

The big picture

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By David K. Cho*

It takes more than one deal to create a trend



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Business travel within and beyond Asia for cross-border deal work is always exciting and what strike me most are the cultural nuances in different markets. Multiple elements, including but not limited to cuisine, music, art, architecture and literature, speak about the “big picture” of a culture in a city or country.

Similarly, it takes more than one deal to create a trend. As corporate lawyers, we are often fortunate to work on mega-deals that seem to move markets, and I am often asked how important that is to the applicable industry and what the implications of that deal are for market trends. What I have learnt in my career, however, is that while a single deal can be reflective of market trends, one must look at a number of deals, large and small, inbound and outbound, from different perspectives to see the trends and the big picture.

Recently, trends in Asia show an increase in smart outbound and inbound investments. In particular, there’s been an increase in outbound investment from China since its record high mergers and acquisitions (M&A) activities in 2016. Specifically, China’s targeting of more technology-oriented growth has dictated its choice of M&A targets in recent years. Although their efforts are facing some resistance from what some may call protectionist policies, Chinese investors will continue seeking out technologically strong targets to complement China’s traditionally strong manufacturing capabilities. Chinese investors will only become more savvy with partnerships and innovative deal-making structures to meet regulatory and other hurdles.

Another investment trend in Asia is increased Chinese investment in Vietnam, following the lead of Korean and Japanese investors. Vietnam’s demographics and emergence as the

darling of the region is undeniable, judging by the extent of interest and investments in the country. Liquidity from financial investors, both traditional banks and private equity looking to expand geographical exposure, is fueling investments in the Southeast Asian nation.

The findings of our recent global private equity study also echo a similar theme. General partners based in Asia Pacific place a strong emphasis on diversifying their asset base geographically. Among the respondents in the region whose firms have made acquisitions in three or more countries, 75% said geographical expansion had become significantly more important to their firm over the last three years. They cited benefits such as gaining exposure to faster-growing regions or economies and the opportunity to make profitable connections between portfolio companies in a globalised environment.

Chinese investors are not only branching out geographically but are also increasing investments in soft sectors such as culture, media and entertainment. For China to continue to gain global market share, it must be more recognisable in the media. It's a useful way of enhancing perceptions of Chinese culture. There are more references to China in Hollywood movies now than in the past, which certainly is the result of China's growing influence in media. China will want to continue and expand on this influence, not only through sponsorship or funding, but through ownership and more direct control of global media companies.

While Koreans created content, such as Psy's Gangnam Style, for mass pop culture consumption on a global scale, China will likely seek a different path.

Korea Inc.'s approach to overseas investment is very different from the Chinese approach. Korean companies have traditionally been motivated by ways to increase shareholder value rather than being focused on national policy. While post-war Korea heavily subsidised growth by conglomerates, and national policies continue to heavily influence domestic investments, foreign investments are less driven by national concerns, especially given lack of direct financial support by the government for private enterprises.

At the same time, there is a large number of young professionals, often educated abroad, who have gained experience and succeeded at big multinational companies and financial institutions, who have moved on to start their own businesses and funds, which are more entrepreneurial and less concerned with national policy.

**David K. Cho is a partner at Dechert LLP*