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Shein's Path to a U.S. IPO Looks Blocked. What That Means for Other China-Founded Companies

The online apparel company reportedly filed late last year to issue stock in the U.S. Legislators have balked amid rising U.S.-China tensions.

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Yet, any effort to list shares here so far has come to naught. Several members of Congress have called for the SEC to block the IPO, raising concerns about Shein's sustainability practices, labor issues, shipping protocols, and ties to China. The latest blow came last Friday, when the Biden administration released a new rule proposal aimed at curbing the "de minimis" tariff benefit enjoyed by "China-founded e-commerce platforms"—namely, Shein and Temu, a division of PDD Holdings —that ship a large volume of low-value packages to the U.S.

Shein's inability to launch a U.S. IPO would seem a minor development against the backdrop of increasingly strained relations between the world's two largest economies, especially in a U.S. election year when rhetoric toward China has grown even more hostile. But it would send a resounding message that U.S. exchanges are no longer open for business to prominent companies with Chinese ties trying to list shares here, further eroding the financial bonds that have stabilized the U.S.-China relationship for decades.

IPO Ambitions

Shein rose to global prominence by shipping a vast array of inexpensive clothes and other items directly from factories in China to consumers' doorsteps, particularly in the U.S. The company doesn't disclose its financials, but some reports have put its 2023 revenue at more than $30 billion.

Shein's success has fanned rumors of a U.S. stock listing over the past three years, a period in which the company seems to have done everything short of uprooting the bulk of its supply chain, based in mainland China, to improve its image and play down its Chinese roots. Shein moved its headquarters in 2021 from Nanjing, China, to Singapore, and has started to shift some production to Turkey and Brazil.

Shein also has been outspoken about its sustainability initiatives, and has engaged with the media and legislators to press its case. The company spent more than $2 million on federal lobbying efforts last year and hired Donald Tang, a former Bear Stearns executive, as its executive chairman.

In a May interview with *Barron's*, Tang described Shein as "global" rather than Chinese—a message he has repeated in both public and private settings. Tang didn't confirm the IPO reports, but said Shein aims to be a public company.

Despite Shein's efforts, U.S. lawmakers have been unimpressed.

“Shein is not a ‘global’ company. It is a China-based company,” Sen. Marco Rubio (R-FL) wrote in a February letter to SEC Chairman Gary Gensler. Rubio urged Gensler to require additional disclosures from Shein about any potential ties to the Chinese Communist Party and the risks of doing business in China.

Shein has also been singled out for allegedly troubling behavior in congressional hearings, investigations, and proposed legislation. Rep. Jennifer Werxton (D.-Va.), for instance, has pressed the House for greater scrutiny of Shein’s labor practices after a 2022 Bloomberg report alleged that some of its products contained cotton from the Xinjiang Uyghur Autonomous Region, prohibited under U.S. law due to concerns over forced labor.

Shein has said it has a “zero-tolerance” policy for forced labor, although it acknowledges that cotton from unapproved regions has entered its supply chain. In 2023, a third-party audit found a 1.7% positivity rate for unapproved cotton—a figure lower than the industry average, the auditor, Oritain, said.

Securities experts say that labor allegations aren’t a reason for the SEC to block an IPO, so long as a company has met the necessary listing requirements. They include full disclosure of all potential risks, including ongoing investigations, litigation, and potential exposure to labor violations.

Workers producing garments at a textile factory in southern China's Guangdong province that supplies clothes to Shein. (JADE GAO/AFP/GETTY IMAGES)

The SEC can keep a company in regulatory limbo for months, however, by requiring more detailed disclosures, and tie up the regulatory process to a degree that makes a listing seem unfeasible, said Drew Bernstein, co-chairman of MarcumAsia, an auditor and accounting firm that serves Asia-based companies seeking access to U.S. capital markets. It is possible that happened with Shein, he said.

A Shein spokeswoman declined to comment. An SEC spokeswoman said the agency doesn't comment on individual filers.

Earlier this summer, reports surfaced that Shein was seeking to list its shares on the London Stock Exchange, suggesting the company's hopes for a U.S. listing had dimmed. Such a pivot would make sense on several levels. Years of lackluster IPO activity have left the London stock market in need of high-profile deals. And, although the relationship between the U.K. and China has cooled, it is less fraught than the relationship between the U.S. and Beijing.

A spokeswoman for the London Stock Exchange declined to comment.

Hostile Politics

For decades, economic engagement with China was a cornerstone of U.S. foreign policy, designed to stabilize the relationship and encourage liberalization of China, said Mary Gallagher, dean of the Keough School of Global Affairs at the University of Notre Dame.

That policy has shifted in recent years amid growing concerns about China's military power and intellectual-property theft. In 2018, then-President Donald Trump imposed punitive tariffs on Chinese imports, escalating tensions into an all-out trade war. President Joe Biden extended some of Trump's tariffs and added new ones on steel, semiconductors, electric vehicles, and lithium-ion batteries, among other imports. China retaliated in kind, imposing tariffs on U.S. goods.

"[The relationship] is probably at one of its most difficult periods, really, since the United States and China started to renegotiate diplomatic relations back in the 1970s," Gallagher said.

A tough approach to China has bipartisan support, and has featured prominently in this year's presidential campaign. Trump, the Republican contender, has proposed imposing a 60% tariff on all Chinese imports. While his opponent, Vice President Kamala Harris, hasn't taken a public stance on further levies, a significant divergence from the Biden administration's strategy seems unlikely. Aides to Harris say she is committed to outcompeting China and strengthening strategic alliances in the region, while avoiding all-out confrontation.

The Biden administration took its strongest position yet against companies like Shein and Temu with its proposal to tighten the so-called de minimis loophole—a duty and tariff exemption for packages valued at less than $800—saying in a White House release that the exponential growth of de minimis shipments has made it harder to enforce U.S. trade laws and block shipments of illegal drugs and drug inputs.

Shein critics say the company, whose packages often fall under the exemption, takes advantage of the loophole to avoid paying its fair share of duties. Shein has said import compliance is a priority and that it welcomes the de minimis reforms. At the least, any reforms would likely make Shein and Temu's goods more expensive, potentially denting growth, given that consumers' attraction to the platforms largely revolves around value, Bradley Thomas, an analyst at KeyBanc Capital Markets, wrote in a Sept. 12 note.

Shein said in an email to *Barron's* that the company's success isn't anchored to de minimis, but rather to its "unique on-demand business model." Temu said in an email that it achieves low prices through an "efficient" business model that cuts out unnecessary middlemen, and that its growth doesn't depend on the de minimis policy.

Bills to reform de minimis also are snaking their way through Congress, in keeping with a legislative desire to decouple from China. The House of Representatives passed 25 bills last week alone aimed at addressing threats posed by China.

"Is the U.S.-China relationship going to return to the pre-Trump era? I don't think so," said Zongyuan Zoe Liu, a senior fellow for China studies at the Council on Foreign Relations. "In a way, it doesn't matter who is in the White House."

'We Don't Want Your Business'

Shein's inability to get the nod for a U.S. IPO likely reflects this contentious backdrop as much as any company-specific concerns. That the company might have filed on the eve of an election year probably doesn't help, either. "You're just setting yourself up as an obvious target," said Derek Scissors, senior fellow at the American Enterprise Institute.

Shein's presumed setback also could have a chilling effect on the IPO ambitions of other Chinese companies, many of which still see a U.S. listing as highly desirable. A Nasdaq or New York Stock Exchange debut carries prestige and can help international companies secure higher valuations than on other exchanges.

“It’s going to send a bad signal,” MarcumAsia’s Bernstein said. “It’s going to be like hanging a sign up on the exchanges [saying] we don’t want your business.”

In the 2010s and early 2020s, companies such as Alibaba, DiDi Global, and PDD launched some of the hottest IPOs on Wall Street. But Chinese listings slowed to a trickle in 2022, when DiDi was forced to delist after Chinese regulators launched a cybersecurity probe into the company. The SEC temporarily halted all new listings of Chinese companies that year.

DiDi’s challenges highlight that the problems facing Chinese listings aren’t always due to U.S. opposition. Since last year, Chinese companies looking to list shares abroad have needed approval from Chinese regulators, slowing the pace of overseas listings, even in Hong Kong.

After the successful U.S. listing in May of Chinese electric vehicle company Zeekr Intelligent Technology, some investors thought the climate might improve. Plus, the China Securities Regulatory Commission, the agency that oversees Chinese equities both domestically and abroad, said it hoped to speed up the approval process for overseas IPOs.

Yet, as of Sept. 10, there had been only 17 new listings by Chinese companies in the U.S. this year, down from 38 at the peak in 2021, according to Dealogic. More noteworthy, deal size had dropped to a total value of $704 million in 2024, compared with more than $13 billion in both 2020 and 2021.

Some Chinese firms might be waiting for the election to end before testing the waters here. But given Shein’s apparent lack of success to date, and the increasingly cloudy outlook for U.S.-China relations, they might be wise to start charting alternative routes to any public listing.