

THE BIG PICTURE

Honeywell's China Ventures

What does decades in China look like for a major multinational?

BY HANNAH REALE — APRIL 18, 2021



Secretary Penny Pritzker and Deputy Secretary Bruce Andrews visited Honeywell's booth during their tour of the trade show floor at Hannover Messe.

Credit: U.S. Department of Commerce, [Creative Commons](#)

Honeywell is a global company that traces its roots back to the invention of [the furnace regulator](#) in 1885. Today, its business lines include defense, aviation, chemical production, warehouse automation, and, it hopes, a new [face-mask-noise-cancelling-headphone](#) developed with musician Will.i.am.

It also has a major presence in China, a country it first entered [in 1935](#). After China re-established formal relations with the U.S. in 1979, Honeywell began setting up joint ventures with state-owned firms in the early 1990s. Later, it set up wholly-owned subsidiaries in China and hired [executives who have grown up in the country](#).

Its long history in China, and huge scale across multiple sectors, can be seen as a microcosm of multinationals' evolving presence in China. "At the beginning, in the '80s and even into the '90s, the vast, vast majority of foreign investment going into China was in joint ventures," says [Nicholas Lardy](#), a senior fellow at the Peterson Institute for International Economics (PIIE) in Washington, citing potential obstacles that ranged from forming good relationships with the local government to problems as basic as getting land and running water. "Now virtually everything going into China is in the form of wholly foreign-owned."

This week, *The Wire* maps the Fortune 100 company's ventures in China.

A Period of Change

Honeywell underwent major changes in 2018. It spun out two major lines of business and moved its headquarters from Morris Plains, N.J., to North Carolina.

Honeywell

Honeywell is a multi-sector conglomerate known for its technologies in aerospace engineering. The company radically changed its business in 2018 when it spun out Resideo Technologies and Garrett Motion, arms devoted to smart-home products and new vehicle technologies, respectively.

The company also shifted its focus after Covid-19 began to spread. Its primary business [slumped](#) when demand for aviation products declined. That led to a move into personal protective equipment (PPE), such as N-95 masks. Revenue dips in 2019 and 2020 may reflect both pandemic-induced declines and the spinoffs of business units that once generated in billions of dollars in revenue.

Honeywell does more than export goods to China. It has also established dozens of entities in the country. Honeywell, for instance, has at least eight joint ventures in China through Honeywell International and wholly owned subsidiary Honeywell China, according to *WireScreen* data. Honeywell China has more than 20 subsidiaries registered in China.

“[Joint ventures] are still quite prominent in areas where China has important industrial policy goals and they are trying to promote the further strengthening of domestic Chinese companies and their technological know-how,” says [Scott Kennedy](#), a senior advisor and the Trustee Chair in Chinese Business and Economics at the Center for Strategic and International Studies in Washington. “You see that in the automobile industry, it applies in commercial aircraft, and some other sectors — that happens to be where Honeywell does business.”

A Honeywell representative noted in a statement to *The Wire* that the company had chosen to set up several joint ventures as “part of [their] China growth strategy.” She added that the majority of their revenues from China come from direct business rather than the joint ventures.

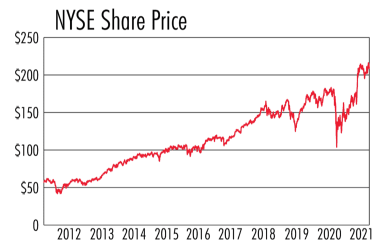
Its joint ventures span chemicals, automation and aviation, but one key project is the C919, the Chinese commercial passenger plane that was developed by Commercial Aircraft Corporation of China, or COMAC.¹ Its total contract value for the C919 could be as high as \$11.3 billion, according to a 2010 Honeywell [press release](#). Honeywell [provides](#) “the auxiliary power system, wheels and brakes, flight control package, and navigation package” for the plane, which is China’s state effort to build home-grown commercial jets. They formerly had a joint venture with China Eastern Airlines that has since become Honeywell’s wholly owned subsidiary.

Other American aviation giants have ties to state-owned Chinese aviation companies. Boeing and GE also have business deals [with COMAC and](#) its sister company [AVIC](#). GE, for instance, is supplying engines for COMAC planes, and Boeing produces some its 737 planes through its Zhoushan-based manufacturing center with COMAC.

One outlier in Honeywell’s China presence is its investment in Shanghai-based [FLUX Information Technology](#). Honeywell bought a 25 percent stake in the warehouse management systems company [in 2017](#).



The Last Decade



Data: S&P's CapitalIQ, annual reports



Linking up with SASAC

Honeywell's ties to large state-owned companies that fall under the control of State-owned Assets Supervision and Administration Commission of the State Council (SASAC) predate SASAC itself.² Honeywell signed a \$75 million agreement with the state oil giant Sinopec [in 1995](#) to supply components for its oil refineries. Two decades later, the American company [struck a deal](#) with China Eastern Airlines to supply avionics products, wheels, and brakes to its Airbus and Boeing aircrafts. Honeywell formed another joint venture with a Sinochem subsidiary in 2019 that is split 50/50, according to *WireScreen* data, but little is publicly available about what the venture does.

Some of Honeywell's Chinese partners are now facing scrutiny from U.S. regulators because of their ties to the military or national security interests of the U.S. Honeywell, for instance, has a joint ventures with the AVIC subsidiary, Nanjing Engineering Institute of Aircraft Systems (NEIAS), which was added to the new U.S. Military End User (MEU) List [in December](#). (The MEU list is a new export-restriction list released by the Commerce Department's Bureau of Industry and Security.)

Below are more details about Honeywell's partnerships with SASAC firms.

Honeywell's SASAC Joint Ventures

Joint Venture	Share Owned by Honeywell	Overview
Sinopec-Huoni Weier (Tianjin)	55%	The Sinopec joint venture, established in 1993, primarily distributes Honeywell's industrial process control solutions. It also offers the Honeywell Automation Academy, which trains Chinese employees in how to use its warehouse automation equipment.
Nanjing Kaixin Aviation Accessories	51%	The joint venture was established in 1996 with AVIC subsidiary Nanjing Engineering Institute of Aircraft Systems. NEIAS is an R&D subsidiary of AVIC that was put on the Military End User (MEU) list in 2020.
HonFei Flight Technology Co.	50%	The venture, shared with an AVIC subsidiary, develops and manufactures navigation systems for aircraft. Such systems are used in COMAC's C919 planes. It was established in 2013.
Sinochem Blue Sky Honeywell New Materials	33%	Honeywell and Sinochem formed the JV in 2011 to produce the insulating foam spray HFC-245fa. Its manufacturing center in Taicang opened in 2014. The economic interests and control in the company are split 50/50, though Honeywell's equity interests are 33%.

Sources: *WireScreen*, company press releases



Hannah Reale is a staff writer with *The Wire*. Previously, she reported for the GBH News Center for Investigative Reporting, *The West Side Rag*, and her college newspaper, *The Wesleyan Argus*. [@hannahereale](#)

COVER STORY



Pole Position

BY EYCK FREYMANN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China's academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

THE BIG PICTURE



Transsion's Triumph

BY GARRETT O'BRIEN

A look at Transsion's monumental growth, unique marketing strategies and future growth potential.

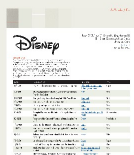
Q & A



Jörg Wuttke on China's Self-Destruction

BY ANDREW PEAPLE

The EU Chamber of Commerce in China president talks about China's self-inflicted problems; how he gets away with being so outspoken; and why he believes in China's comeback gene.



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