# Chinese state-backed funds pull back from US private equity amid rising political tensions



Chinese State-Backed Funds Reduce Investments in US Private Equity Amid Political Tensions

Several executives and insiders have revealed that Chinese sovereign wealth funds are retreating from investments in US private equity markets in response to escalating political and trade disputes between Washington and Beijing. These disputes include the imposition of tariff rates exceeding 120% on goods traded between the two countries.

The move involves sovereign wealth funds from China refraining from making new allocations to private equity groups based in the United States. Seven executives from leading private equity firms confirmed this pullback, with three attributing it directly to directives issued by the Chinese government. Some Chinese funds are reportedly requesting exclusion from deals involving US assets, even when those investments are managed through global buyout groups headquartered outside the US.

One of the key entities scaling back is the China Investment Corporation (CIC), among the nation’s largest sovereign wealth funds. Two sources familiar with the matter—cited by the Financial Times—have confirmed CIC’s withdrawal alongside similar decisions by other Chinese funds. Records indicate that CIC began reducing its exposure to American private equity as early as 2023. The fund is now redirecting capital towards regions such as Europe, the Middle East, and Asia, establishing partnerships in countries including the United Kingdom, France, Saudi Arabia, Japan, and Italy as part of its strategy to diversify its global portfolio.

Chinese sovereign funds have historically been some of the largest backers of major US private capital firms, supporting industry giants such as Blackstone, TPG, and Carlyle Group. These investments have significantly contributed to the expansion of the private equity sector, which currently manages approximately $4.7 trillion in assets globally. Consultancy Global SWF reports that as of 2023, both CIC and the State Administration of Foreign Exchange (SAFE) allocated around 25% of their assets—amounting to $1.35 trillion and $1 trillion respectively—to alternative investments.

Chinese investors have voiced concerns about what they perceive as unfair treatment by Western regulators, who have purportedly employed claims of foreign influence and national security to limit Chinese capital inflows. Many governments in Western countries and Europe have enacted measures blocking Chinese direct investments in strategic sectors such as technology and infrastructure. Despite these restrictions, Chinese investors had been able to use indirect routes via private equity to invest in American companies without assuming controlling stakes or drawing immediate political scrutiny.

In parallel, pension funds from Canada and Europe, traditionally strong supporters of US private equity, are also reportedly reassessing their involvement amidst the strained political environment. Jonathan Gray, President of Blackstone, acknowledged this during a recent earnings call, stating, “There definitely are questions from global investors and clients about what’s happening here.” He further characterised the political landscape as “tariff-ridden,” which is influencing client sentiment.

Adding to the complexity of the economic relationship, Beijing has taken measures to restrict the export of critical minerals vital for US industries. Chinese export controls on strategic materials such as antimony, germanium, and gallium—used in defence technology, chip manufacturing, and renewable energy—have reduced global supply. As the world’s leading producer of these materials, China has gradually imposed export controls since 2023, culminating in a formal ban on exports of these substances to the US last December, anticipating trade restrictions under then-President Donald Trump’s administration.

Data confirmed a significant drop in first-quarter exports for antimony and germanium products, which declined by 57% and 39%, respectively, compared to the same period the previous year. Although gallium exports increased during some months in 2023, shipments in March 2025 fell to their lowest level since October 2024.

The recent developments underscore shifting investment patterns and supply chain adjustments amid ongoing geopolitical and trade tensions between China and the United States. The (Mitrade) is reporting on these changes as part of broader economic realignments seen in global capital allocation and resource management.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://in.investing.com/news/stock-market-news/china-cutting-off-new-investments-in-us-private-equity--report-4781421> - Corroborates that Chinese state-backed funds, including sovereign wealth funds, are halting new investments in US private equity due to political tensions and directives from Beijing, including exclusion requests from US deals even when managed outside the US.
* <https://sites.lsa.umich.edu/mje/2025/01/08/the-economic-influence-of-the-chinese-governments-sovereign-wealth-fund/> - Provides data on the China Investment Corporation's (CIC) size and its global investment portfolio, confirming CIC as one of the largest sovereign wealth funds redirecting capital towards regions such as Europe, Middle East, and Asia as part of diversification.
* <https://www.scmp.com/business/banking-finance/article/3303680/china-attract-more-private-equity-funds-middle-east-us-bain-co-says> - Supports the claim that Chinese investment trends have shifted with CIC and other funds focusing more on markets in the Middle East and other regions besides the US.
* <https://www.ai-cio.com/news/chinas-sovereign-wealth-fund-tilts-foreign-investments-toward-alts/> - Details that as of late 2023, the CIC significantly increased allocation to alternative investments globally, aligning with the article’s point about Chinese sovereign funds allocating a large proportion of assets to alternatives like private equity.
* <https://www.ft.com/content/0a1b9c84-df9e-11ed-9fbd-6961f8f34672> - The Financial Times article confirms CIC’s withdrawal from US private equity markets, the impact of trade disputes on investment decisions, and Chinese funds’ request for exclusion from US asset deals supporting the article’s core claims.