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Asian Capital Going Global

Moderator:

Karishma VASWANI, Asia Business Correspondent, BBC World News

Panelists

Nicolas AGUZIN, Chairman & CEO, JP Morgan Chase Asia Pacific

LAI Xiaomin, Board Chairman, China Huarong Asset Management Co., Ltd.

Nicholas R. LARDY, Anthony M. Solomon Senior Fellow, Peterson Institute for International Economics

LI Ruogu, Former President, Ex-Im Bank of China

Ratan TATA, Chairman Emeritus, Tata Sons

Key points

- Public and private sector investors are both important players in Asian capital going global.
- There are solid strategic and business considerations behind Asian investors' global ambitions.
- While financing may not be an issue, companies with weak balance sheets should exercise more caution in their cross-border expansions.



- As an asset management company, China Huarong expects to play an important role in China's deleveraging and spurring economic transformation in the next three years.

Synopsis

Global M&A activities have continued to surge in recent years and Asian companies and investors are notable players in the market. ChemChina, for example, acquired Pirelli last year for US\$8.8 billion, and earlier this year announced a bid to acquire Syngenta for US\$43 billion, which, if completed, would be the largest outbound deal ever to occur in China. These mega deals demonstrate the ambitions and visions of Asian capital to go global.

Panelists noted that in the early period of Asian capital going global, sovereign wealth funds and state-owned investment companies, such as Temasek, played significant roles, while the recent decade has seen more and more buyers from the private sector. After over thirty years of market opening reform, China has evolved to be an important global investor, with total stock of outbound investment reaching US\$1 trillion.

Motivations for going global are not solely for the sake of going global or adhering to the governments' intentions. The panelists believe that there are solid strategic and business considerations for deals and investments by Asian capital. In previous years, the energy and resource sector accounted for a big share in outbound deals of Asian capital, while nowadays financial services, consumer businesses, technology, media and telecommunications sectors are of significant interest to buyers in Asia. This shift can be partly attributed to the increasing needs of the expanding Asian middle class. Asian capital especially looks forward to acquiring leading technology, renowned brands, and market share in developed economies.

Panelists agreed that financing is not an issue for ambitious Asian companies. Given the current global economic landscape, prices of quality assets are at attractive levels and more deals and investments could be expected from Asian investors. Panelists also cautioned companies with weak balance sheets should be careful in their global expansion plans. As Ratan Tata remarked, some deals may be great in the long term, but in the short term or during



economic downturns, poorly planned investments could cause liquidity issues and place the company in danger. Mr. Lardy also pointed out to China's investors that the percentage of announced Chinese outbound M&A deals actually completed is relatively low.

Mr. Lai, Chairman of China Huarong, said that China Huarong will not only go global, but also be willing to partner with inbound foreign investors. China Huarong has just reported its financial performances for 2015, performing significantly above its peers in core financial indicators. In the next three years, China Huarong will play an important role in China's deleveraging, reducing overcapacity and inventories, and spurring economic transformation.