t really think about them being Chinese,” Richardson said. “We did see them as an industrial purchaser that understood what we were going through and understood the value of a long-term view.”

That’s one China: a source of plentiful, patient capital for American companies. Then there’s the vast pool of cheap labor back home — and that’s what has made Chinese industrial expansion a bigger shock to American workers than the Japanese version ever was.

For free-trade advocates like Jagdish Bhagwati, author of “In Defense of Globalization,” the rise of a new economic power is a fact that has to be dealt with — “China’s not going to disappear down the ocean” — and autarky isn’t one of the options.

### **‘It Bugs Me’**

“If we cut off China from coming in, as many people would like to do, you also deny yourself the gains from trade,” said Bhagwati, an economics professor at Columbia University. Instead, policy makers should be “helping those guys move from where jobs are being lost to where they’re being created.”

Some of the new ones will be in Moraine, if Fuyao’s plans work out. The company aims to be the world’s biggest auto-glass plant, with capacity to equip 4 million cars a year, double the current level. That will require a workforce of 2,500 people, up from 1,700 now.

That current staff includes as many as 200 Chinese nationals sent over to train their U.S. co-workers. At lunch, a local restaurant delivers deep-fried prawns and chicken’s feet for the Chinese employees, many of whom speak halting English. Near the plant’s entrance, construction is underway on a Chinese restaurant.

It’ll mostly cater to employees — but will also open its doors to the people of Moraine.

It’s a cosmopolitan scene. But not everyone in America’s factory belt has come to terms with that kind of change.

Up the I-75 in Saginaw, Cheryl Badger is a 62-year-old nurse who used to work at GM. “I take issue any time an American business is sold to foreigners,” she said. “It bugs me. But ain’t nothing I can do about it.”

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