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CROSS-BORDER MERGER AND ACQUISITIONS IN THE BELT AND ROAD REGIONS

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ABSTRACT >

Statistics show that cross-border mergers and acquisitions (M&A) investment in Belt and Road countries expanded rapidly before the 2008 financial crisis but slightly fluctuated afterwards and even fell in certain years. After 2013, it once again grew. On the whole, cross-border M&A investment in the Belt countries was larger than that in the Road countries between 2000 and 2016. Cross-border M&A investment in Belt and Road countries was largely directed at industries such as finance, energy, telecommunications, industrials and raw materials. In addition, Cross-border M&A investment targeting non-listed companies in Belt and Road countries was larger than that targeting listed companies. This trend heightened after 2013. Before the 2008 financial crisis, the United States led cross-border M&A activities in Belt and Road countries. After the crisis, however, Japan became an increasingly important player and driving force in those regions. Since 2013, China also made outstanding achievements in this regard.

Both the value and volume of cross-border M&A transactions in Belt countries has declined in recent years. Across Belt countries, the Commonwealth of the Independent States (CIS) and Western Asia received a higher level of cross-border M&A investment and had faster growth rates. Global acquirers mainly invested in areas of finance, telecommunications, energy and power in Belt countries. Manufacturing in the CIS and the high-tech industry in Western Asia were the two areas that saw the most cross-border M&A activity. The United States led cross-border M&A activities in Belt countries before 2009, but China caught up afterwards. An analysis of the data shows, however, that US companies completed more cross-border M&A transactions with smaller investment amounts in the Belt countries whereas Chinese counterparts preferred large, higher risk M&A deals.

Cross-border M&A activities in Road countries expanded rapidly before the 2008 financial crisis, bounced back in 2010 after a short downturn and peaked in 2015. Most cross-border M&A transactions completed in Road countries took place in the ASEAN region, accounting for 47% of the total volume of cross-border M&A in the all Road countries. The top five (5) sectors that attracted the most M&A investment were finance, energy, telecommunications, industrials and daily consumer goods. In ASEAN countries, the financial sector received the most cross-border M&A investment, followed by the consumer goods sector. In South Asia, the industrial sector attracted the largest size of cross-border M&A investment. In addition, cross-border M&A transactions of listed companies were larger in value but smaller in volume than of non-listed companies in Road countries. In ASEAN, most cross-border M&A transactions, in terms of both value and volume, targeted listed companies. In contrast, non-listed companies attracted more cross-border M&A transactions in South Asia. The United States was the major acquirer in most Road countries. In the ASEAN region, however, Japan was more active than either China or the United States. After 2013, China's cross-border M&A activities in Road countries gradually increased.

Among Belt and Road countries, the top ten (10) countries that attracted the most cross-border M&A investment were Russia, India, Turkey, Poland, Singapore, the Czech Republic, Indonesia, Egypt, Israel and Malaysia, representing 72.11% of the total value of cross-border M&A in all Belt and Road countries. Among the top five (5) countries, cross-border M&A activities mainly took place in the energy industry in Russia and the financial sector in Turkey; while cross-border M&A activities were more dispersed in the other three (3) countries. The telecommunications, energy and healthcare industries in India; daily consumer goods, industrial, IT and financial sectors in Singapore; and financial, real estate and telecommunications sectors in Poland were the sectors that attracted the most cross-border M&A investment. In terms of the value of cross-border M&A, listed companies were the major target in those top five (5) countries. In terms of the volume of cross-border M&A, non-listed companies were the major targets in Russia and Turkey while listed companies were more favored in Poland and Singapore. In India, cross-border M&A transactions were evenly distributed in the two (2) categories of companies. In addition, the United States was the major source country of cross-border M&A in those five (5) countries.

The financial, energy, telecommunications, industrial and raw material sectors were the top five (5) sectors in the Belt and Road countries that attracted the largest amount of cross-border M&A investment. In terms of regional distribution, most financial cross-border M&A activities took place in Western Asia, Central and Eastern Europe and ASEAN countries. Most cross-border M&A activities in the telecommunications sector took place in Western Asia, Central and Eastern Europe, and South Asia. Most cross-border M&A activity in the industrial sector took place in South Asia, Southern Europe, Eastern Europe and the CIS countries. Most cross-border M&A activities in the raw materials sector took place in Western Asian, the ASEAN region and the CIS countries. In terms of the M&A source countries, the United States had the most cross-border M&A activity in the financial sector across all Belt and Road countries while Japan had the most in the industrial sector.

China preferred the energy and raw materials sector. Although China had yet to be the most important cross-border M&A source country in Belt and Road countries, it has been experiencing an upward trend in this regard with the following noticeable trends. First, the value of China's cross-border M&A in Belt countries was larger than that in Road countries. Also, Chinese companies preferred to invest in ASEAN, the Western Asia, Central Asia and CIS countries. In addition, China's cross-border M&A in Belt and Road countries was mainly concentrated in the energy sector, although there was meaningful investment in other sectors like IT, raw materials and finance. Finally, in terms of the value of M&A transactions, China preferred to invest in Kazakhstan, Russia, Israel, Singapore and Egypt. These five (5) countries combined accounted for 78.70% of China's total cross-border M&A investment in all Belt and Road countries.



01



OVERVIEW OF CROSS-BORDER M&A IN THE BELT AND ROAD REGIONS

Cross-border M&A activity in Belt and Road countries expanded rapidly before the 2008 financial crisis and slightly fluctuated afterwards. After 2013, it once again grew. Between 2000 and 2016, the value of cross-border M&A in Belt countries was more than that in Road countries. In terms of sector distribution, cross-border M&A in Belt and Road countries was concentrated in the financial, energy, telecommunications, industrial and raw material sectors. In terms of cross-border M&A targets, non-listed companies were more popular and attracted a larger total value of cross-border M&A transactions than listed companies. This trend was heightened after 2013. In terms of cross-border M&A source countries, the United States played a leading role in Belt and Road countries before the 2008 financial crisis. After the crisis, however, Japan became a major player. Since 2103, China has played an increasingly significant and prominent role.

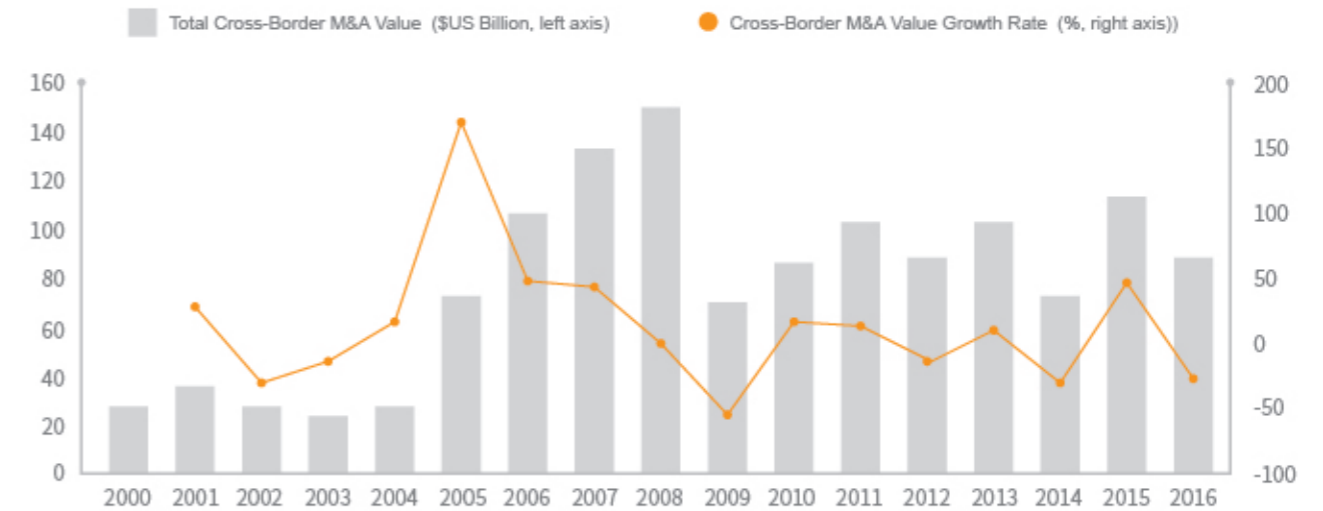
OVERVIEW >

Belt and Road countries were important for global cross-border M&A activities. Between 2000 and 2016, 13,122 cross-border M&A transactions, worth \$US 1.31 trillion, were completed in Belt and Road countries. In these countries, cross-border M&A experienced rapid growth, followed by a slight fluctuation and then a return to growth. In 2004, the size of cross-border M&A investment in Belt and Road countries started to expand and reached its peak in 2008 when the financial crisis broke out. After the crisis, the size of M&A activity shrank drastically and then experienced slight fluctuations.

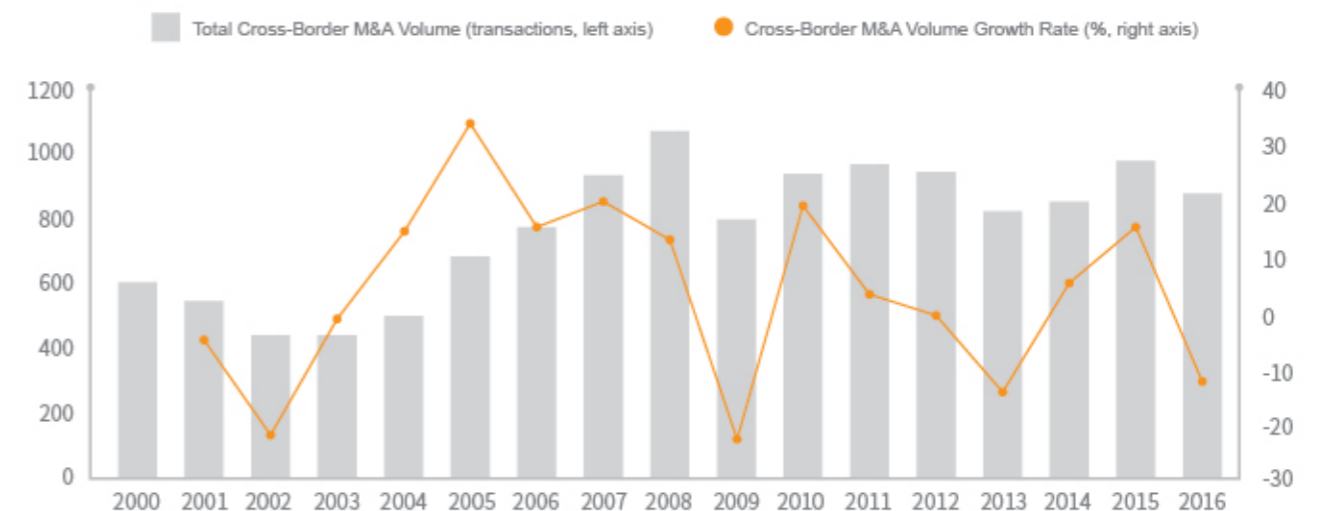


Size of Cross-Border M&A Investment in the Belt and Road Countries

Specifically, in 2000, only 597 cross-border M&A transactions worth USD 26.725 billion were made in Belt and Road countries. Starting from 2004, the size of cross-border M&A investment in these countries rapidly grew. The growth rate in 2005 was 170.06% and 33.79% respectively in terms of value and volume of cross-border M&A transactions. In 2008, 1,038 cross-border M&A transactions were completed, worth USD 146.335 billion. After the 2008 financial crisis, cross-border M&A activity decreased in both value and volume, with around 895 transactions worth USD 89.9 billion being completed. In 2015, cross-border M&A in these countries stood out again with 983 M&A transactions worth USD 113.328 billion being completed. But the trend started to go downward in 2016 with 859 transactions worth USD 88.689 billion being completed.



Cross-Border M&A Value and Growth Rate



Cross-border M&A Volume and Growth Rate in the Belt and Road Countries

REGIONAL DISTRIBUTION >

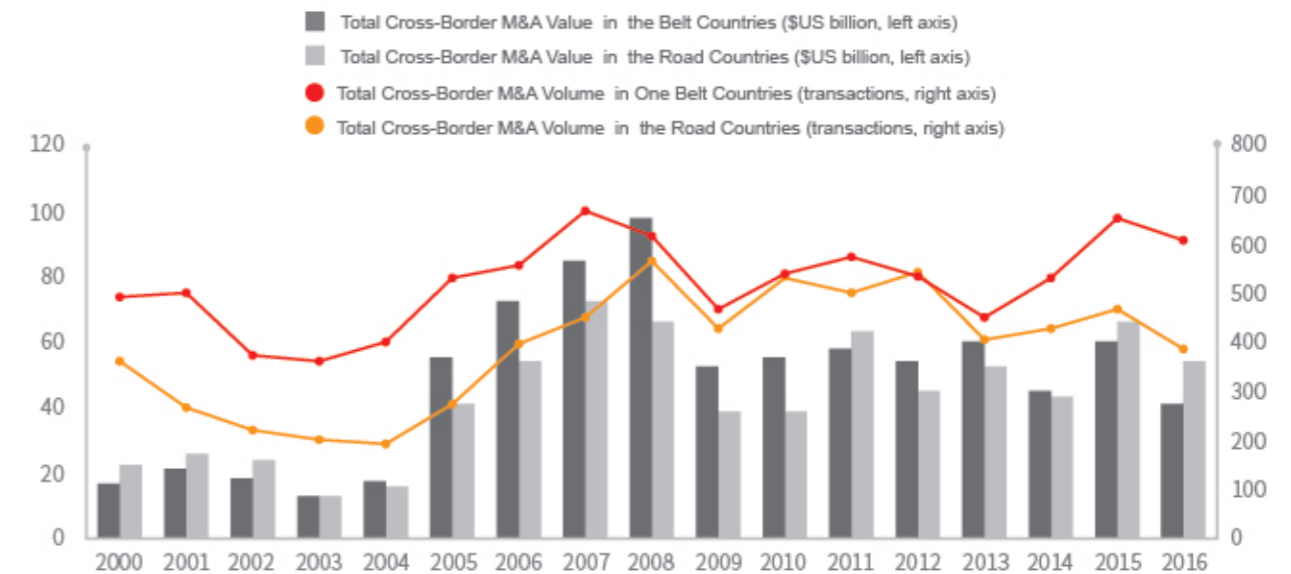
The term "Belt and Road" encompasses both "the Silk Road Economic Belt" and "the 21st Century Maritime Silk Road." The Belt includes Mongolia, Central Asia, Western Asia, the CIS, and Central and Eastern Europe. The Road includes ASEAN, South Asia, Central Europe and Eastern Europe.



The Belt and Road

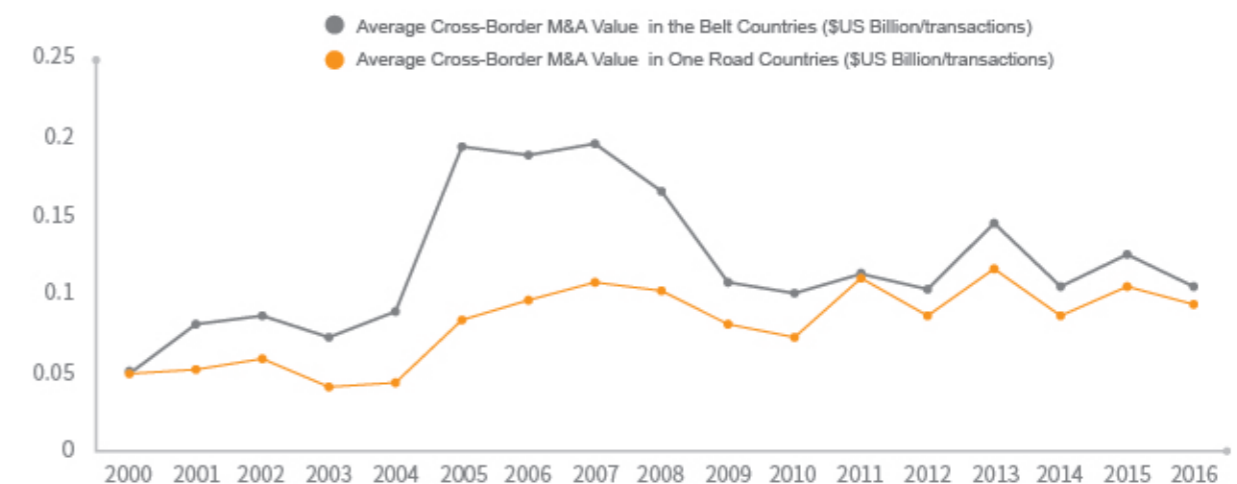
Source: The Xinhua News Agency

Between 2000 and 2016, total cross-border M&A in Belt countries was larger in size than that in Road countries. Specifically, total cross-border M&A in Belt countries was worth USD 823.151 billion, representing 52.58% of the total value of all M&A across the entire Belt and Road, compared with USD 742.402 billion in Road countries, representing 47.42%. In terms of the number of transactions, the analysis is different. Total cross-border M&A transactions completed in Belt countries reached 6,632, accounting for 47.78%, smaller than the 8,871 transactions in Road countries, representing 57.22%. It is worth noting that though Belt regions like Central and Western Asia completed less cross-border M&A transactions, each such transaction was of significant value. Cross-border M&A in Road regions like ASEAN and South Asia was dispersed in size of investment but high in volume.



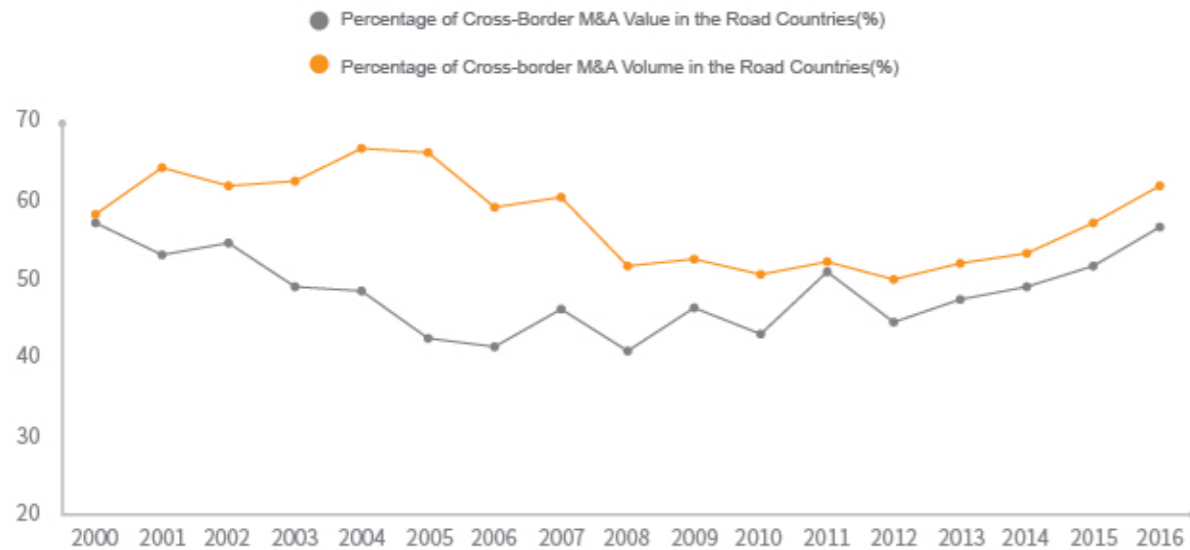
Regional Distribution of Cross-Border M&A in the Belt and Road countries

Before the 2008 financial crisis, there were significant differences in the size of cross-border M&A between countries in the Belt countries and those along the Road. Belt countries were the main destination for cross-border M&A. Between 2000 and 2004, the value of cross-border M&A transactions in the Belt countries was roughly equal to those in Road countries. Starting from 2005, cross-border M&A value in Belt countries grew rapidly and surpassed that in Road countries. Cross-border M&A completed in Road countries increased in pace with that in Belt countries. The average value of each cross-border M&A transaction in Belt countries was far larger than that in Road countries. After the 2008 financial crisis, the gap narrowed in size of cross-border M&A investment between Belt countries and Road countries, and the volume of the cross-border M&A in the two regions was equivalent.



Average Cross-Border M&A Value in the Belt countries and the Road countries

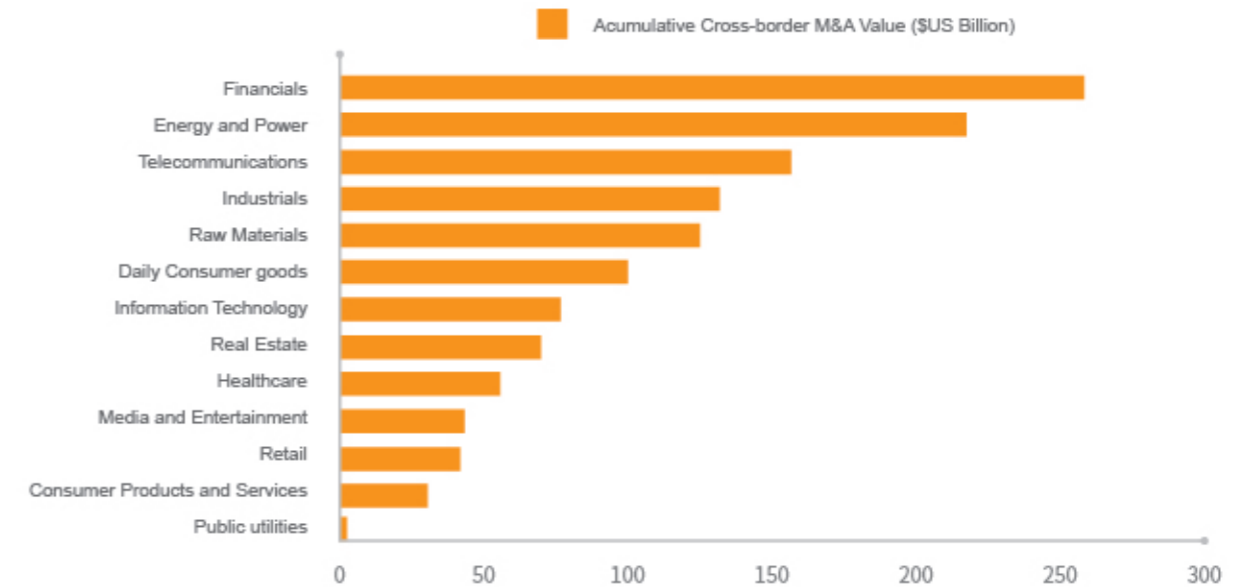
It is worth noting that since 2013, cross-border M&A value in Road countries has grown fast and surpassed that in Belt countries. In 2015, cross-border M&A volume in Road countries also surpassed those in Belt countries. This trend continues.



Percentage of Cross-Border M&A value and volume in the Road countries

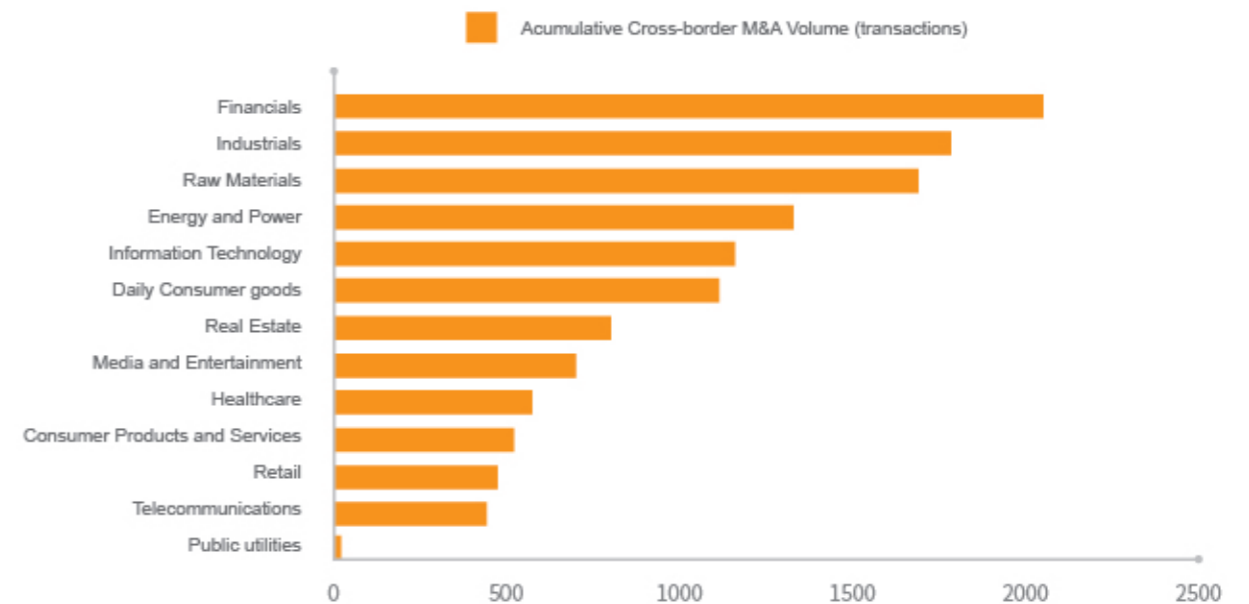
INDUSTRIAL DISTRIBUTION >

As of 2016, the financial sector attracted the most cross-border M&A investment, with USD 253.333 billion invested across all Belt and Road countries, followed by the energy and telecommunications sectors at USD 211.903 billion and USD 157.271 billion respectively. The industrial, raw materials, consumer goods and information technology sectors were also among sectors with the largest cross-border M&A investment.



Top 10 industrial sectors in the Cross-border M&A Value in the Belt and Road Countries

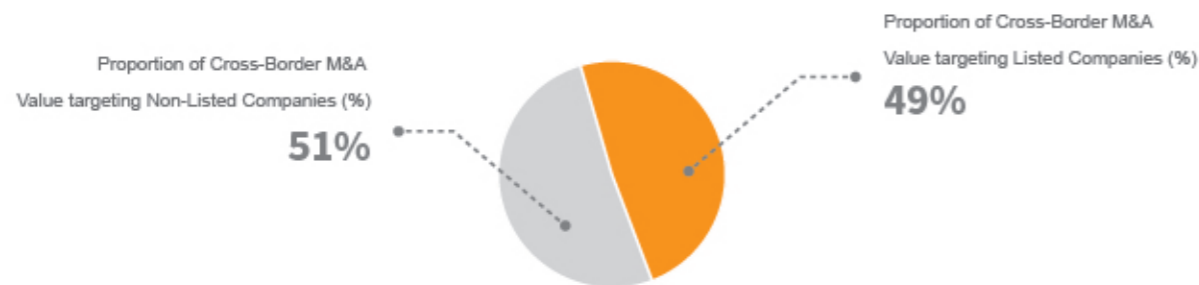
The financial sector had the most cross-border M&A transactions, with 2,034 transactions completed, followed by the industrial and raw material sectors with 1,785 and 1,709 transactions completed respectively. The energy, information technology, consumer goods and real estate sectors were also among sectors with a large number of M&A transactions being completed.



Top 10 industrial sectors in the Cross-border M&A Volume in the Belt and Road Countries

TARGET COMPANIES BY CATEGORY >

On the whole, compared with listed companies, non-listed companies attracted more cross-border M&A investment in Belt and Road countries, with USD 670.619 billion in total, representing 51.06% of the value of all investments made. There were 8,142 cross-border transactions, accounting for 62.05% of all M&A transactions completed in Belt and Road countries.

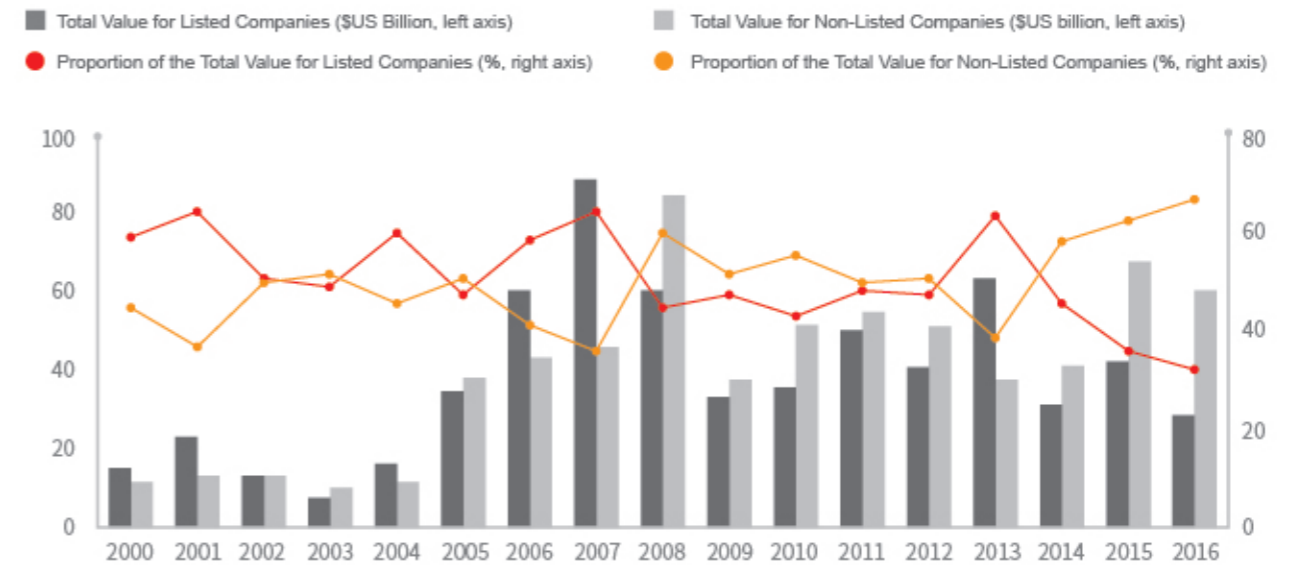


Proportion of Cross-border M&A Value in the Belt and Road Countries, by the category of target companies



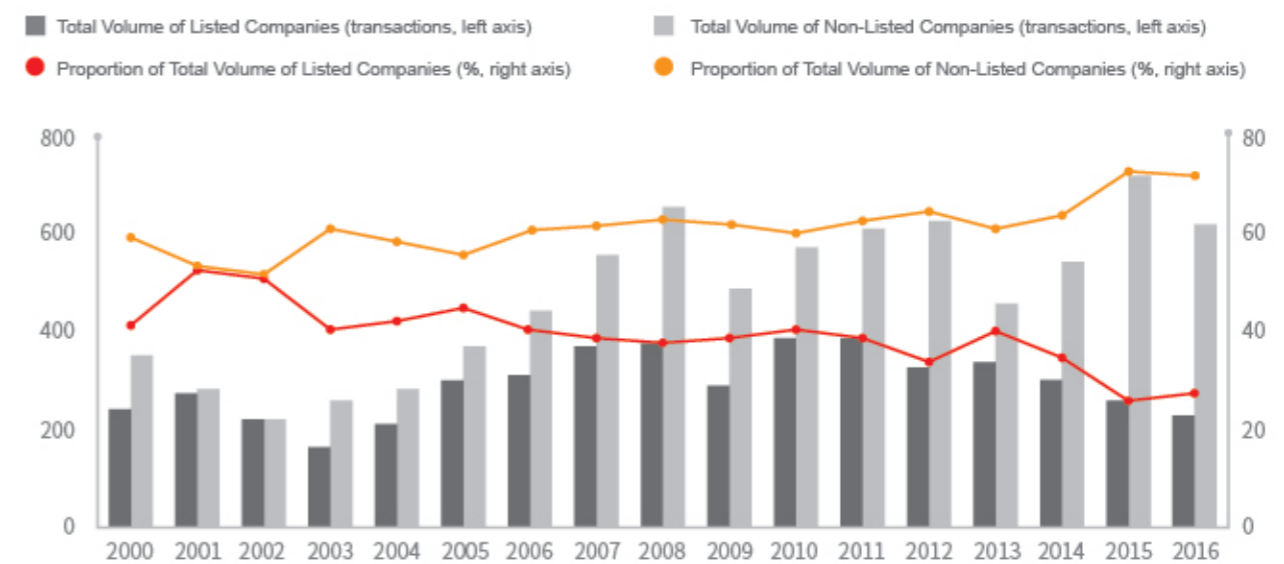
Proportion of Cross-border M&A Volume in the Belt and Road Countries, by the category of target companies

Before the 2008 financial crisis, the value of cross-border M&A of listed companies in Belt and Road countries was larger than that of non-listed companies. Between 2006 and 2007, however, the value of cross-border M&A of listed companies increased rapidly, reaching a peak proportion of 65.02%. After the 2008 financial crisis, the value of cross-border M&A of non-listed companies started to grow and surpassed that of listed companies in most years. In 2013 and afterwards, the trend started to reverse and the representation of listed companies diminished while non-listed companies started to attract more cross-border M&A investment once again.



Distribution of Cross-border M&A Value in the Belt and Road Countries, by the category of target companies

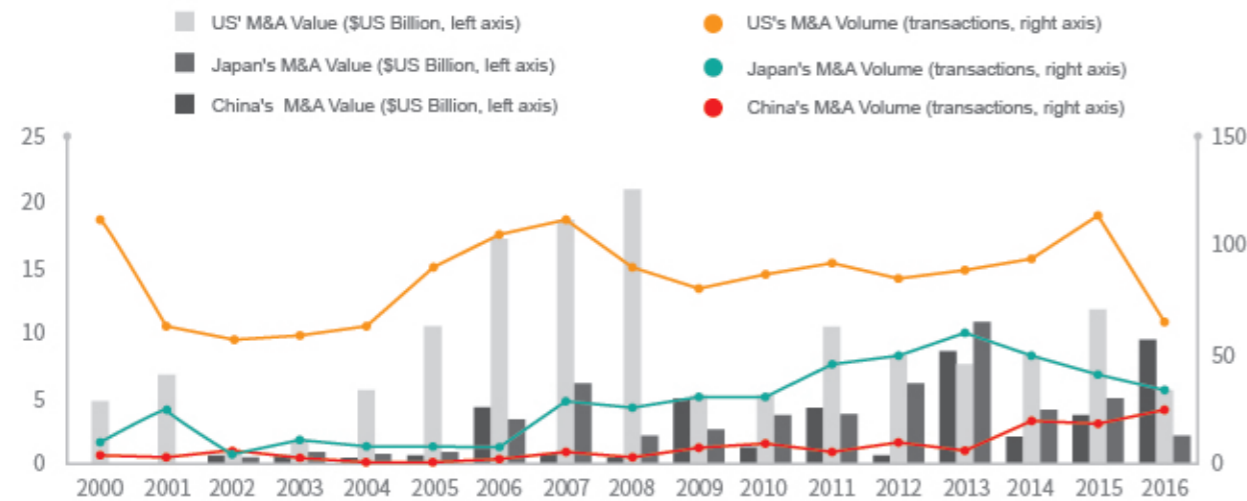
In terms of cross-border M&A volume since 2003, more non-listed companies in Belt and Road countries were merged and bought than listed companies. The proportion of non-listed companies continued to increase between 2005 and 2008, reaching 60% in 2008 and remaining steady afterwards till 2013. In 2016, the proportion reached 71.59%.



Distribution of Cross-border M&A Volume in the Belt and Road Countries, by the category of target companies

ACQUIRERS >

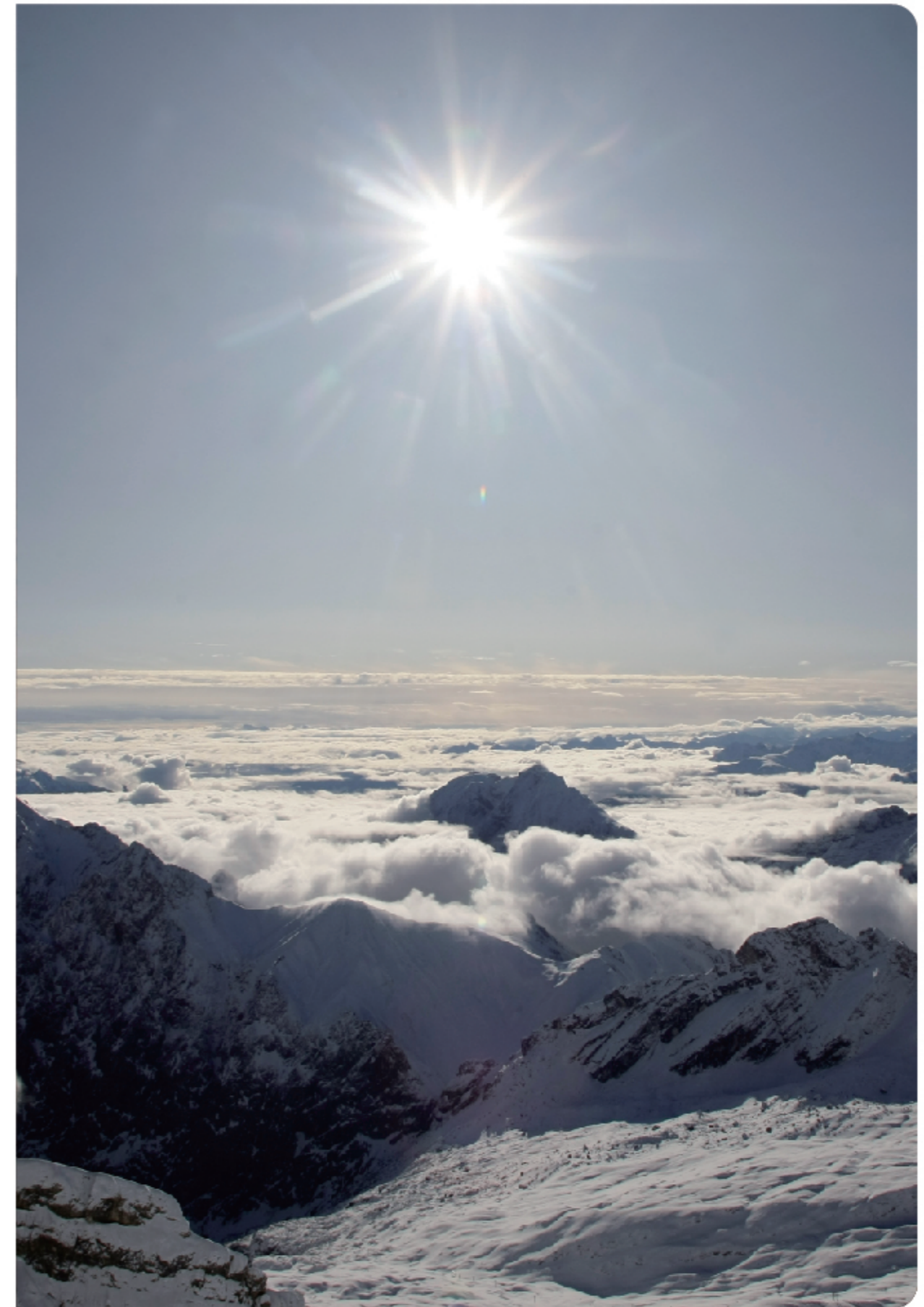
Since 2000, cross-border M&A in Belt and Road countries has experienced three different stages of change. The first stage was between 2000 and 2008. During this period, the United States played a leading role in cross-border M&A in Belt and Road countries. Particularly after 2004, US-sourced cross-border M&A in this region increased quickly and surpassed that of Japan and China in both value and volume, with the US becoming the major cross-border M&A source country. In 2008, the cross-border M&A transactions done by the US in Belt and Road countries were worth USD 20.936 billion, far larger than the USD 2.45 billion of investment by Japan and the USD 641 million investment by China. The number of cross-border M&A transactions done by the US in this period was 89, which was higher than the 25 transactions sourced from Japan and the 10 transactions sourced by China.



Cross-Border M&A in the Belt and Road Countries from China, US, and Japan

The second stage was between 2009 and 2013. After the 2008 financial crisis, the leading of the US and the size of US-sourced cross-border M&A investment in the Belt and Road regions both diminished. Japan became an important player of cross-border M&A in these countries, and both the value and volume of Japan's cross-border M&A experienced an upward trend. In 2013, Japan surpassed the United States in the value of cross-border M&A in Belt and Road countries, completing 62 cross-border M&A transactions, worth USD 10.762 billion. This posed a threat to US leadership in cross-border M&A in Belt and Road countries.

The third stage was after 2013, and during this period, both the value and volume of Japan's M&A in Belt and Road countries shrank. By contrast, China stood out after it launched the Belt and Road Initiative and formulated supportive policies in this regard. The value of China's M&A in Belt and Road countries increased from USD 2.264 billion in 2014 to USD 9.755 billion in 2016. The volume of its M&A in these regions rose as well. In 2016, China surpassed the US and Japan and became the major player of cross-border M&A in the Belt and Road regions by completing 10 M&A transactions.





02



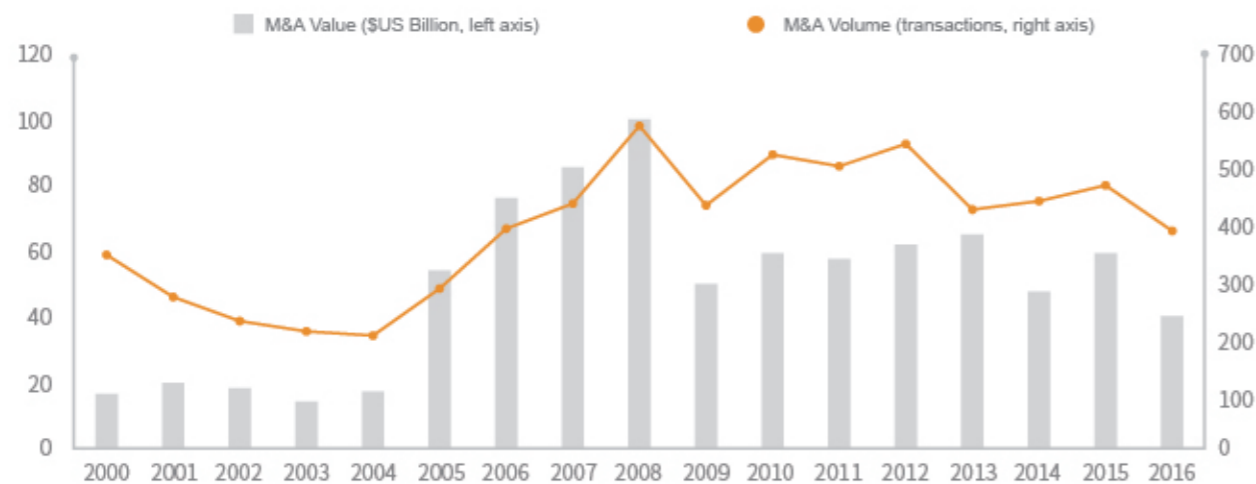
CROSS-BORDER M&A ALONG THE SILK ROAD ECONOMIC BELT

In recent years, the value and volume of cross-border M&A in the Belt regions has declined. In terms of regional distribution, the size of global cross-border M&A investment in the CIS and Western Asia was larger and grew faster than in other regions along the Belt. In terms of sector distribution, cross-border M&A in Belt countries was mainly distributed across the financial, energy and power, and telecommunications sectors. The high-tech sector in Western Asia and manufacturing in the CIS had the potential to become hotspot sectors for cross-border M&A investment. From the perspective of investors, the US played a leading role in cross-border M&A in Belt countries before 2009, but afterwards China rose quickly in terms of the size of its M&A investment in the same countries, beginning to rival US leadership. During this period, the US made a larger number of cross-border M&A transactions with a dispersed amount of investment. China, on the contrary, preferred cross-border M&A projects with larger value and preferred concentrated investment, which might generate high investment risks.

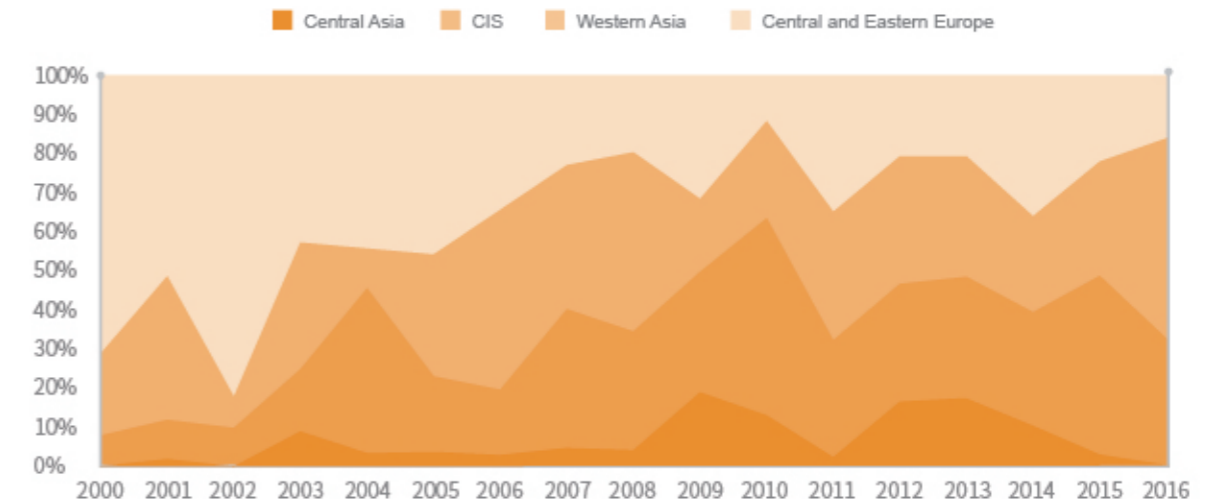
OVERVIEW >

The Silk Road Economic Belt includes the key regions of Central Asia, the CIS, Western Asia, Central and Eastern Europe and Mongolia. Global M&A investment into Belt countries rapidly grew after 2003, reaching a record high of USD 100.82 billion in 2008, with a compound growth rate of 47.5%. However, such investments declined fast after the 2008 financial crisis. In spite of a light recovery in 2010, the trend of global M&A investment in Belt countries still trended downward between 2009 and 2016, with deals worth only USD 41.03 billion, a decrease of nearly USD 20 billion when compared with that in 2015. The downward trend continued in 2017 and the prospects of global M&A in these countries do not look positive.

From the perspective of regional distribution, currently the main destinations of global M&A investments into Belt countries are in Western Asia and the CIS. Before 2005, Central and Eastern Europe was among the most important destinations for global M&A investment across Belt countries, but its attraction diminished year-by-year. In 2016, the investment it attracted accounted for only 15.93% of the total global M&A investment in Belt countries, far below those of the CIS (31.28%) and Western Asia (51.75%). Central Asia has never been the main destination for global M&A investment and from 2000 to 2016, the proportion of global M&A investments that flowed into Central Asia was always lower than 10%.



Value and Volume of Cross-Border M&A in the Belt Countries



Proportion of Cross-border M&A Value by region

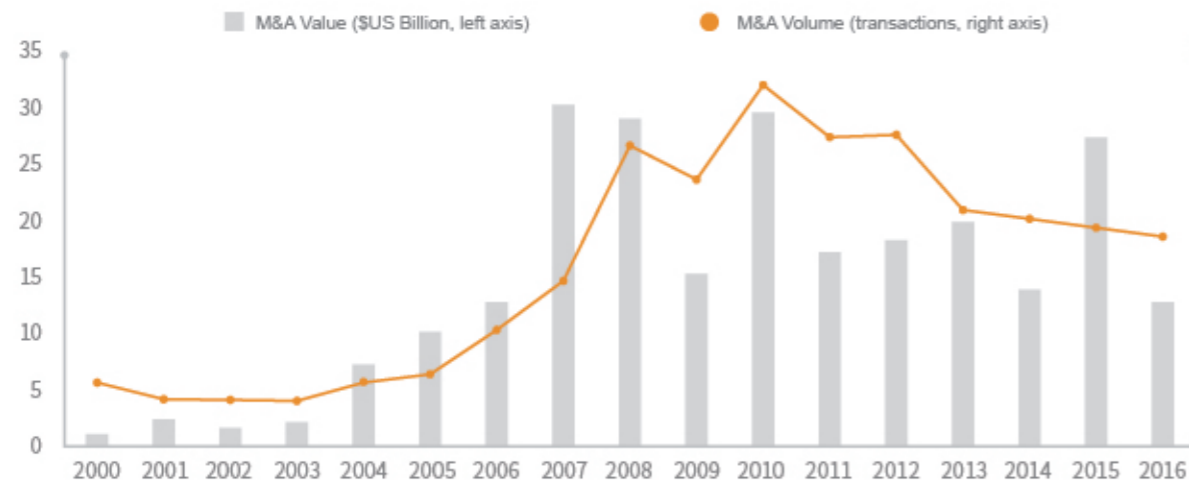
REGIONAL DISTRIBUTION >

There are two characteristics of cross-border M&A in the Central Asia region. First, the value and volume of global M&A deals in this region fluctuates. In 2013, the global M&A investment value in Central Asia reached its peak of USD 11.8 billion but then declined gradually and had negative growth for three (3) consecutive years with an average negative annual growth rate of -67%. In 2016, the value was only USD 427 million. Second, the value of a single deal was relatively higher. This is because Central Asia has a complicated resource structure thus global M&A investment has to be directed at large energy projects. As a result, such investments will be affected by the change of global energy supply and demand.



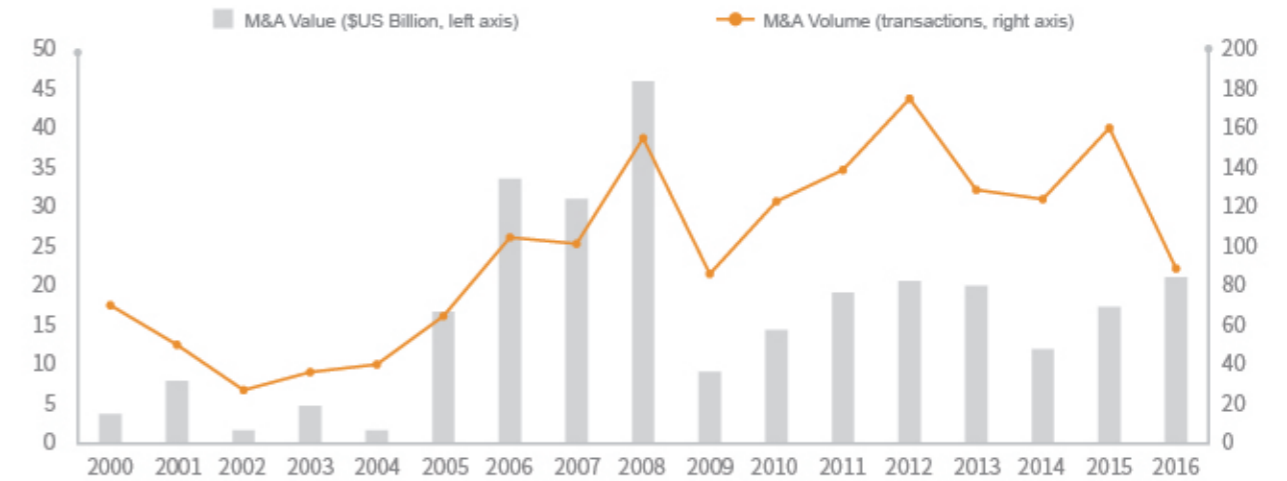
Value and Volume of Cross-Border M&A in Central Asia

The CIS is another region that has experienced changes in the value and volume of its cross-border M&A investments. In 2007, global M&A investment into this region reached its peak at USD 30.75 billion, accounting for 35% of all such investments that year. The trend of cross-border M&A in the CIS countries was similar to that in the Belt countries as a whole. The value of investments into the CIS countries fell after the financial crisis in 2008. Though this trend went upward in 2015, the global M&A in this region was still at a relatively low level in 2016 with the investment value of just USD 12.83 billion.



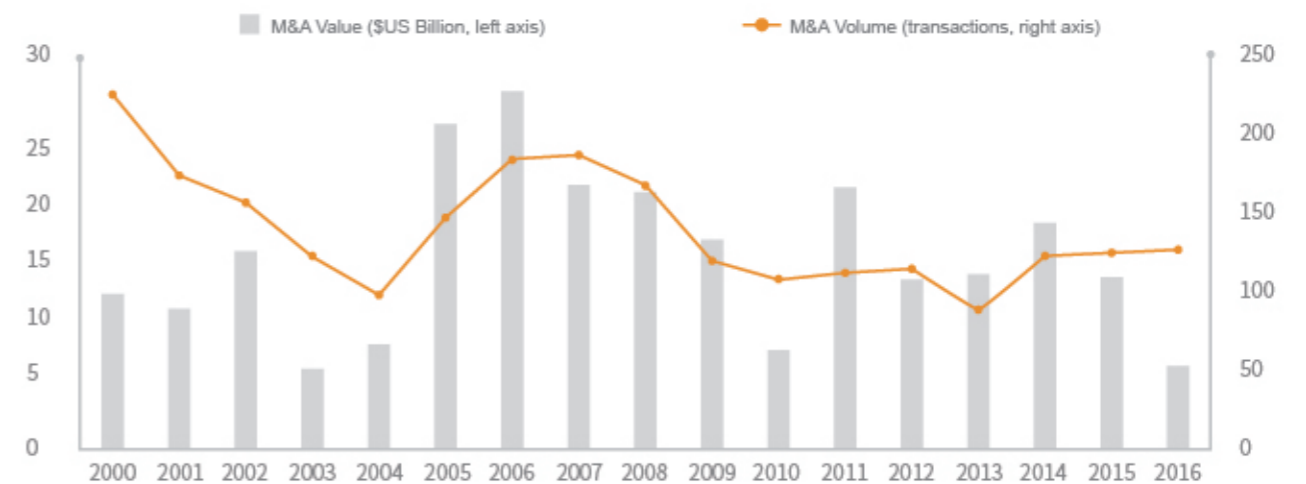
Value and Volume of Cross-Border M&A in the CIS

Western Asia is currently the largest destination for global M&A investment among all Belt regions. In 2016, the value of investments into this region reached USD 21.23 billion, higher than that of the other three (3) regions combined and accounting for 51.75% of the total global M&A investment into all Belt countries. In recent years, global M&A investment into Western Asia increased year-by-year and the average annual growth rate between 2014 and 2016 was about 34.5%. It was the only area across all Belt countries that achieved positive growth for three (3) consecutive years in the value of global M&A investment.



Value and Volume of Cross-Border M&A in Western Asia

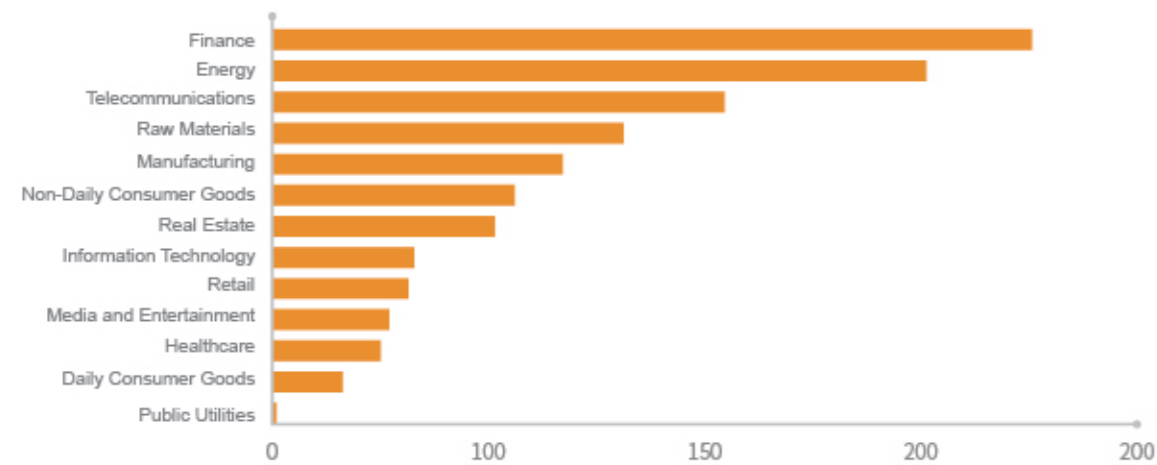
The proportion of global M&A investment into Central and Eastern Europe has declined gradually. Statistics show that from 2000 to 2002, the total number and value of M&A deals made in Central and Eastern Europe accounted for an average of 67.99% of all transactions in Belt countries. However, this rate fell to 24.53% between 2014 and 2016. As this trend is likely to continue in the future and taking into consideration other factors, Central and Eastern Europe's capability to attract global M&A investments is probably waning.



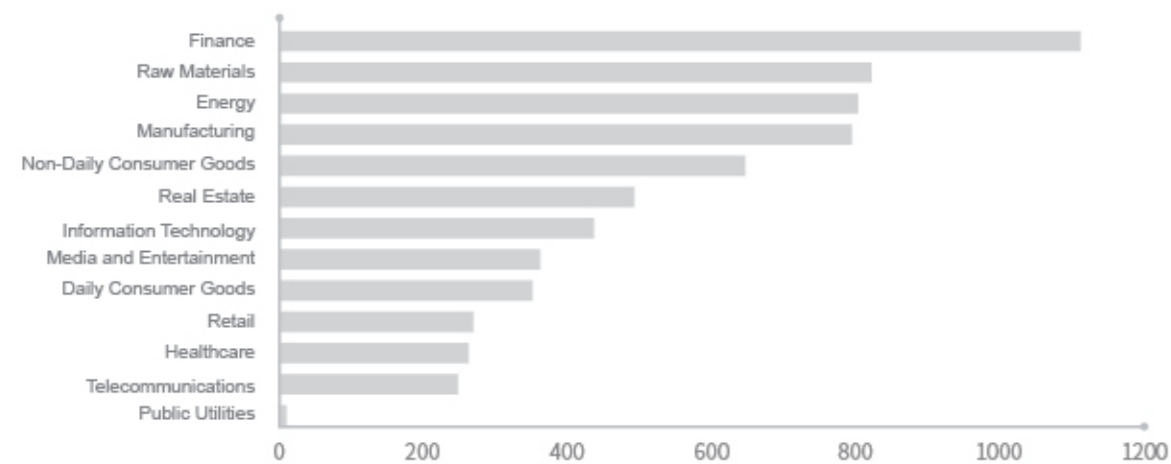
Value and Volume of Cross-Border M&A in Central and Eastern Europe

INDUSTRY DISTRIBUTION >

Most cross-border M&A investment in Belt countries was directed in the financial, energy and power, and telecommunications industries. The total value of global M&A investment in those industries was over USD 100 billion, accounting for 52% of all investment in industrials. In addition, in Belt countries, most global M&A deals were made in the financial, energy and power and raw material industries, with each sector having over 800 deals. Notably, the fact that the telecommunications industry ranked second to last in the volume of completed transactions showed that the value of each M&A transaction was large and concentrated.

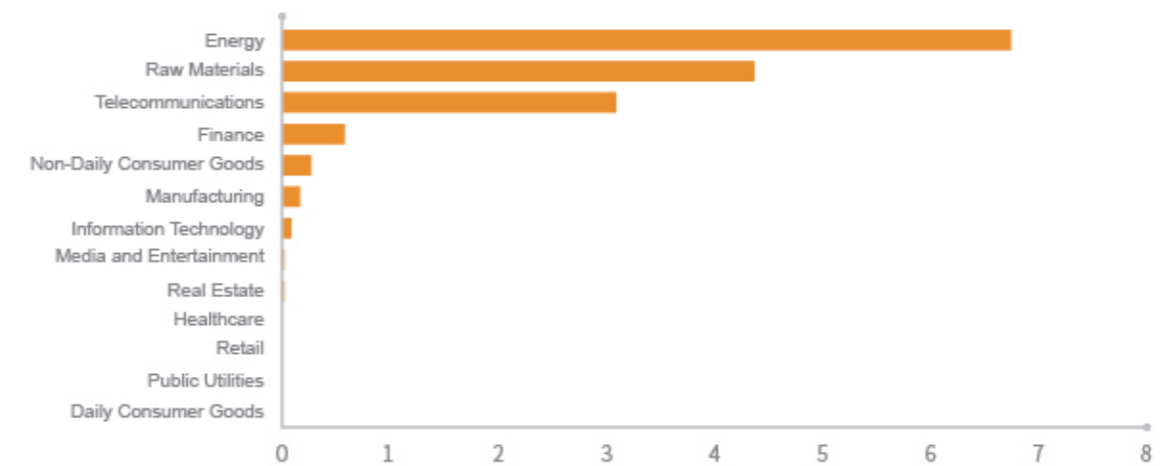


Industry Distribution of M&A Value in the Belt Countries (\$US Billion)

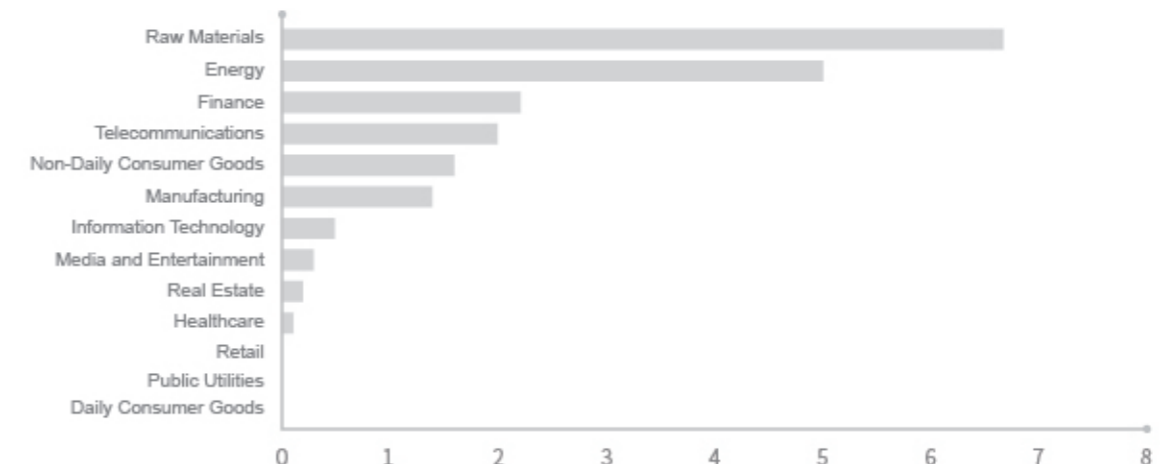


Industry Distribution of M&A Volume in the Belt Countries (Transactions)

The industry distribution of cross-border M&A investment in Central Asia has some interesting features. Most investments were directed into the energy industry and the total value of those investments was nearly equivalent to that in all other sectors combined. The reason behind this fact is that Central Asia has complicated natural resource and industrial structures. In terms of the volume of deals, fifty (50) cross-border M&A transactions were completed in the energy sector in Central Asia, just second to that in the raw materials industry, and each transaction in the energy sector was up to USD 336 million, three (3) times the value of a single deal in the raw materials industry and almost double the value of a single deal in the telecommunications sector. This difference in value per transaction is due to the fact that the energy industry is capital-intensive, with a high entrance threshold and a high risk for acquirers.



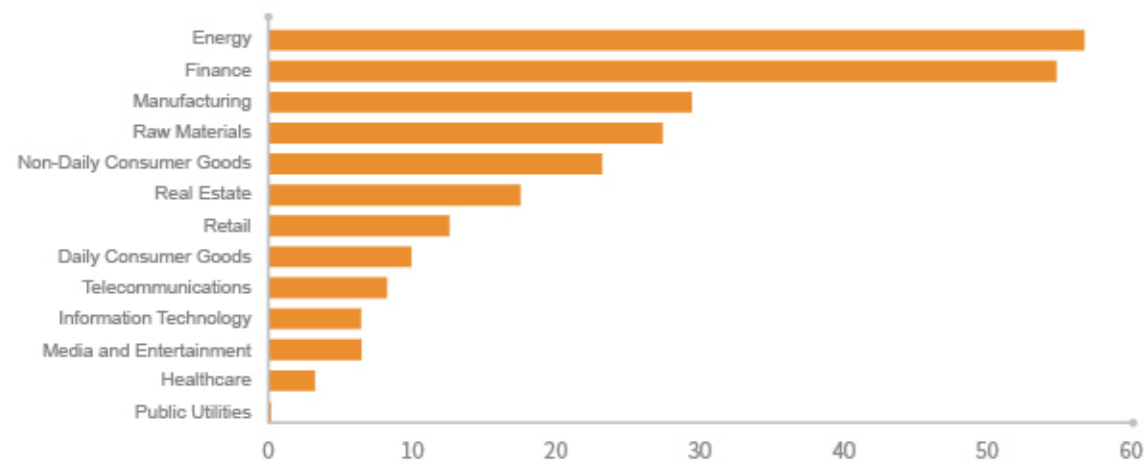
Industry Distribution of M&A Value in Central Asia (\$US Billion)



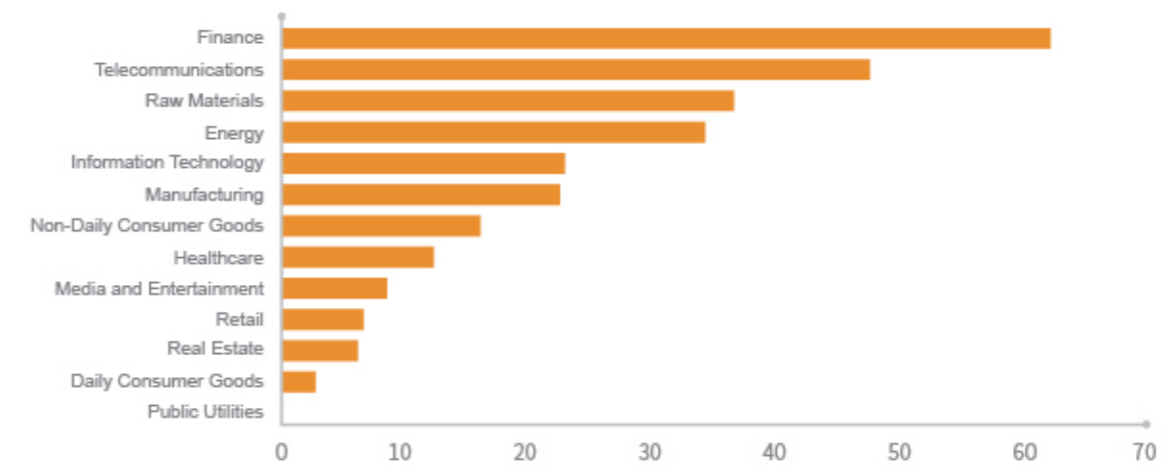
Industry Distribution of M&A Volume in Central Asia (Transactions)

In terms of the value of deals, cross-border M&A transactions in the CIS were mainly directed in the energy and power, financial, and manufacturing sectors. In terms of the volume of deals, the result remained the same, but total value invested in the energy sector was less than that in the financial sector, showing that the value of each deal in the former was higher than that in the latter. The CIS ranked in third (3rd) place across all Belt regions in the size of global M&A and was the only region across all Belt regions whose manufacturing sector attracted the most M&A transactions. This is because CIS countries have a higher level of industrial foundation.

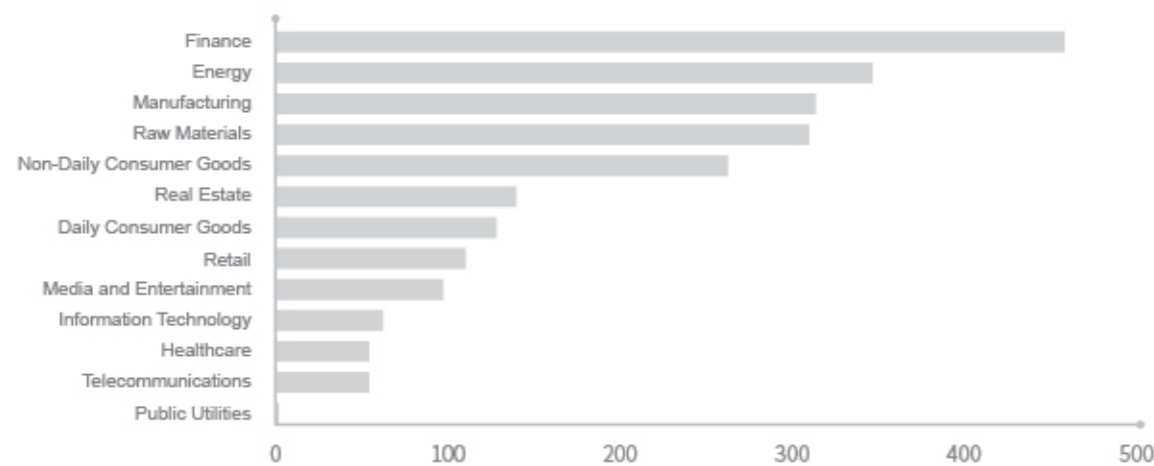
In terms of the value of deals, global M&A deals in Western Asian were mainly directed at the financial, telecommunications, raw materials and energy industries. The value of deals done in those four (4) industries exceeded USD 30 billion. However, from the perspective of the volume of deals, 202 global M&A deals were done in the high-tech industry across Western Asia, far more than that in raw materials, manufacturing, energy and other major industries. This shows that other countries have a great interest in high-tech companies in Western Asia. As a result, the high-tech sector was probably one of the major focuses of foreign M&A investments. There was a large volume of transactions in this area but each deal was of small value.



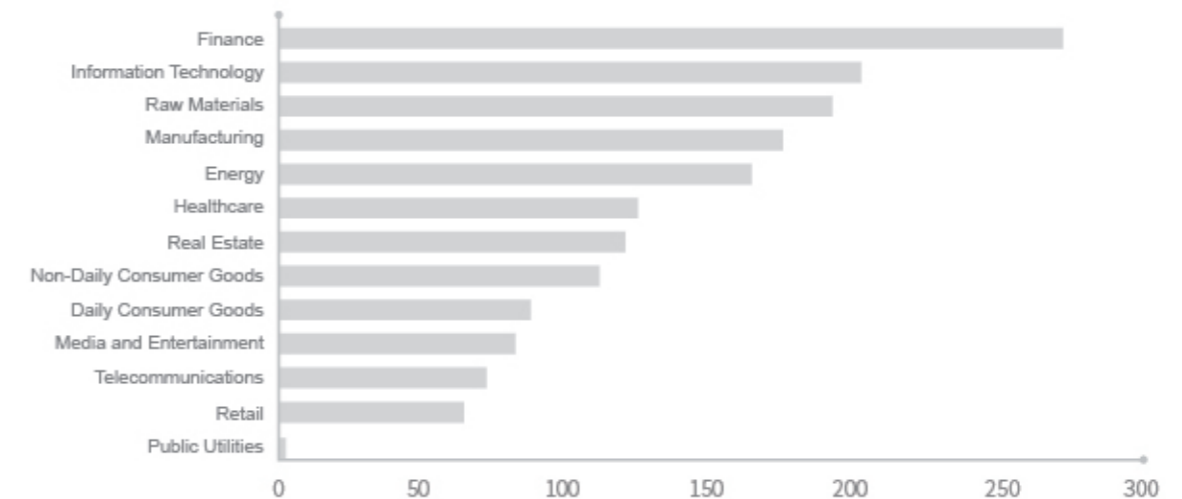
Industry Distribution of M&A Value in the CIS Countries (\$US Billion)



Industry Distribution of M&A Value in Western Asia (\$US Billion)

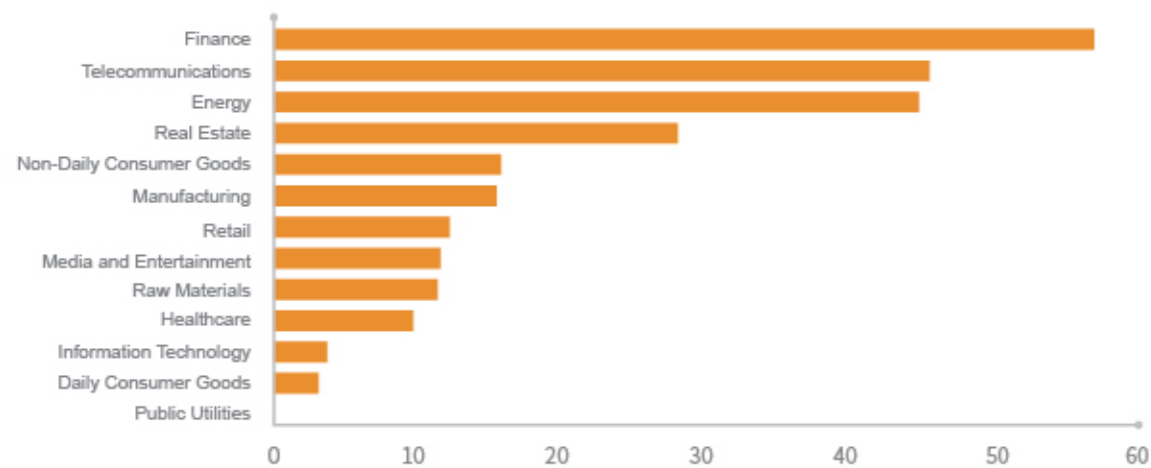


Industry Distribution of M&A Volume in the CIS Countries (Transactions)

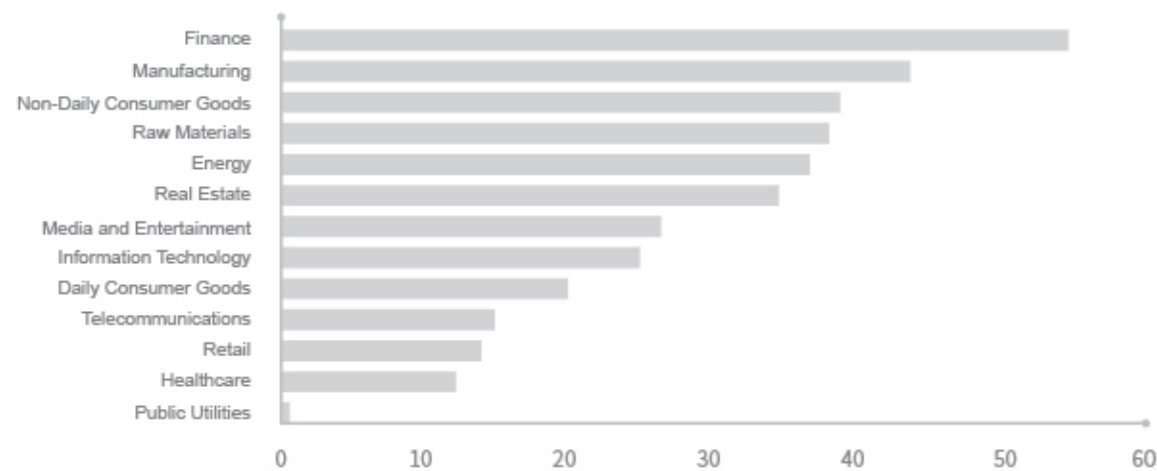


Industry Distribution of M&A Volume in Western Asia (Transactions)

In terms of the value of deals, the financial, telecommunications, and energy industries were the major focus of foreign M&A investment into Central and Eastern Europe. In terms of the volume of deals, the global M&A activity in Central and Eastern Europe featured a large volume of transactions involving consumer chemical products, which was closely linked to the industrial distribution in this region.



Industry Distribution of M&A Value in Central and Eastern Europe (\$US Billion)



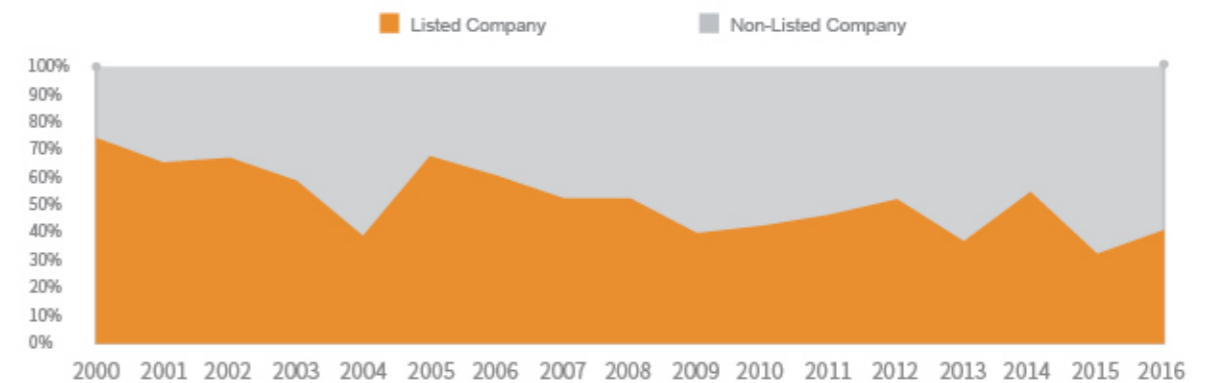
Industry Distribution of M&A Volume in Central and Eastern Europe (Transactions)

TARGET COMPANIES BY CATEGORY >

From the perspective of the value of deals, the value of global M&A investment into listed companies in all Belt countries reached its peak before the 2008 financial crisis. After a slight recovery between 2009 and 2013, the value of such investment went downward again from 2013 to 2016. At present, the M&A market for listed companies remains sluggish. From the perspective of relative share, the proportion of the value of global M&A investment into listed companies across all Belt countries represents over 70% of the total in 2000, but fluctuated downward after 2000 to a level of 41.38% in 2016. This trend is expected to continue in the future.



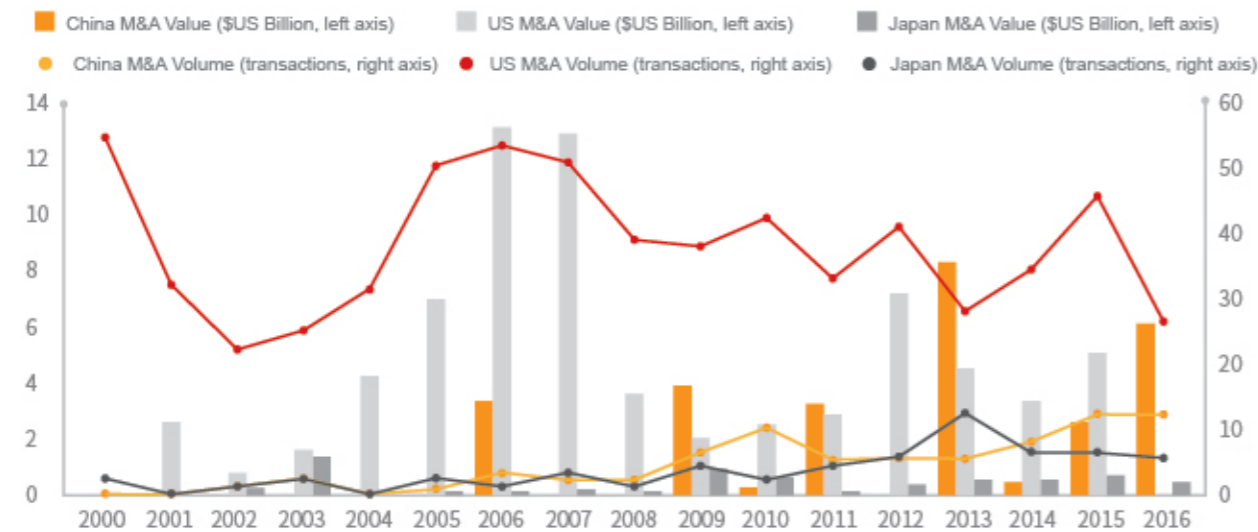
Size of Cross-Border M&A Investment in the Belt Countries



Proportions of Cross-Border M&A Value and Volume in the Belt countries

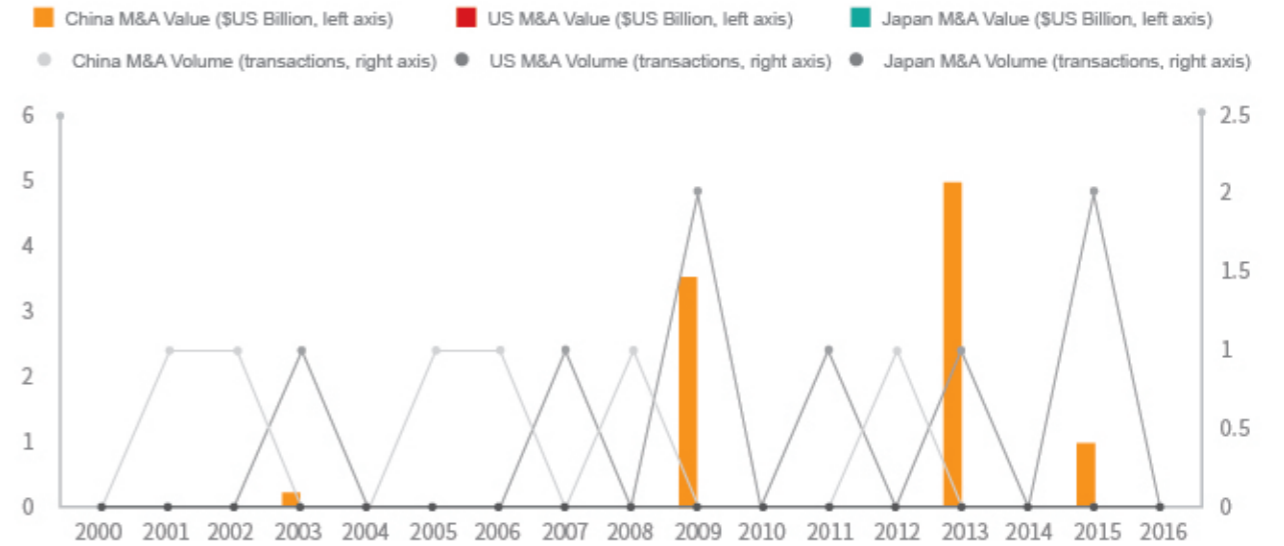
ACQUIRERS >

The United States, Japan and China are three major economies in the world. The US and Japan are actively promoting their regional strategies. Therefore, it is necessary to analyze the outbound M&A activities in the Belt regions carried out by the two countries. In terms of the value of cross-border M&A deals, the US played a leading role in the in Belt countries prior to 2008. The leading position of the US is now rivaled by China as it became one of the most important acquirers in these countries after 2009. China's outbound M&A deals were worth USD 8 billion in 2013, ranking it the first among all other acquiring countries in the same regions. In terms of the volume of cross-border M&A deals, the US remains the most active acquirer in Belt countries, whose completed deals were far more in number than that of China and Japan. This fact indicates that most outbound M&A deals made by China in Belt countries were of large value.



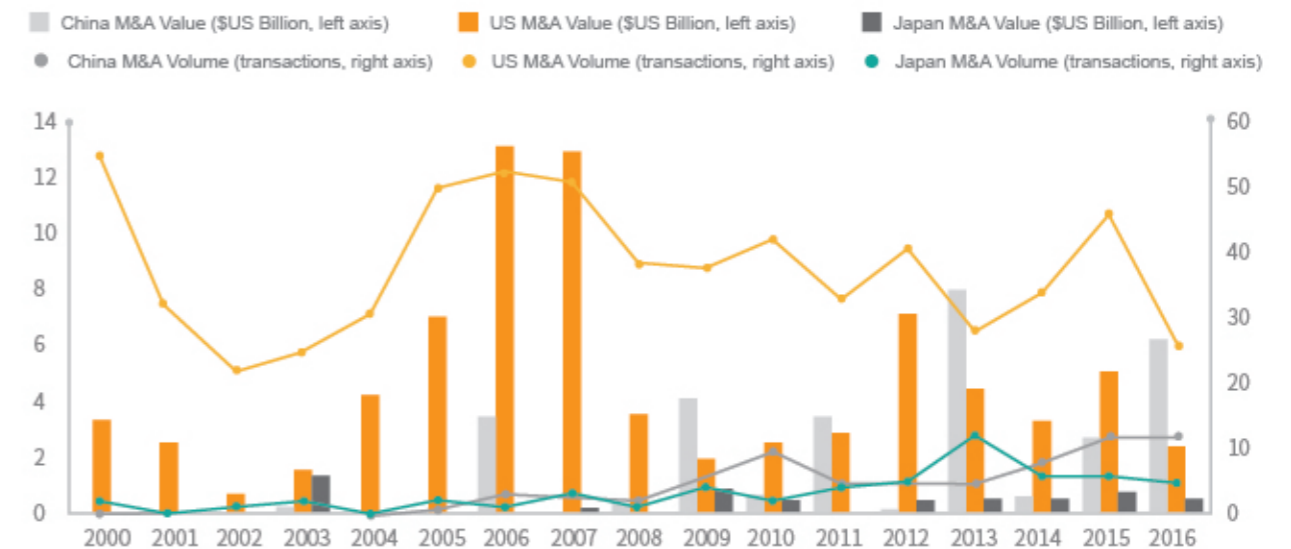
Cross-Border M&A in the Belt Countries from China, US, and Japan

The US and Japan were less interested in outbound M&A in Central Asia than China. In 2009, the value of China's outbound M&A investments in Central Asia was USD 3.54 billion. This figure reached USD 5 billion in 2013 and close to USD 1 billion in 2015. From the perspective of the volume of deals, however, China just had one outbound M&A deal in Central Asia in 2013, worth USD 5 billion. Since China is interested in energy resources in Central Asia, China has become the major acquirer in this region. Moreover, China's strategy to make M&A investments of high value will change the whole M&A landscape in Central Asia.



Cross-Border M&A in Central Asia from China, US, and Japan

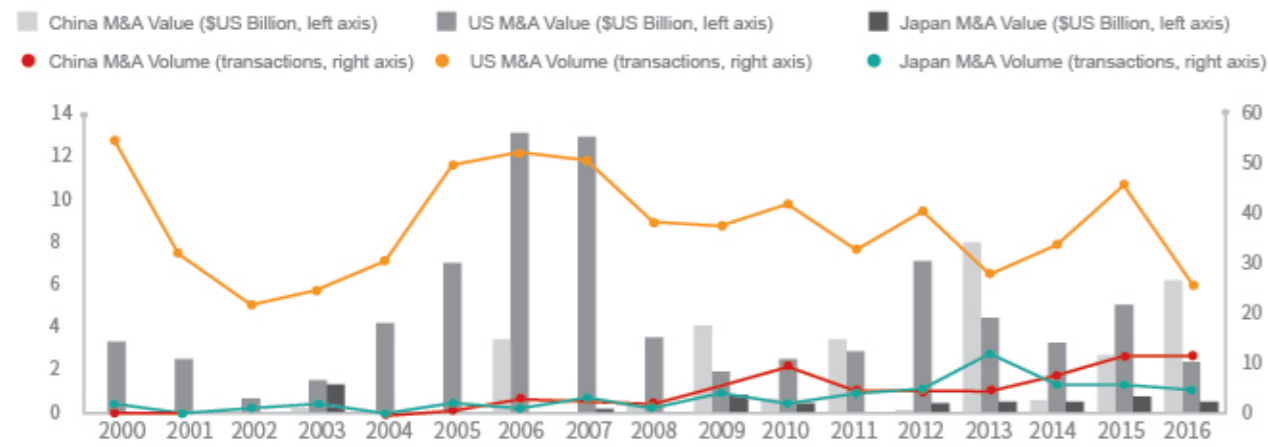
China, the U.S. and Japan have made less outbound M&A investment into the CIS countries since 2008. Similar to its M&A activity in Central Asia, China's M&A investments in the CIS countries were capital-intensive. For example, during this period, China completed one outbound M&A deal worth USD 3.5 billion in the CIS region, and this deal was made in the energy industry.



Cross-Border M&A in the CIS Countries from China, US, and Japan

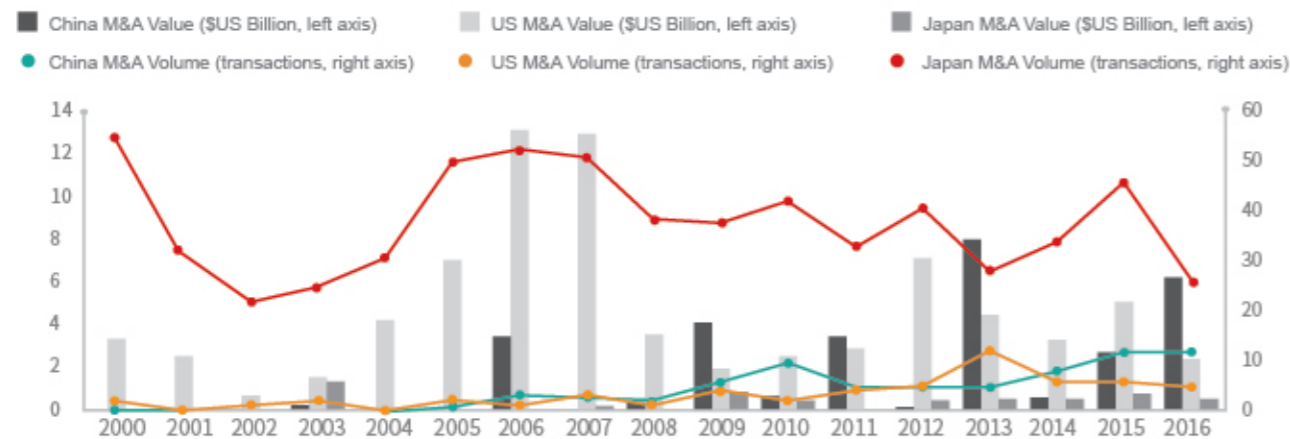
2 CROSS-BORDER M&A ALONG THE SILK ROAD ECONOMIC BELT

In terms of the value of outbound M&A investment, it was the US that led the way in Western Asia before 2011. Afterwards, the value of China's outbound M&A deals in this region climbed to in excess of USD 1 billion for the first time. Then it fluctuated upwards with a compound growth rate of around 12% for five (5) years and reached USD 5.8 billion in 2016, accounting for more than a quarter of the total value of USD 21.2 billion invested in Western Asia. In terms of the volume of outbound M&A investment, the US was the most active player in this region. China just completed less than 5 M&A deals each year in the same region but each deal was of high value.



Cross-Border M&A in Western Asia from China, US, and Japan

Similar to its strategy in Western Asia, the US dominated outbound M&A activity in Central and Eastern Europe before 2009 and China did not participate at all. In 2010, China completed its first outbound M&A investment into Central and Eastern Europe and surpassed the US in the value of M&A investment in 2010 and 2011. The dominant status of the US as an M&A player in Central and Eastern Europe may not last for long, as its investment strength is diminishing.



Cross-Border M&A in Central and Eastern Europe from China, US, and Japan





03

CROSS-BORDER M&A ALONG THE 21ST CENTURY MARITIME SILK ROAD

Cross-border M&A along the 21st Century Maritime Silk Road had a number of key features. The size of cross-border M&A in the Road regions expanded rapidly before the financial crisis in 2008 but shrank afterwards after being hit by the crisis. In 2010, it started to recover and reached a period peak level in 2015. In terms of regional distribution across Road countries, most outbound M&A investment flowed to ASEAN and their volume accounted for 47% of the total in all Road countries. The top five (5) industries that attracted the highest value of cross-border M&A were the financial, energy, telecommunications, industrial and consumer goods industries. Specifically, the financial sector, followed by the consumer goods industry, attracted the largest scale of cross-border M&A investments in ASEAN. In South Asia, the industrial sector attracted the most M&A activity. Cross-border M&A investment into listed companies was larger in size but smaller in volume than that into non-listed companies. In addition, cross-border M&A investment into non-listed companies across ASEAN was larger both in size and volume than that in other Road regions. In contrast, across South Asia, such investments into non-listed companies were larger in both size and volume. From the perspective of acquirers, the U.S. had always been the major investor across all Road countries. Japan has been more active in ASEAN than either China or the US. After 2013, China's outbound investments climbed gradually in size across all Road regions.

OVERVIEW >

After 2004, cross-border M&A investment in Road countries rapidly expanded until the 2008 financial crisis. Investment increased gradually again after 2010. Cross-border M&A investment in Road countries totaled USD 54.2 billion in 2016, slightly lower than in 2015.

From 2000 to 2016, cross-border M&A investment in Road countries reached USD 742. billion, comprised of 8,871 completed M&A transactions.

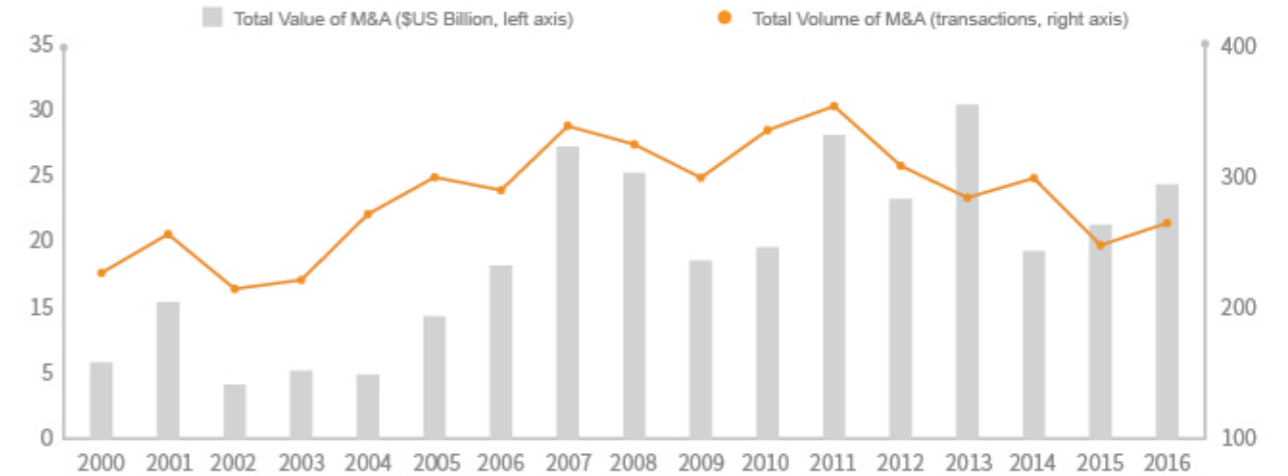


Value and volume of cross-border M&A in the Belt regions

REGIONAL DISTRIBUTION >

ASEAN countries

Cross-border M&A investment in ASEAN countries expanded rapidly after 2004 but decreased between 2007 and 2009. Afterwards it experienced fluctuations for a long time. In 2016, foreign investors invested at USD 54.2 billion in cross-border M&A deals in ASEAN countries and completed 603 deals, lower than in previous years, because the number of deals started to fluctuate downward in 2011. From 2000 to 2016, the cumulative value of cross-border M&A in ASEAN countries reached USD 283.1 billion and a total of 4,183 deals were completed, which made ASEAN the leading region for cross-border M&A investment among all Road regions.

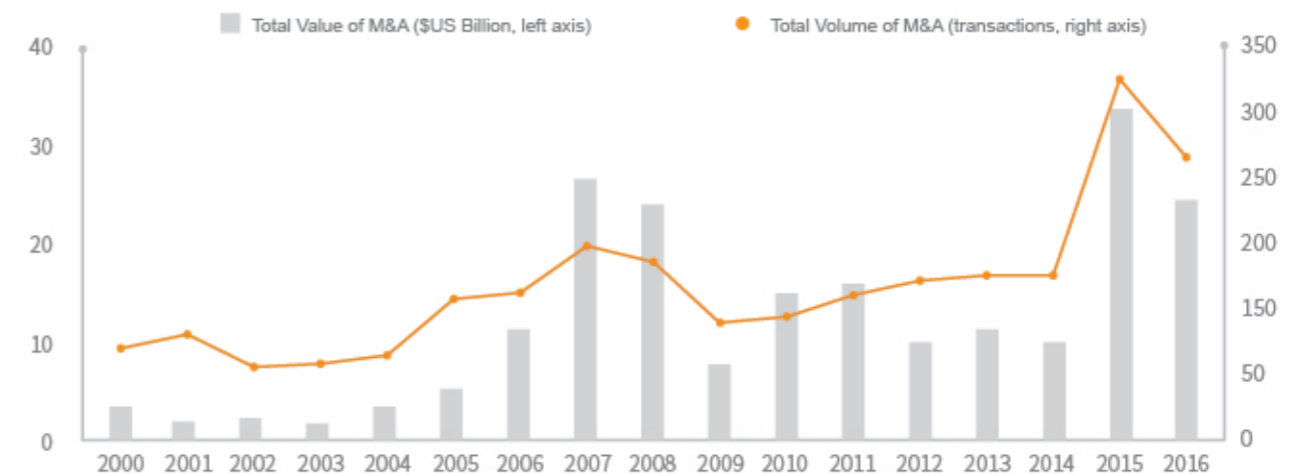


Value and volume of cross-border M&A in ASEAN

South Asia

Cross-border M&A investment in South Asia started to rise in 2003. Due to the impact of the 2008 financial crisis, both the value and volume of cross-border M&A in this region experienced drastic fluctuations. In 2015, the value and volume reached of cross-border M&A reached their peak but then dropped to USD 24.57 billion and 254 respectively in 2016.

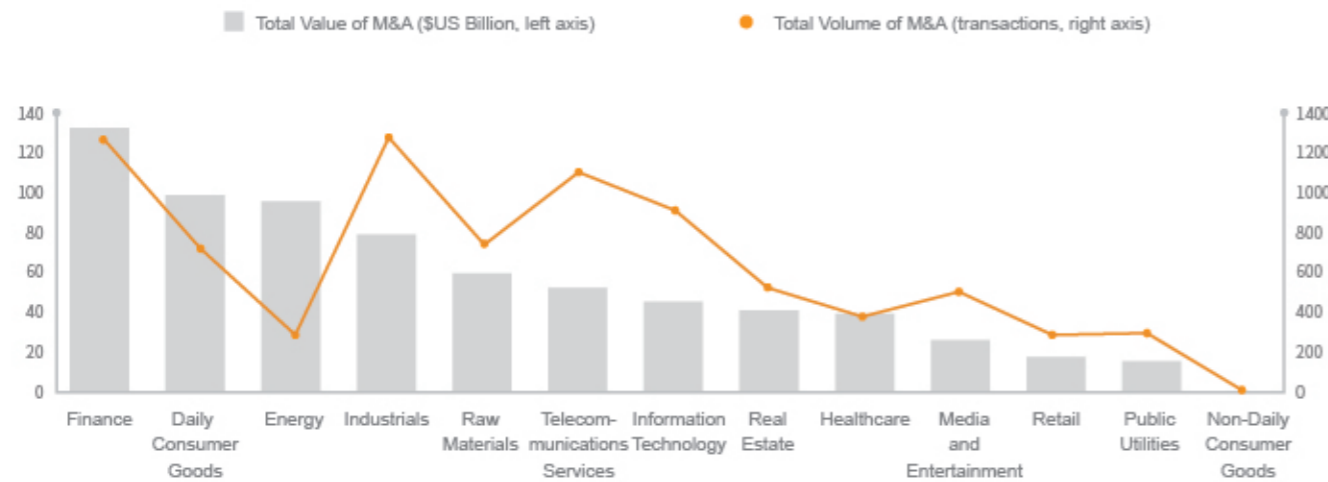
Cumulative cross-border M&A investment in South Asia totaled USD 206.6 billion, with a total of 792 completed deals.



Value and volume of cross-border M&A in South Asia

INDUSTRY DISTRIBUTION >

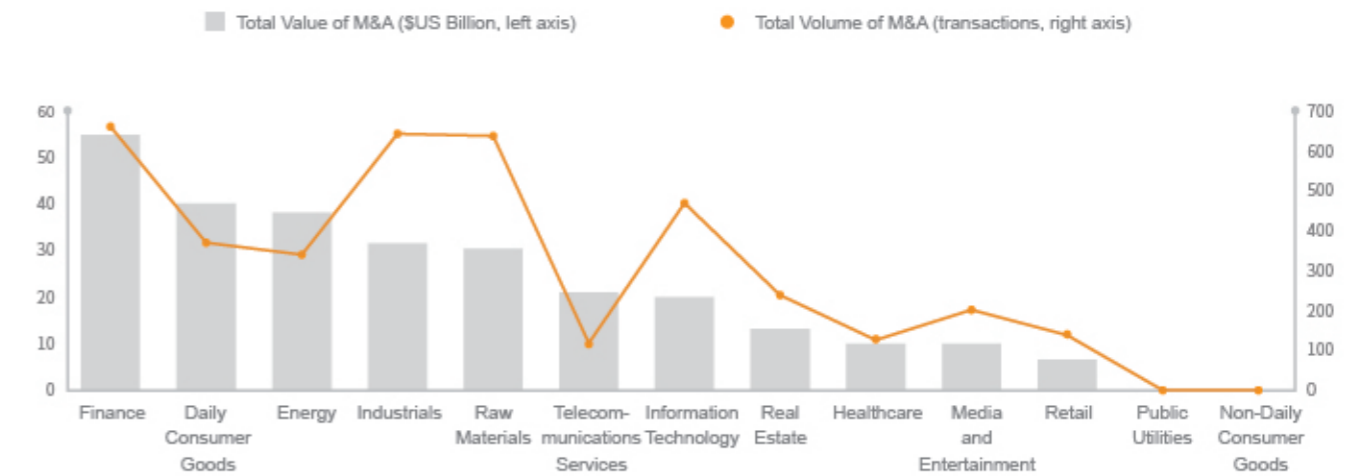
Finance, energy and telecommunications were three major sectors that received the most cross-border M&A investment in the Road regions at USD 132.3 billion, USD 99.3 billion, and USD 96.5 billion respectively. The number of deals completed in the energy and telecommunications industries was relatively small, but each of them was worth a large amount of money.



Cross-border M&A Value and Volume By Industry

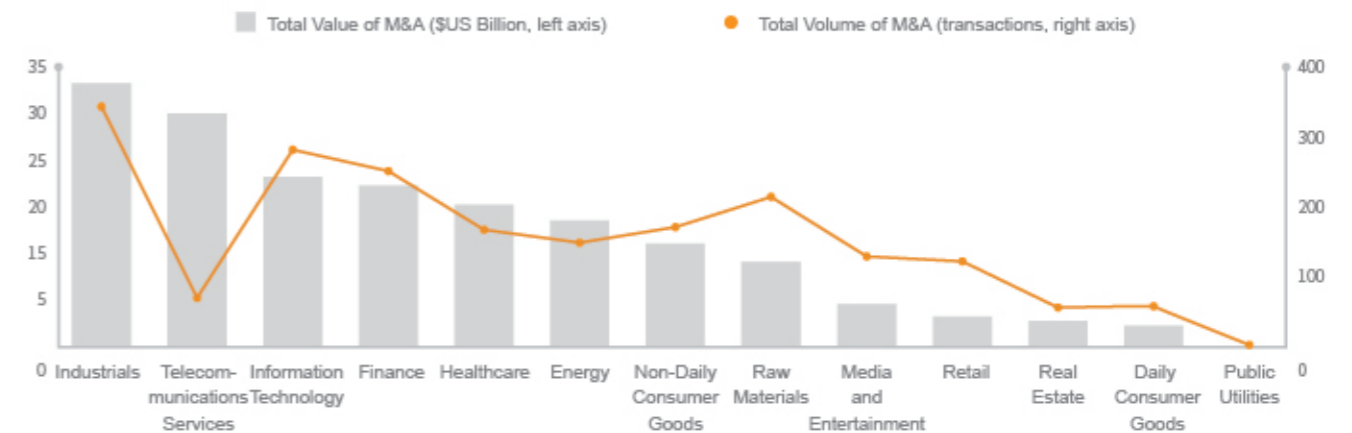
ASEAN Countries

The top three industries for cross-border M&A investment in ASEAN countries were financial, consumer goods, and energy sectors, which received USD 55 billion, USD 40.2 billion, and USD 38.5 billion respectively. Financial and industrial sectors were where more deals were completed, topping at 655 and 642 respectively.



Cross-border M&A Value and Volume By Industry in ASEAN Countries

The top three industries by value of cross-border M&A in South Asia were the industrial, telecommunications, and information technology sectors which received investments of USD 32.9 billion, USD 29.7 billion and USD 21.3 billion respectively. Foreign acquirers completed more deals in the industrial sector while the telecommunications sector received a larger amount of investment per each M&A project.



Cross-border M&A Value and Volume By Industry in South Asian Countries

TARGET COMPANIES BY CATEGORY >

Overview

1 Cross-border M&A investment into listed companies in the Road regions totaled USD 424.5 billion, larger than into non-listed companies at USD 317.9 billion. The number of completed deals of listed companies was just 4,183, lower than the 4,688 transactions involving non-listed companies. The value of each cross-border M&A transaction involving a listed company was larger than that of a non-listed company.

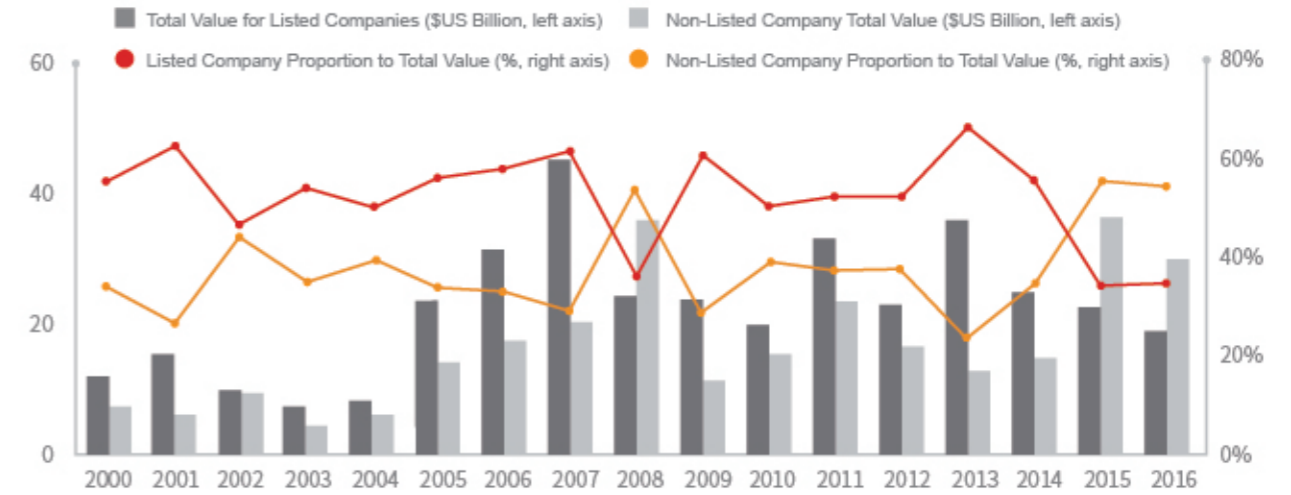


Proportion of Cross-border M&A Value in the Road Countries, by the category of target companies



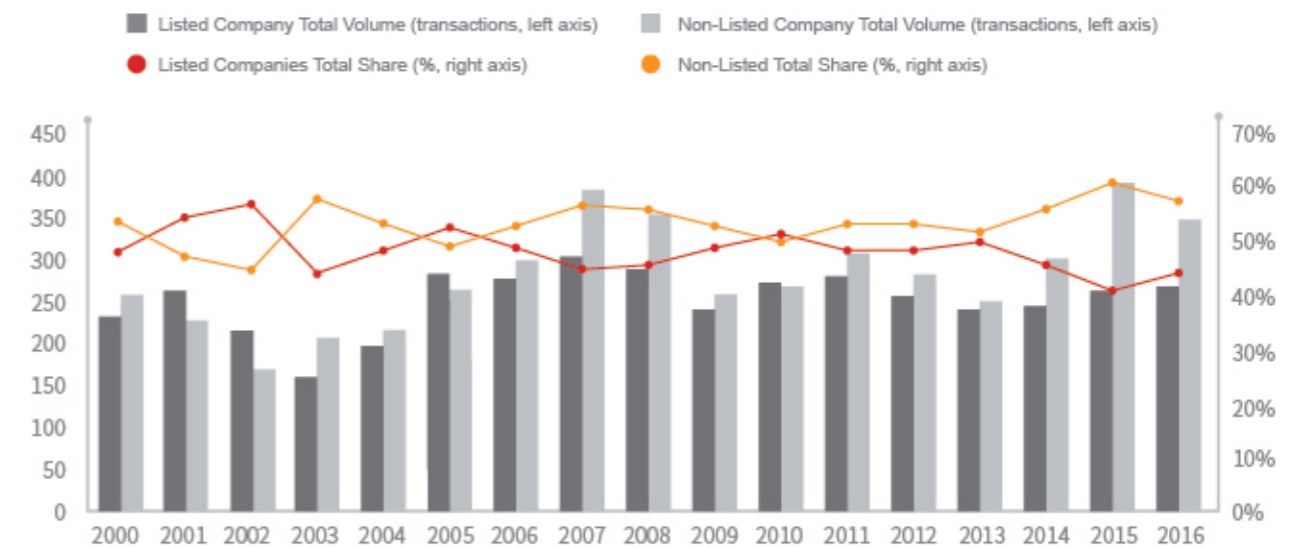
Proportion of Cross-border M&A Volume in the Road Countries, by the category of target companies

2 Cross-border M&A investment into listed companies in the Road regions peaked in 2007 at USD 50 billion before dropping in 2008. After 2008, global acquirers gradually shifted their focus to non-listed companies. On the whole, between 2000 and 2016, the portion of listed companies that received cross-border M&A investment in the Road regions was larger than that of non-listed companies. After 2013, the portion of non-listed companies increased and surpassed that of listed companies in 2015.



Distribution of Cross-border M&A Value in the Road Countries, by the category of target companies

3 The number of cross-border M&A transactions involving listed companies in the Road regions was slightly smaller than concerning non-listed companies after 2003, except otherwise in 2005 and in 2010, and reached its peak in 2015. The number had fluctuated slightly since 2005.



Distribution of Cross-border M&A Volume in the Road Countries, by the category of target companies

ASEAN countries

- The cross-border M&A investment targeting listed companies in ASEAN countries reached USD 213.7 billion, accounting for 75% of all cross-border M&A investment in this region. The number of cross-border M&A transactions concerning listed companies, however, was just 169 more than for listed companies, which indicates that the average value of M&A transactions targeting listed companies was much higher than that involving non-listed companies.

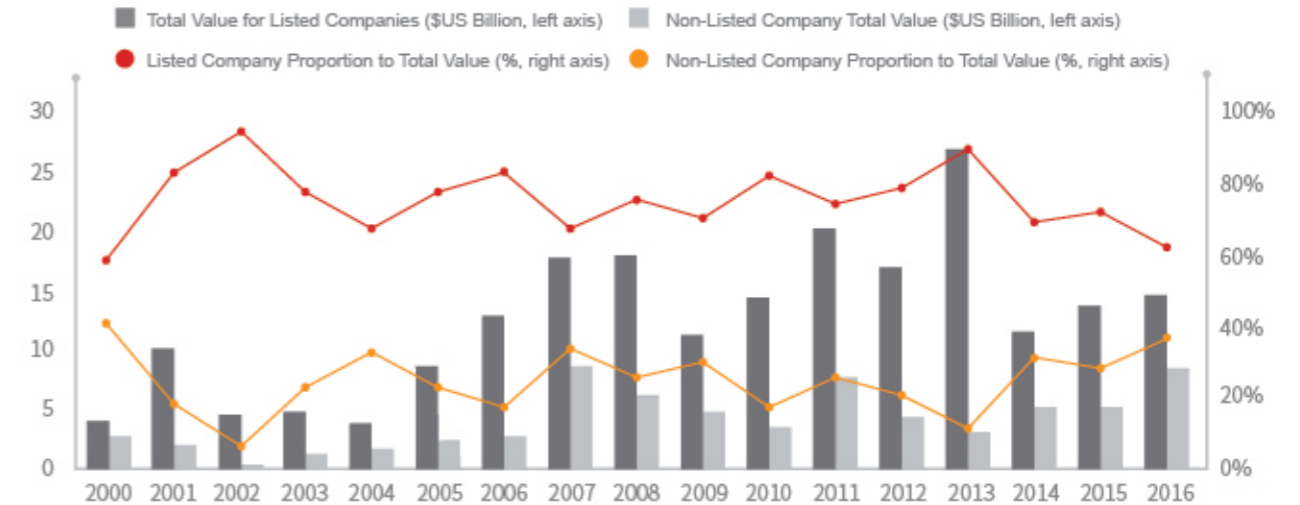


Proportion of Cross-border M&A Value in ASEAN Countries, by the category of target companies



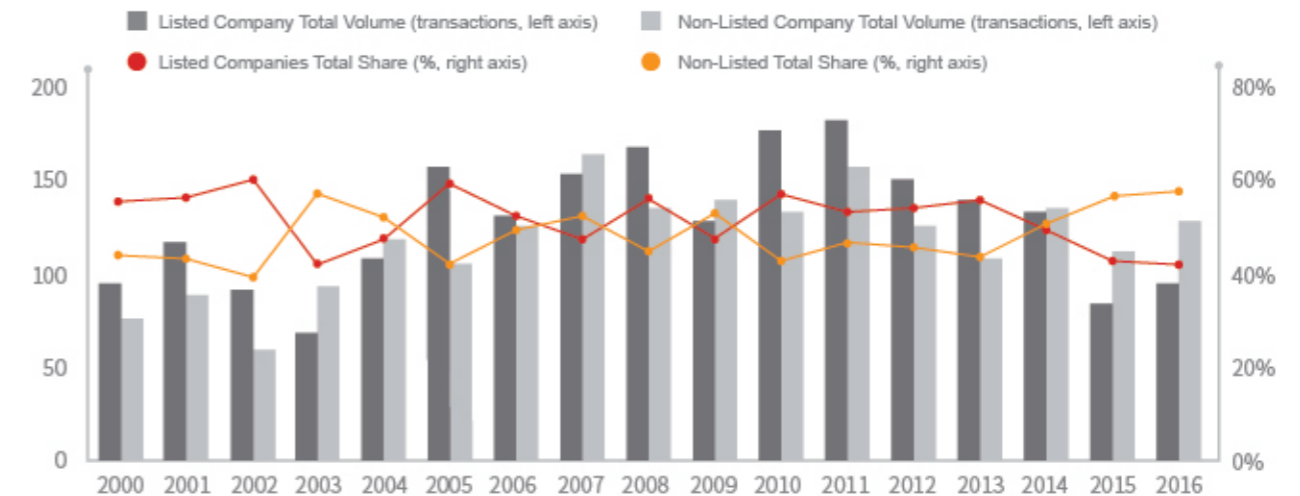
Proportion of Cross-border M&A Volume in ASEAN Countries, by the category of target companies

- Listed companies in ASEAN countries have received a majority of cross-border M&A investment, with their portion over 50% in all years except 2000. After 2013, the portion of non-listed companies started to rise. After the 2008 financial crisis, cross-border M&A investment into both listed and non-listed companies in ASEAN shrank, but the investment into listed companies has recovered quickly since 2009 and reached its peak at USD 26.8 billion in 2013.



Distribution of Cross-border M&A Value in ASEAN Countries, by the category of target companies

- There is no significant difference between the portion of listed and non-listed companies in cross-border M&A transactions, with both fluctuating around 50%. After 2009, more such transactions were completed targeting listed companies than non-listed companies up until 2014.



Distribution of Cross-border M&A Volume in ASEAN Countries, by the category of target companies

Southern Asia

1 The value of cross-border M&A targeting non-listed companies in South Asia reached USD 135.1 billion, larger than that of listed companies at USD 71.5 billion. In addition, a total of 1,269 cross-border M&A transactions targeting non-listed companies were completed, still more than the 1,038 transactions targeting listed companies.

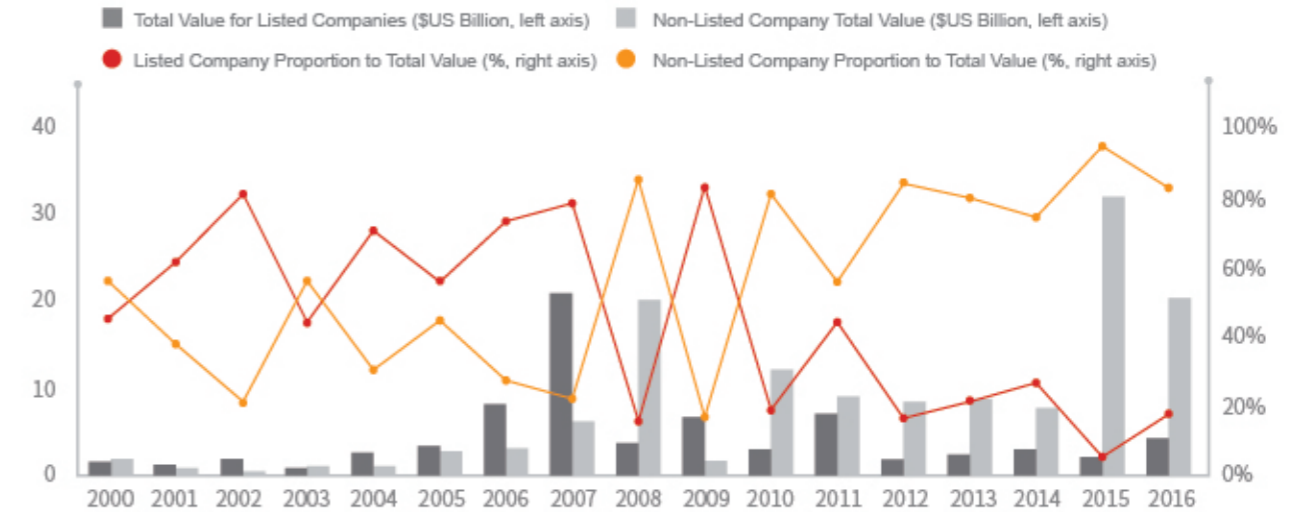


Proportion of Cross-border M&A Value in Southern Asia, by the category of target companies



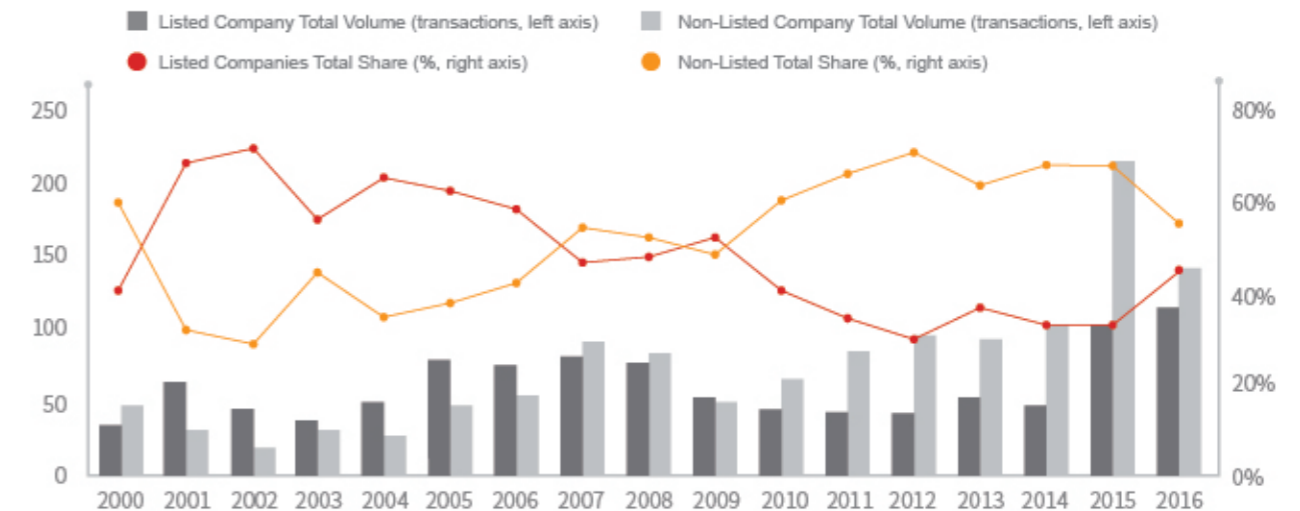
Proportion of Cross-border M&A Volume in Southern Asia, by the category of target companies

2 The value of cross-border M&A targeting listed companies in South Asia was larger than the value of transactions involving non-listed companies before 2008, but smaller than after 2009. In addition, the absolute value of cross-border M&A targeting listed companies was smaller than that of non-listed companies after 2007. Although cross-border M&A investment into non-listed companies was at a relatively high level, it declined sharply the following year. Afterwards, it fluctuated upwards and peaked in 2015 before dropping once again in 2016.



Distribution of Cross-border M&A Value in Southern Asia, by the category of target companies

3 Before 2007, the number of cross-border M&A transactions targeting non-listed companies in South Asia was smaller than that of listed companies. Since 2009, the number has risen year-by-year and peaked in 2015.

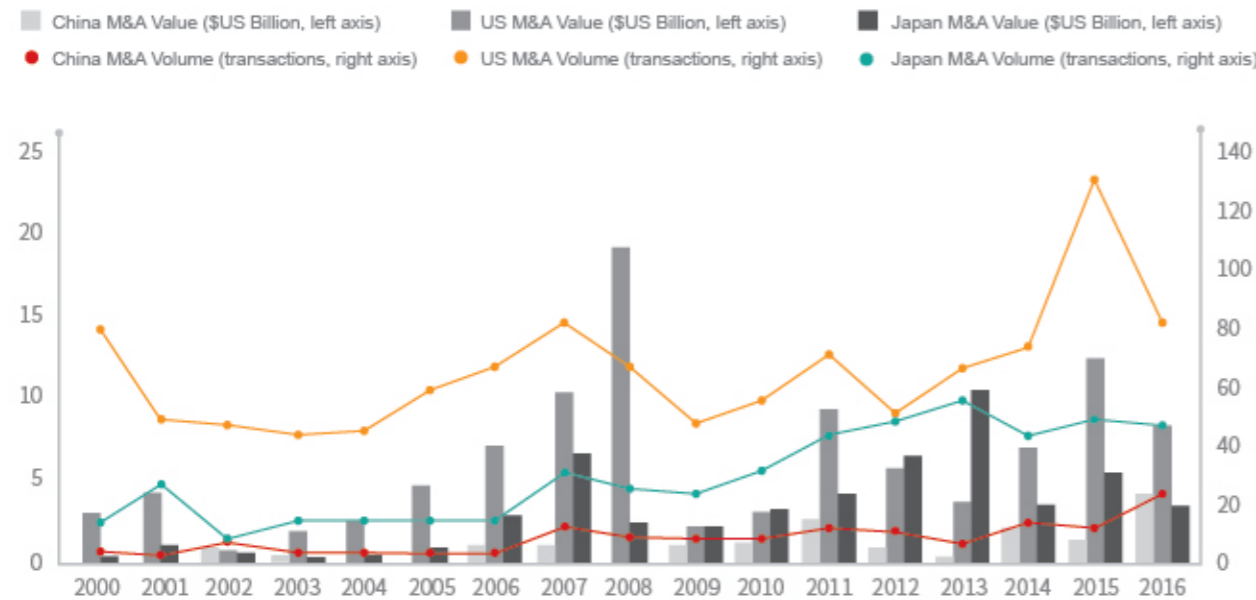


Distribution of Cross-border M&A Volume in Southern Asia, by the category of target companies

ACQUIRERS >

Overview

Before the 2008 financial crisis, US cross-border M&A investment in Road countries experienced an upward trend and reached its peak at USD 19.1 billion in 2008. After the 2008 financial crisis, investment decreased sharply by 93.8% although it recovered to USD 4.82 billion in 2016. The number of US-sourced cross-border M&A transactions in Road countries dropped by 12. Japan-sourced cross-border M&A investment in the Road regions started trending upward in 2009 and reached USD 10.4 billion in 2013. Afterwards, both the value and volume of its outbound M&A in the Road regions fell, with the former dropping more. The value and volume of China-sourced cross-border M&A in Road countries was smaller than that of the US and Japan, but Chinese investment started to climb after 2013. The value reached USD 4.1 billion and the volume reached 21 transactions in 2016.



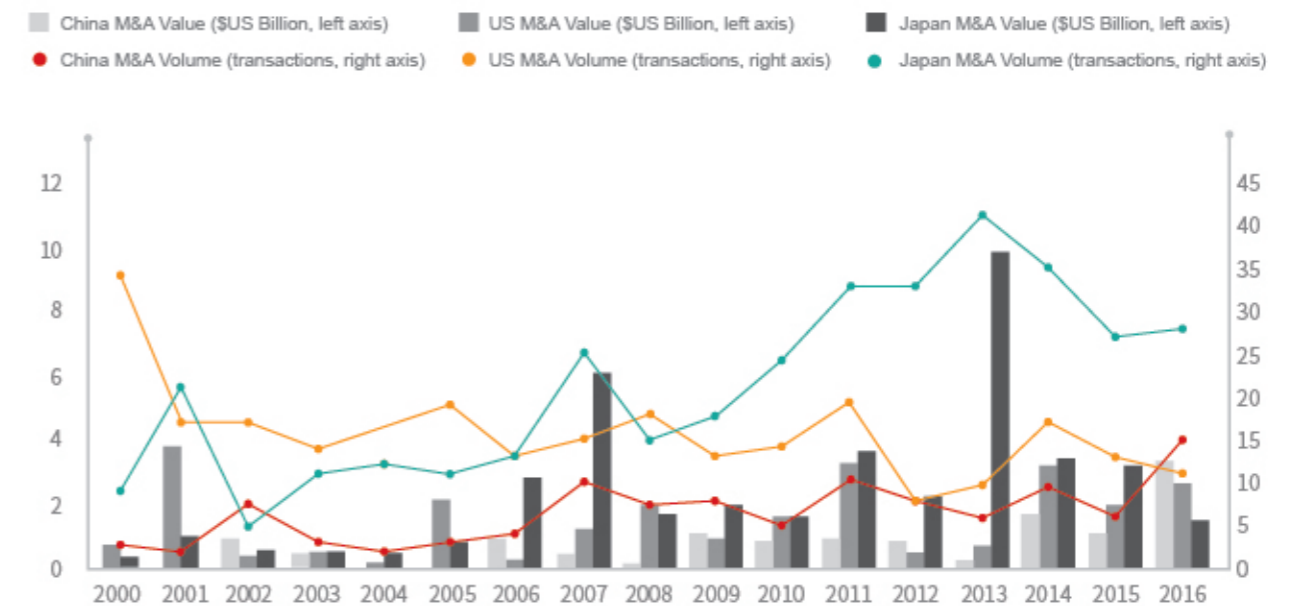
Value and Volume of Cross-Border M&A from China, US and Japan in the Road regions

ASEAN Countries

Before 2006, the value and volume of US-sourced M&A in ASEAN countries was larger than M&A activity sourced from either China or Japan. During the period from 2000 to 2016, however, the number of US-sourced M&A transactions in this region has trended downward.

As an important strategic stronghold in Southeast Asia, the ASEAN region has been a popular destination for Japan's outbound M&A investment. After 2008, Japan surpassed the United States and China in terms of the value of its cross-border M&A in this region, which reached USD 9.9 billion in 2013.

The value and volume of China's M&A in ASEAN was smaller than that of the US and Japan, but it began to rise after 2013. The value reached USD 3.4 billion and the volume reached 15 transactions in 2016.



Value and Volume of Cross-Border M&A from China, US and Japan, in ASEAN

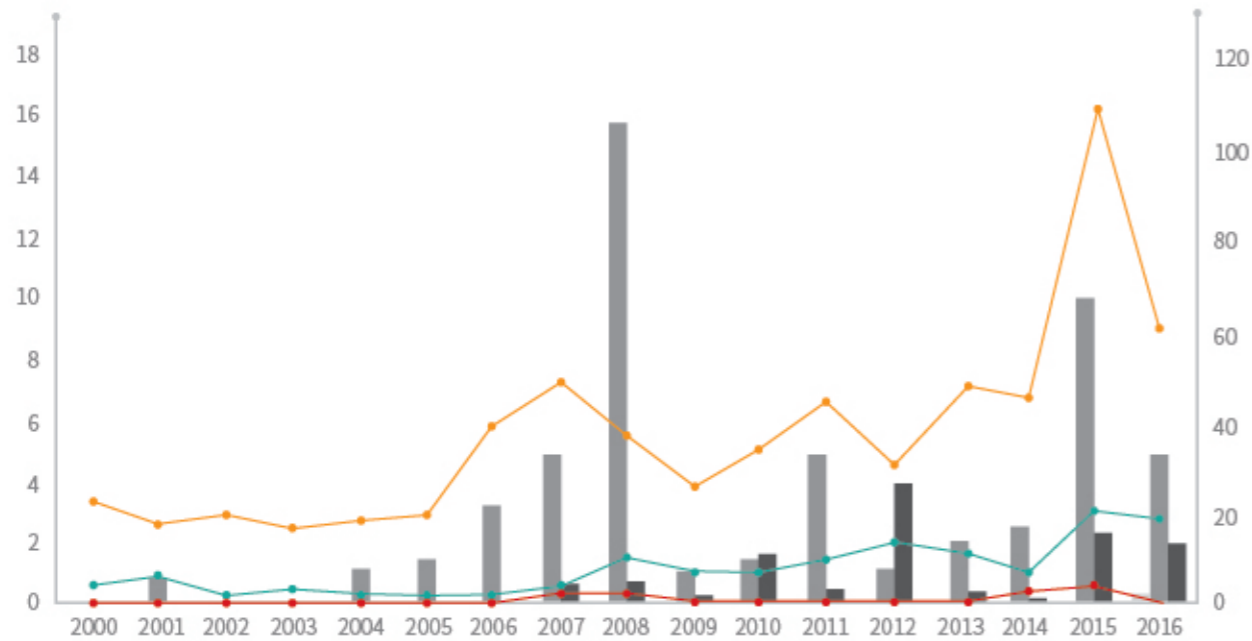
South Asia

Before the 2008 financial crisis, US M&A investment in South Asia was on an upward trend and reached its peak at USD 15.7 billion in 2008. Due to the impact of the financial crisis that year, however, the trend went downward thereafter, but the US remained the leading acquirer in South Asia.

Japan seemed less interested in making M&A investment in South Asia and its M&A investment peaked at just USD 3.9 billion in 2012.

China also completed a relatively small number of M&A transactions in South Asia, with four (4) closed in 2015 and no more than 2 completed in the remaining years.

■ China M&A Value (\$US Billion, left axis) ■ US M&A Value (\$US Billion, left axis) ■ Japan M&A Value (\$US Billion, left axis)
 ● China M&A Volume (transactions, right axis) ● US M&A Volume (transactions, right axis) ● Japan M&A Volume (transactions, right axis)



Value and Volume of Cross-Border M&A from China, US and Japan, in Southern Asia



MAJOR TARGET COUNTRIES FOR CROSS-BORDER M&A

The top ten countries that attracted the most cross-border M&A investment across the Belt and Road regions were Russia, India, Turkey, Poland, Singapore, the Czech Republic, Indonesia, Egypt, Israel, and Malaysia. Combined, the investments they received accounted for 72.11% of total value of cross-border M&A in all Belt and Road countries. Most cross-border M&A investment in Russia and Turkey was directed at the energy industry and financial sector respectively. In the other three (3) top countries, investment was dispersed across all sectors. In India, global acquirers preferred to invest in telecommunications services, energy and the healthcare industry. In Singapore, investors preferred the consumer goods, industrial, information technology and financial sectors. In Poland, investors preferred the financial, real estate and telecommunication sectors. From the perspective of cross-border M&A value, most cross-border M&A investment targeted listed companies in the above-mentioned top five (5) countries. From the perspective of the volume of cross-border M&A, most deals targeted non-listed companies in Russia and Turkey, and targeted listed companies in Poland and Singapore, and nearly equally targeted both kinds of companies in India. The US was the leading acquirer in the top five countries (5) with the most cross-border M&A investment.

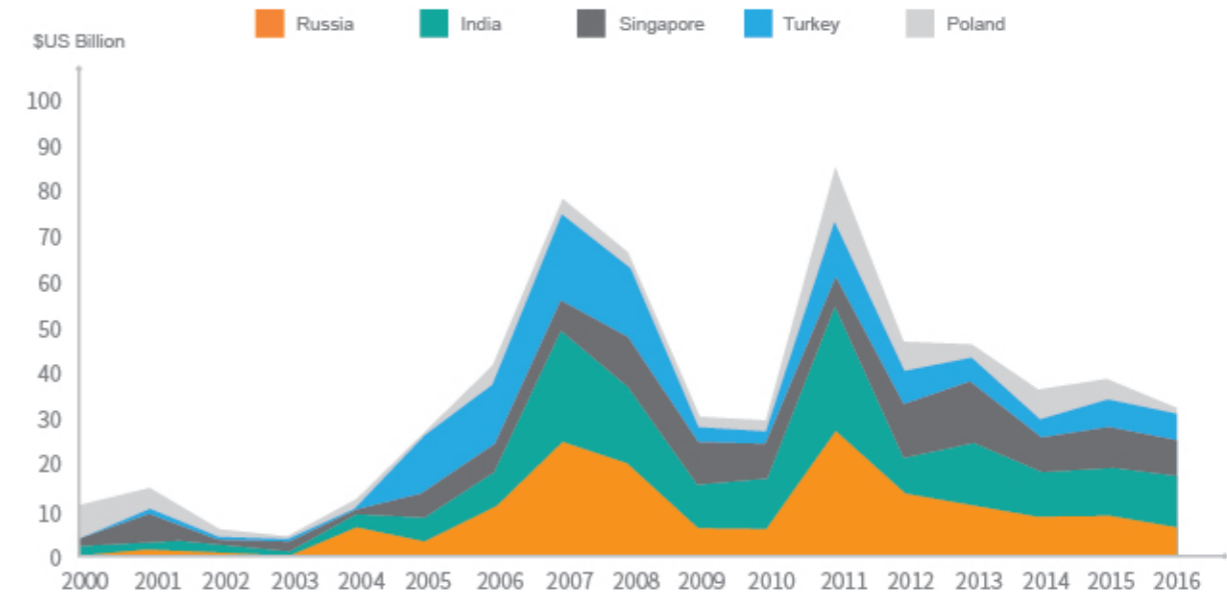
OVERVIEW >

The top five (5) countries that attracted the most cross-border M&A investment across the Belt and Road regions were: Russia, India, Turkey, Poland and Singapore. Combined, the investment they received totaled USD 640.961 billion, accounting for 48.80% of the total value of cross-border M&A across all Belt and Road countries. Countries ranked from fifth (5th) to tenth (10th) were the Czech Republic, Indonesia, Egypt, Israel, and Malaysia. Combined, the investment they received accounted for 72.11% of the total value of all cross-border M&A across all Belt and Road countries. China's M&A investment in the top five (5) countries represented 78.70% of its investment in all Belt and Road countries, which indicated that China's investment was more concentrated in certain regions than other global acquirers.

Country	Total M&A Value (USD billion)	Proportion to the total value of "The Belt and Road" M&A
Russia	181.28	13.80%
India	161.91	12.33%
Turkey	118.80	9.04%
Poland	108.60	8.27%
Singapore	70.36	5.36%

SIZE OF CROSS-BORDER M&A INVESTMENT >

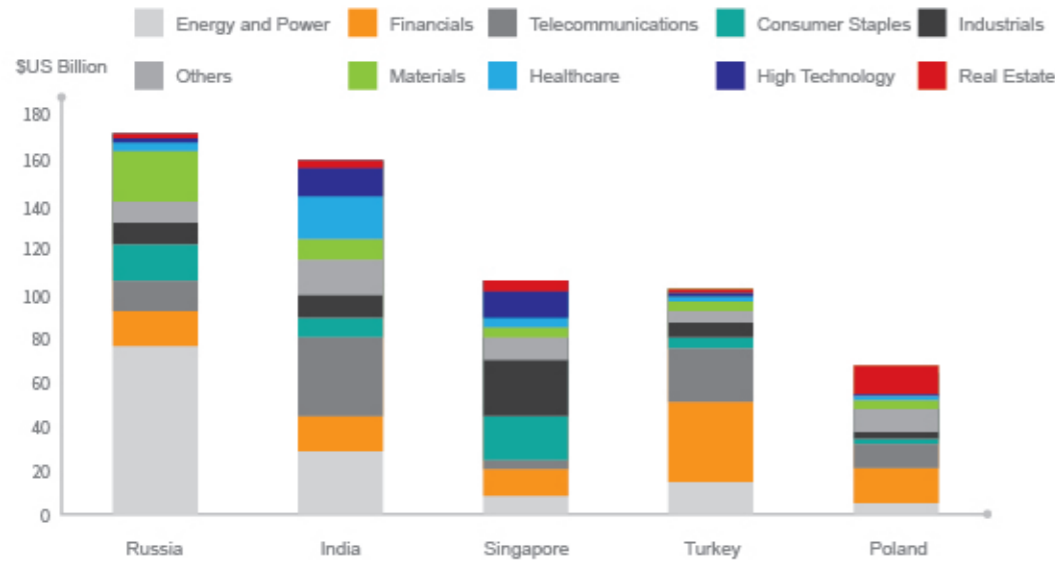
Cross-border M&A investment in the above-mentioned top five (5) countries reached its peak in 2007 and 2011, largely due to the impact of the 2008 financial crisis and the subsequent European debt crisis. The size of investment in Russia and India started to rise in 2006. India surpassed Russia in the amount of cross-border investment they received in recent years. The investment in Singapore did not experience sharp fluctuations when compared with the other four (4) countries. The cross-border M&A investment Turkey received reached its peak level between 2005 and 2008. It remained steady in spite of a slight drop in recent years. Poland received the largest amount of global M&A investment in 2000 and 2001, but then the amount started to fall from 2002 to 2011, until recent years when it recovered a little.



Cross-Border M&A value in Five Major Countries

INDUSTRY DISTRIBUTION >

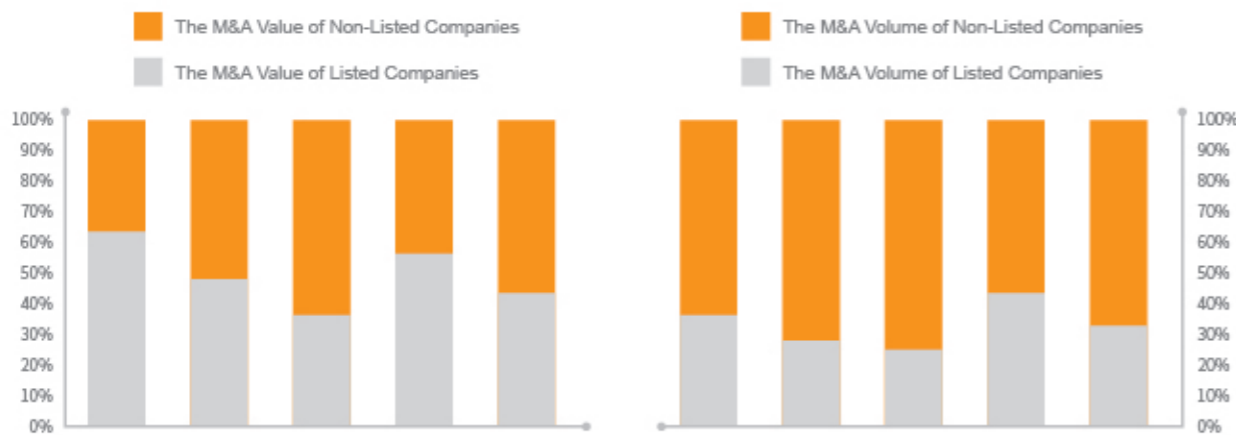
Cross-border M&A investment in Russia was mostly directed in the energy industry. This investment reached USD 77.881 billion between 2000 and 2016. In addition, the raw materials, financial and daily consumer goods industries were also leading areas for cross-border M&A investment. In India, cross-border M&A investment was distributed across various sectors, mainly in the telecommunications, energy, and healthcare industries. Between 2000 and 2016, the investment directed at those three (3) major industries reached USD 35.454 billion, USD 28.309 billion, and USD 21.675 billion respectively. In addition, the finance and information technology industries were another two sectors that received much cross-border M&A investment. In Singapore, cross-border M&A investment was distributed across the daily consumer goods, industrial, information technology and financial industries. In Turkey, on the contrary, investment was more concentrated in the financial sector, totaling USD 41.348 billion between 2000 and 2016. The energy and telecommunications industries in Turkey also received some cross-border M&A investment. Cross-border M&A investment in Poland followed the same pattern, which was distributed across the financial, real estate, and telecommunications sectors.



Cross-Border M&A Value in Top 5 Countries by industry

TARGET COMPANIES BY CATEGORY >

Most cross-border M&A investment targeted listed companies among the top five (5) countries, especially in Singapore, India, and Poland. But most cross-border M&A transactions targeted non-listed companies in Russia and Turkey and listed companies in Singapore and Poland. In India, the volume of cross-border M&A was evenly distributed for both listed and non-listed companies.

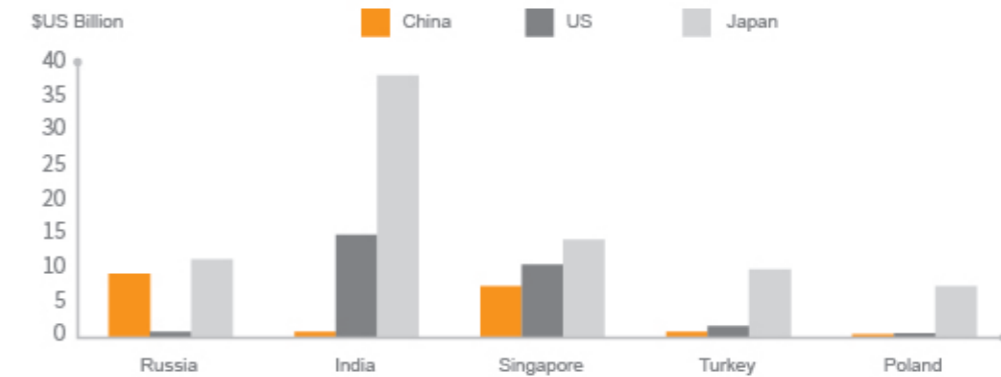


The Distribution of Listed/ Non-listed Companies by M&A Value

The Distribution of Listed/ Non-listed Companies by M&A Volume

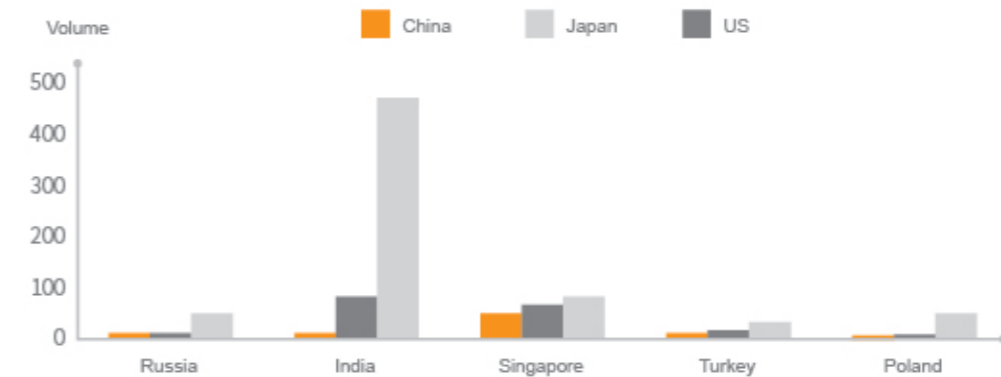
ACQUIRERS >

The United States was the leading acquirer for the abovementioned top five (5) countries by the size of its cross-border M&A investment. Of all such investment received by Russia, 5.89% was sourced from the US and 4.71% from China. For India, the US and Japan were the leading acquirers, accounting for 22.80% and 9.17% respectively of the total investment they received. For Singapore, 12.15% of the cross-border M&A investment it received was sourced from the US, 8.63% from Japan, and 5.53% from China. For Turkey and Poland, 8.97% and 9.87% were sourced from the US respectively.



The Distribution of Source Countries by M&A Value

China just completed a few M&A transactions in Russia but the average value of each transaction was relatively large.



The Distribution of Source Countries by M&A Volume

An aerial photograph of a red and white hot air balloon floating over a vast, dense forest. The balloon is positioned on the left side of the frame, with its basket and ropes visible. The forest below is a mix of green and brown, suggesting a transition in seasons. In the upper right corner, the number '05' is displayed in a large, light grey font, with a downward-pointing chevron symbol below it.

05

MAJOR TARGET INDUSTRIES FOR CROSS-BORDER M&A

The top five (5) industries that received the most cross-border M&A investment in Belt and Road countries were the finance, energy, telecommunications, industrial and raw materials sectors. Cross-border M&A investment in the financial sector mainly took place in Western Asia, Central and Eastern Europe, and ASEAN. Investment in the energy sector mostly took place in the CIS, Central and Eastern Europe and ASEAN. Cross-border M&A in the telecommunications industry was concentrated in Western Asia, Central and Eastern Europe, and Southern Asia. For the industrial sector, most of the investment occurred in South Asia, ASEAN and the CIS. For the raw materials sectors, most investment occurred in Western Asia, ASEAN and the CIS. In terms of the volume of cross-border M&A, the US was the largest acquirer in the financial sector in Belt and Road countries, and Japan in the industrial and raw materials sectors. In contrast, China preferred M&A in the energy and raw materials sectors.

OVERVIEW >

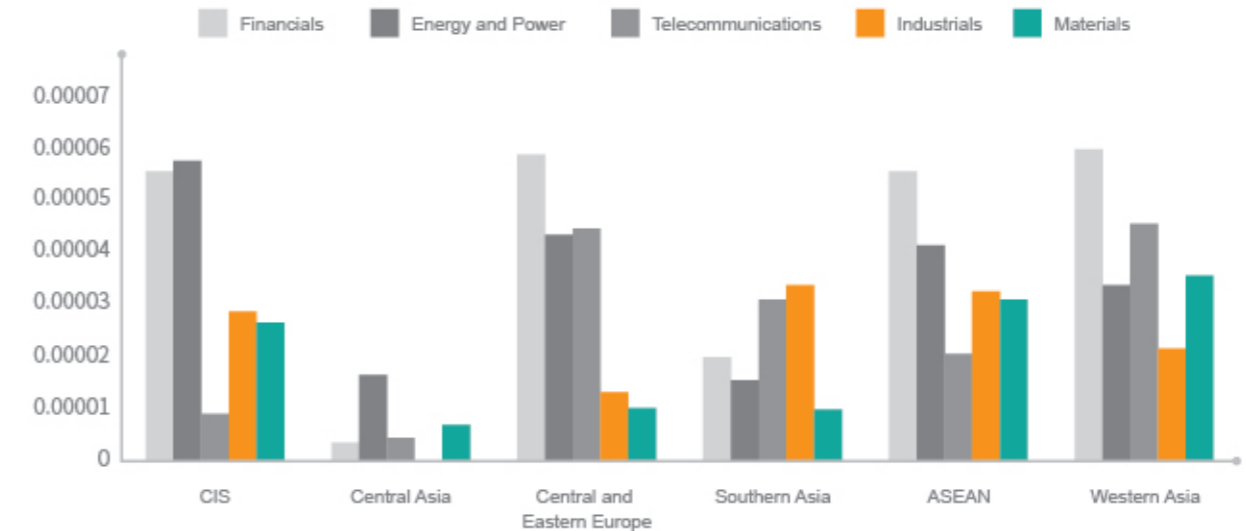
The top five (5) sectors that received the most cross-border M&A investment in Belt and Road countries were the financial, energy, telecommunications, industrial and raw materials industries. Below is an analysis of these key industries.

Industry name in English	Industry name	Cumulative Value of M&A (\$US Billion)	Ranking
Financials	Finance	253.333	1
Energy and Power	Energy	211.9031	2
Telecommunications	Telecommunications	157.2712	3
Industrials	Industrials	132.9075	4
Materials	Raw Materials	125.1648	5

Top 5 industries attracting the value of M&A in "The Belt and Road" regions

REGIONAL DISTRIBUTION >

The financial sector in Western Asia, Central and Eastern Europe, and ASEAN, the energy sector in the CIS, Central and Eastern Europe and ASEAN, the telecommunications industry in Western Asia, Central and Eastern Europe, and Southern Asia, the industrial sector in Southern Asia, Southern East and the CIS and raw material industry in Western Asia, ASEAN and the CIS countries attracted the most cross-border M&A activities.



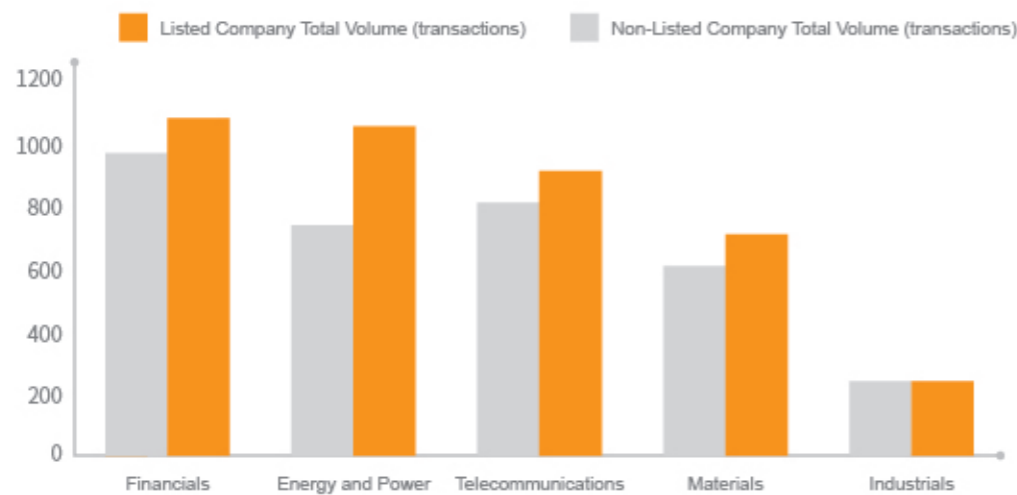
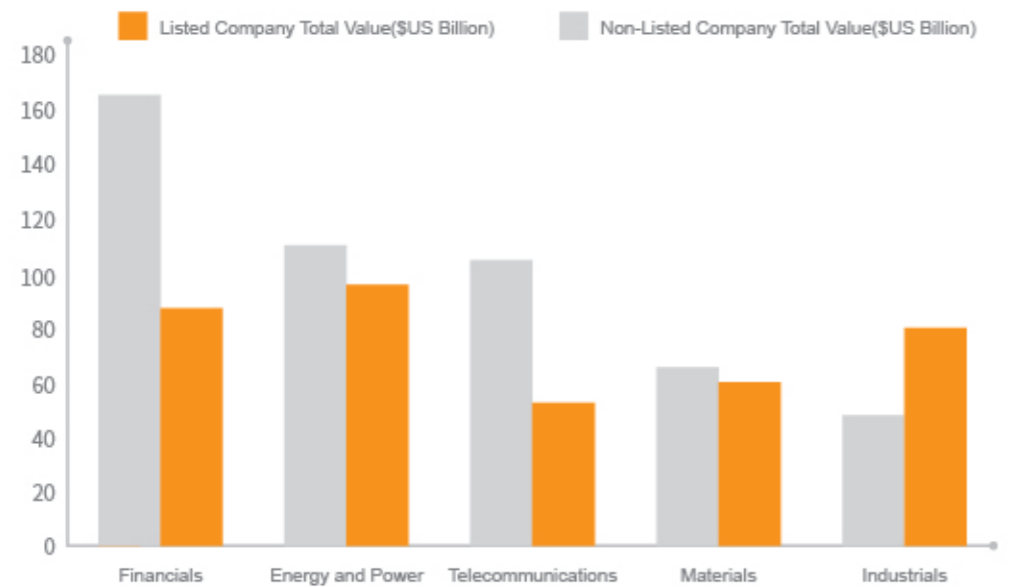
Cross-border M&A value in Top 5 Industries by Region

In ASEAN and the CIS regions, the finance and energy industries were the primary sectors for cross-border M&A, followed by the industrial and raw materials sectors. In Central and Eastern Europe and Western Asia, finance and telecommunications were the most attractive sectors. In addition, the energy industry in Central and Eastern Europe and the raw materials industry in Western Asia were also the main sectors that attracted the most cross-border M&A investment. In South Asia, the industrial and telecommunications industries dominated cross-border M&A activities. The energy industry in Central Asia played a leading role in attracting foreign M&A investment.

TARGET COMPANIES BY CATEGORY >

In the financial sector, the value of cross-border M&A targeting listed companies was the largest, at USD 252.6 billion, when compared with that in other industries. The volume was also the largest, reaching 969 transactions. Although the volume of cross-border M&A targeting listed companies in the telecommunications industry was relatively small (220), its value reached USD 156.9 billion. This indicated that each cross-border M&A transaction targeting listed companies was worth a large amount of money. Other than the telecommunications industry, there was a larger

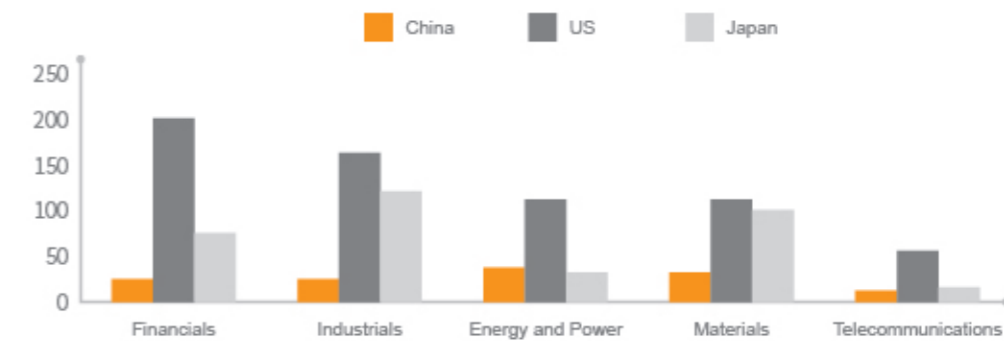
volume of cross-border M&A targeting non-listed companies in the other four industries. In the industrial sector, the number of cross-border M&A targeting non-listed companies was 286 more than those targeting listed companies, the widest gap in all five (5) industries. However, all other four sectors, except for the industrial sector, had the largest size of cross-border M&A investment into listed companies.



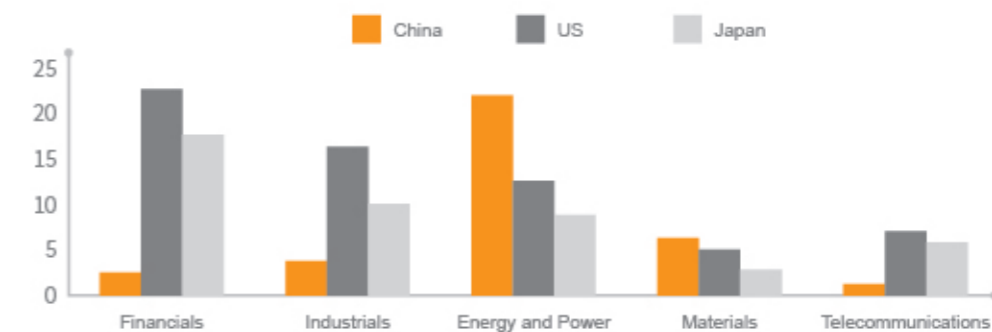
Analysis of volume of M&A of targeted companies (by characteristic) in the top 5 industries attracting M&A value

ACQUIRERS >

The US exceeded China and Japan in the number of cross-border M&A transactions in the five key industries. Specifically, it completed 198 transactions in the financial sector, the most among other sectors. The number of cross-border M&A deals done by Japan in the industrial and raw materials sectors was 115 and 101 respectively, close to 162 and 109 respectively by the US. China preferred M&A deals in the energy and raw materials sectors, having completed 36 and 34 deals respectively, still a wide gap from the U.S. and Japan. The United States and Japan made the most M&A investment into the financial industry at USD 22.9 billion and \$US17.5 billion respectively. China made the most in the energy industry at USD 21.9 billion. This fact shows that China currently is still a developing country, which makes it different from the US and Japan in decision-making and goal-setting in its M&A investment in the five (5) key industries.



Cross-Border M&A Volume of China, US and Japan in Major Industries



Cross-Border M&A Size of China, US and Japan in Major Industries



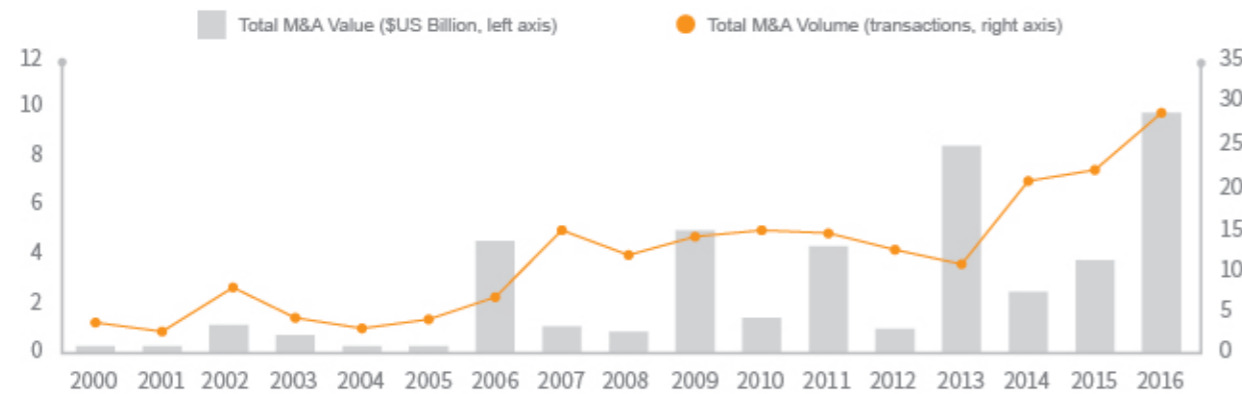
06

CHINA'S CROSS-BORDER M&A IN THE BELT AND ROAD REGIONS

On the whole, China is not a major acquirer in the Belt and Road regions but its M&A investment is trending upward. The value of China's M&A transactions in Belt countries was larger than that in Road countries, with ASEAN, Western Asia, Central Asia and the CIS the main destinations. The energy industry was the most attractive industry for China to make its M&A investments. The information technology, raw materials, industrial, and financial industries also received China-sourced investment. Kazakhstan, Russia, Israel, Singapore, and Egypt were five (5) countries that received the most Chinese M&A investment of all Belt and Road countries.

OVERVIEW >

From 2000 to 2016, the cumulative value of China's cross-border M&A in Belt and Road countries reached USD 44.28 billion, accounting for 3.37% of the total cross-border M&A value in the same countries. The cumulative volume reached 196, accounting for 1.49% of the total number of cross-border M&A transactions in Belt and Road countries. In 2016, China's M&A investment in Belt and Road countries totaled USD 9.94 billion, accounting for 11.21% of all such investment in those countries.



China's Total M&A Size in the Belt and One Road Countries

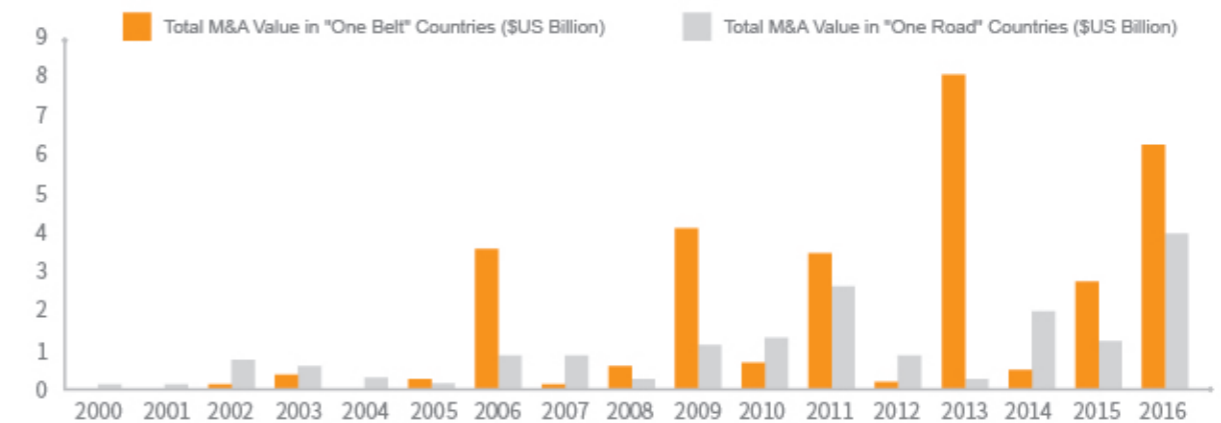
On the whole, China's M&A investment in Belt and Road countries has trended upward and its portion in the total value of all cross-border M&A in those countries has been increasing year-by-year. The average value of China M&A investment in Belt and Road countries was relatively larger so the risk it took was bigger as well. In addition, China's cross-border M&A investment in those countries peaked in 2006, 2009, 2013, and 2016.



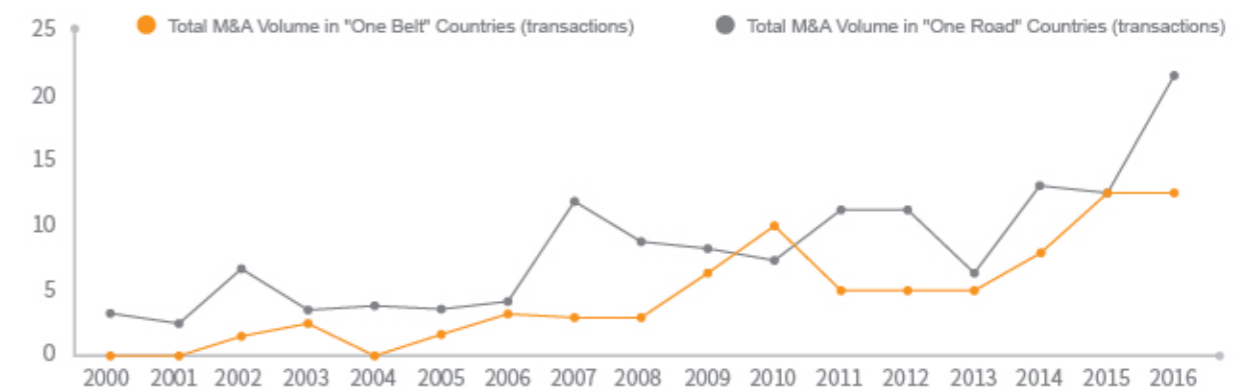
Proportion of China's Total Cross-Border M&A Value to Total Cross-border M&A Value in the Belt and Road countries

REGIONAL DISTRIBUTION >

The cumulative value of China's M&A transactions in Belt countries was larger than that in Road countries, with USD 34.451 billion in the former, accounting for 66.74% of all China's such investment in those countries and USD 17.171 billion in the latter. The cumulative number of China's M&A transactions in Belt countries was 74, accounting for 35.41% of China's all such transactions in those areas, larger than that in Road countries at 135. On the whole, the value of China's cross-border M&A in Belt countries was larger but the volume was smaller. This was largely because the average value of its M&A transactions in Belt countries was larger than in Road countries. In addition, China's M&A activities in the Belt countries were active in certain years but such activities were rather dispersed in all years between 2000 and 2016 in Road countries.

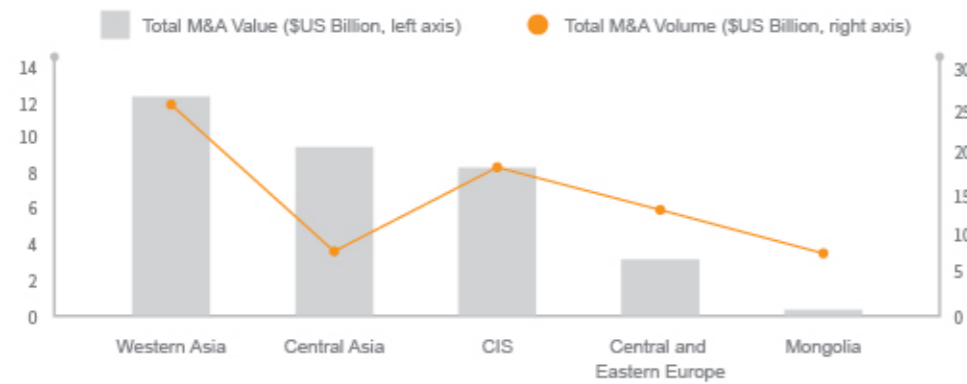


China's Total M&A Value by region in the Belt and Road Countries



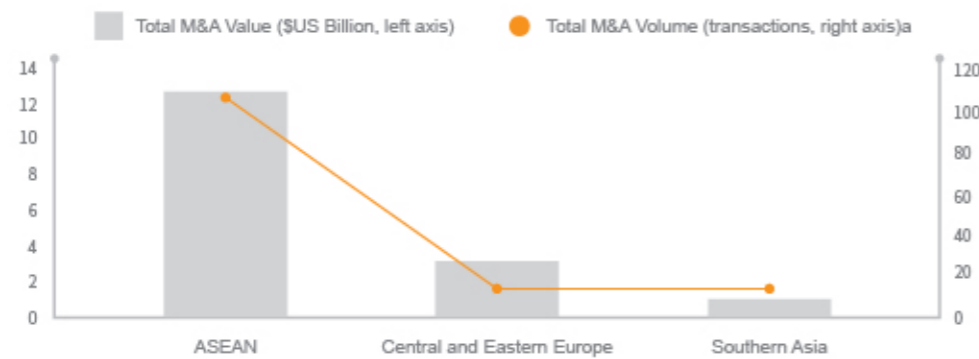
China's Total M&A Volume by region in the Belt and Road Countries

Western Asia and Central Asia received the most cross-border M&A investment from China among other Belt and Road regions. From 2000 to 2016, the cumulative value of such investment from China in Western Asia and Central Asia reached USD 12.623 billion and USD 9.828 billion respectively. On the other hand, Western Asia and the CIS were two regions where China completed most M&A transactions. From 2000 to 2016, the cumulative number of M&A investments from China in Western Asia and the CIS was up to 26 and 19 respectively. On the whole, Western Asia was the main destination for China's cross-border M&A investment among all Belt and Road countries but Eastern Asia was where each of China's M&A transactions was at a high level.



China's Total M&A Value and Volume in the Belt Countries

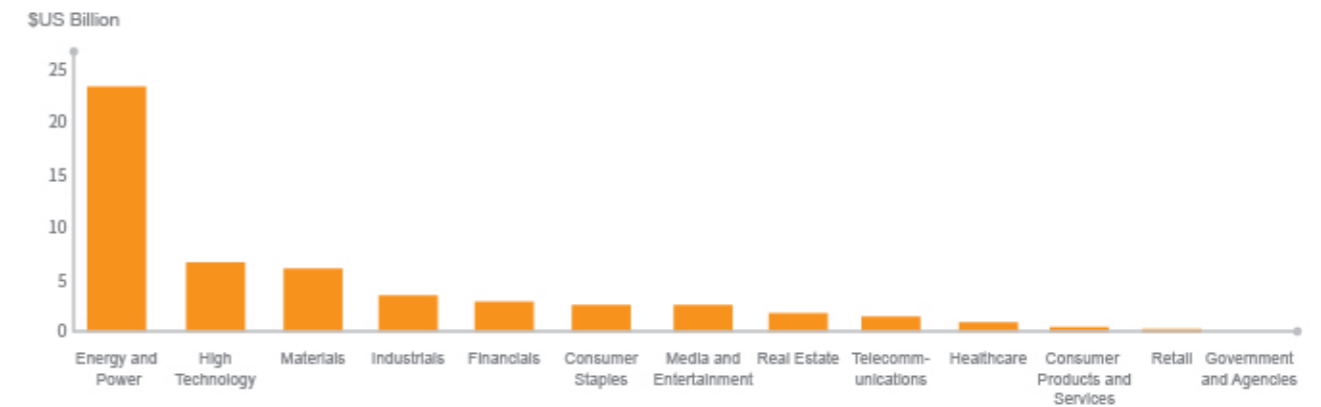
ASEAN was the most attractive destination in Road regions in terms of the value and volume of China's cross-border M&A. From 2000 to 2016, the cumulative value and volume of M&A investment from China in ASEAN was USD 12.955 billion and 109 respectively, accounting for 75.45% and 80.74% of the total value and volume of cross-border M&A in all Road countries.



China's Total M&A Value and Volume in the Road Countries

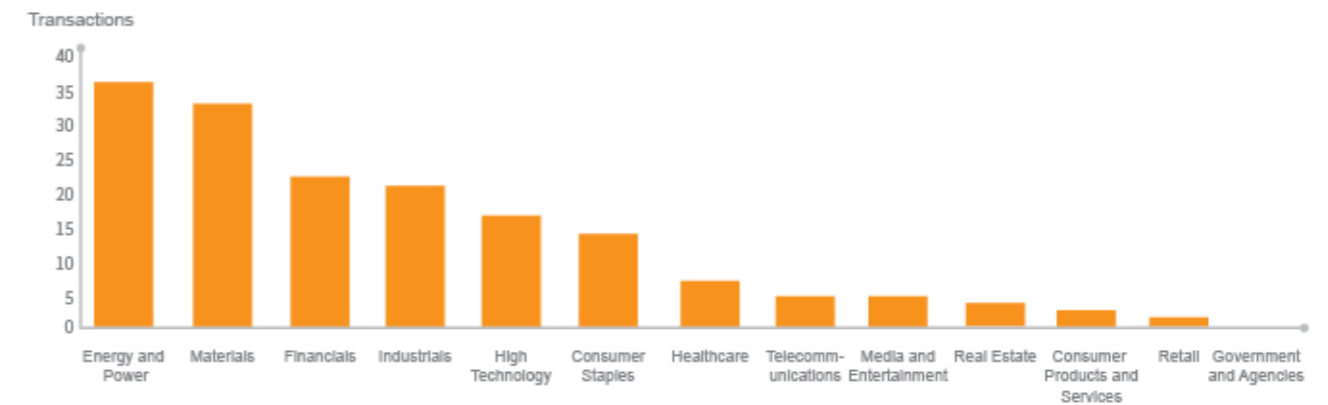
INDUSTRY DISTRIBUTION >

On the whole, the energy and power industries received most of China's M&A investment in Belt and Road countries. As of 2016, the value of China's M&A in Belt and Road countries was USD 21.938 billion, accounting for 49.9% of the total size of its M&A investment. In addition, China also invested in the high-tech, raw materials, industrial and financial industries.



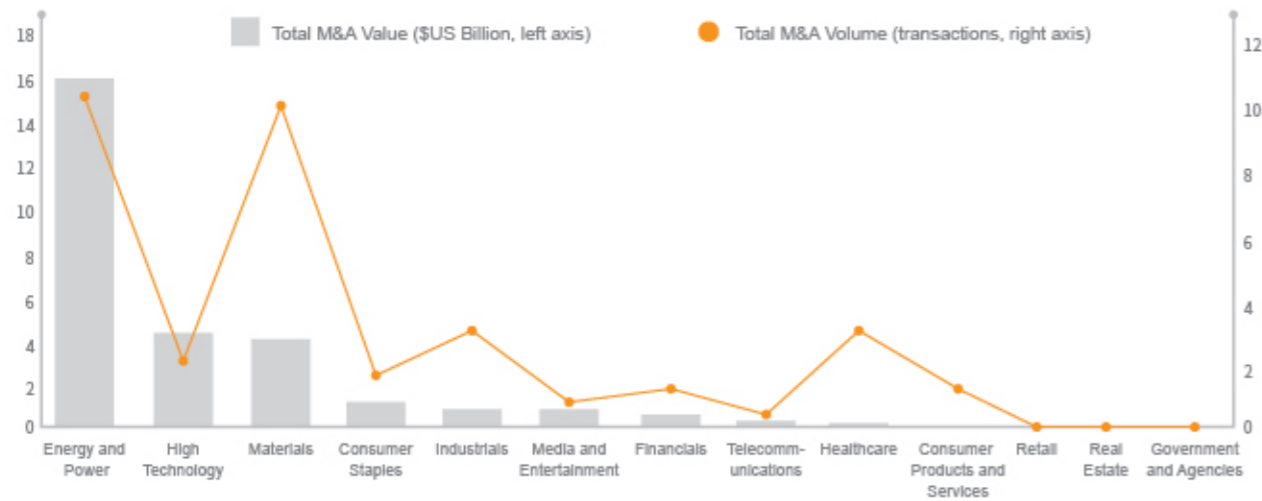
Industry Distribution by China's Total M&A Value in the Belt and Road Countries

The energy and power industry was where China completed 36 M&A transactions in total, the largest among all sector in Belt and Road countries. It was followed by the raw materials industry with 34 M&A transactions completed. The financial industry ranked third in the number of China's M&A transactions, with 24 completed. In addition, industrial, high-tech, consumer goods, healthcare, and telecommunications industries also saw a lot of China's M&A transactions completed.



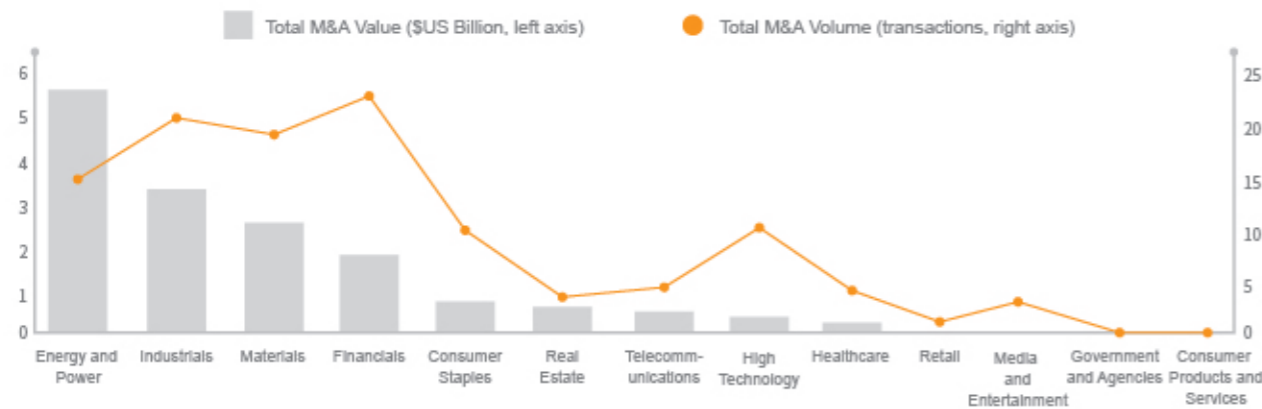
Industry Distribution by China's Total M&A Volume in the Belt and Road Countries

The energy and power industry received the most of China's M&A investment in Belt countries. From 2000 to 2016, the cumulative value of China's M&A investment in those countries reached USD 16.277 billion. In addition, the high-tech and raw materials industries were also the main targets of China's cross-border M&A investment in Belt countries. China's cross-border M&A transactions in Belt countries were mainly completed in the energy and power industry. From 2000 to 2016, the cumulative number of China's M&A transactions totaled 21 in all Belt countries.



Industry Distribution by China's Total M&A Value in the Belt Countries

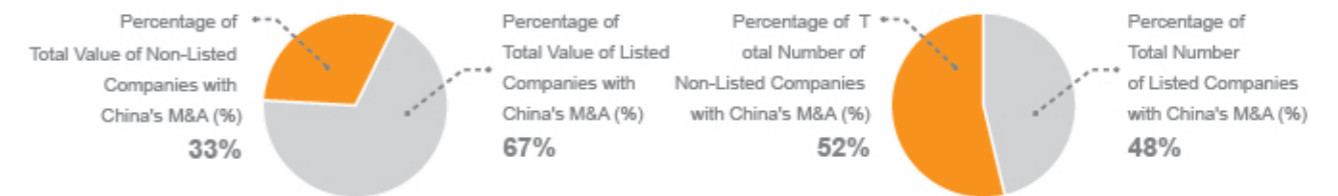
China's M&A activity in Road countries was much more dispersed than in Belt countries. In Road countries, the energy and power, industrial, raw materials, and financial industries received the most of China's M&A investment, while the financial, industrial, raw materials, energy and power and high-tech industries were where most of China's M&A transactions were completed.



Industry Distribution by China's Total M&A Value in the Road Countries

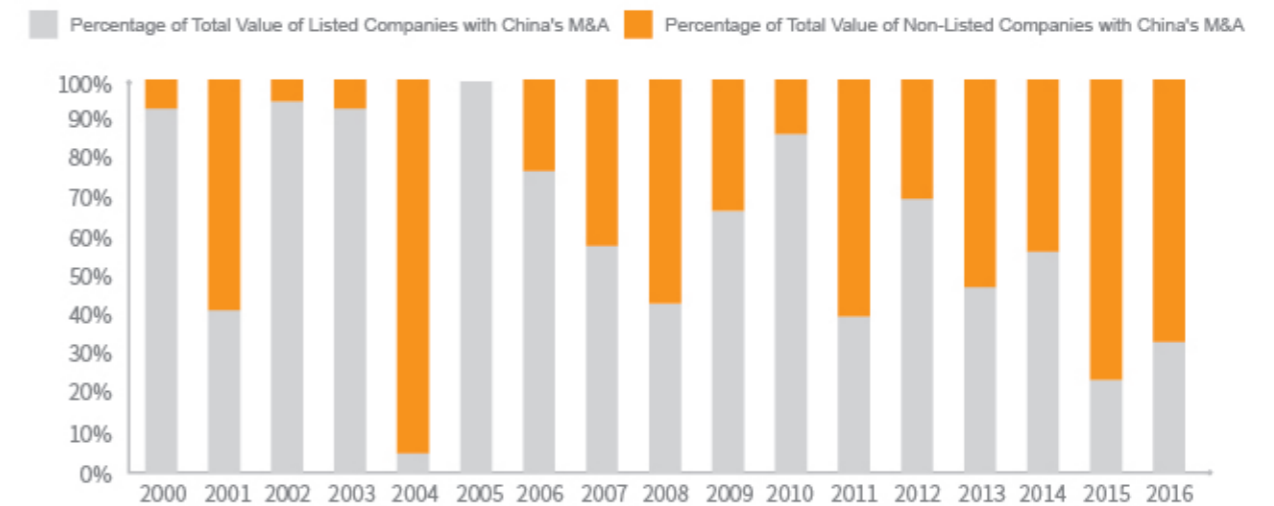
TARGET COMPANIES BY CATEGORY >

On the whole, China's M&A investment in Belt and Road countries that targeted listed companies was higher, accounting for approximately 67% of all such investments. However, the volume of China's M&A in the same regions that targeted non-listed companies was larger, accounting for approximately 52% of all such M&A transactions. This was mainly because the average value of each of China's M&A transaction in those regions that targeted listed companies was larger than the value of those targeting non-listed companies.



China's M&A Value by the category of target companies in the Belt and Road Countries

In terms of the value of M&A transactions, China has shifted its interest from in acquiring listed companies to in acquiring non-listed companies in Belt and Road countries. Before 2011, China preferred to acquire listed companies in Belt and Road countries, but after 2011, China's preference shifted to non-listed companies.



Percentage of China's M&A Value by the category of target companies in the Belt and Road Countries

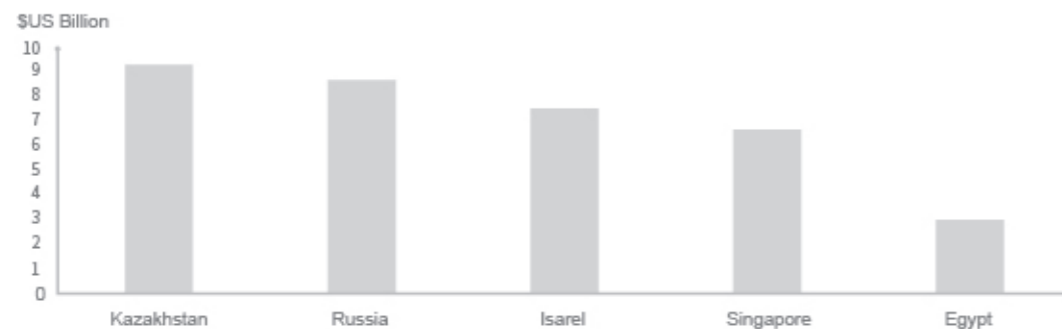
In terms of the volume of M&A transactions, China preferred to acquire listed companies in Belt and Road countries before the 2008 financial crisis, but afterwards, China's preference shifted to non-listed companies.



Percentage of China's M&A Volume by the category of target companies in the Belt and Road Countries

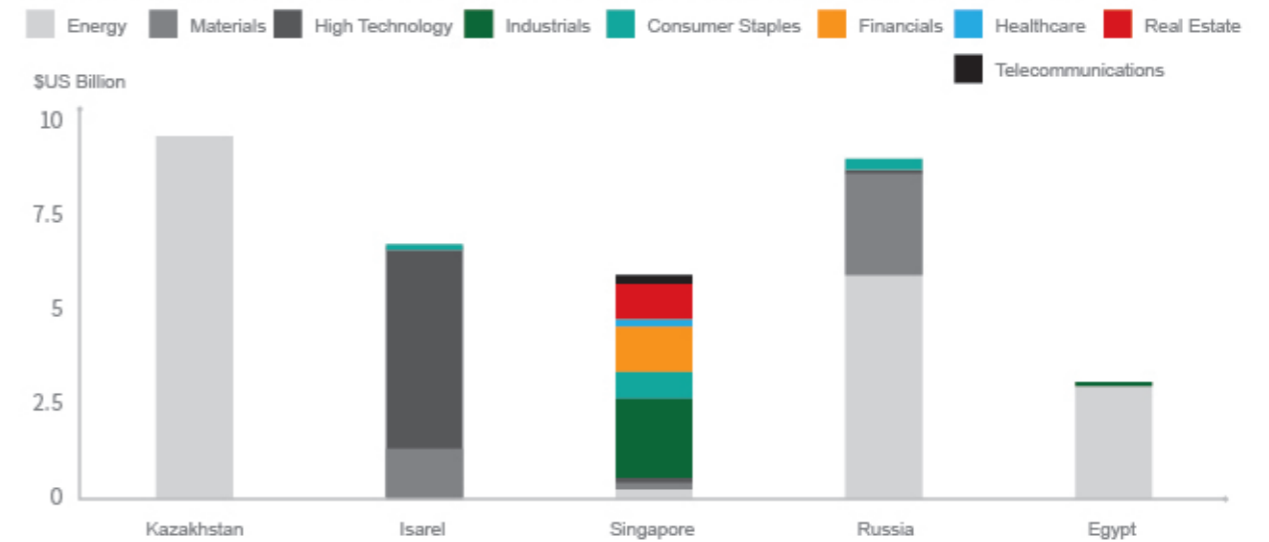
TARGET COUNTRIES FOR CROSS-BORDER INVESTMENT >

China's M&A investment in Belt and Road countries was largely concentrated in Kazakhstan, Russia, Israel, Singapore, and Egypt. From 2000 to 2016, China's M&A investment in Kazakhstan totaled USD 9.262 billion, accounting for 20.92% of the total value of China's M&A in all Belt and Road countries. The portions of China's M&A investment in Russia, Israel, Singapore, and Egypt were 19.30%, 16.85%, 14.83%, and 6.80% respectively. China's total investment in those five countries accounted for 78.70% of the total value of its cross-border M&A in all Belt and Road countries.



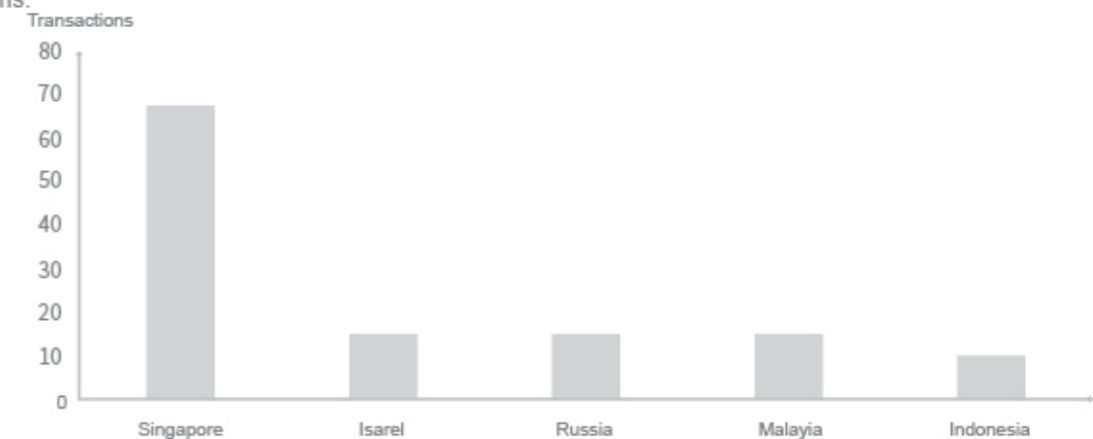
Top 5 Countries in the Belt and Road Regions by M&A Value from China

Most of China's M&A investment in Kazakhstan was directed in the energy industry. In Israel, most Chinese M&A investment was in the information technology, raw materials, and daily consumer goods industries. In Singapore, most Chinese investment was in the industrial, financial, daily consumer goods, real estate, energy and telecommunications industries. In Russia, most Chinese investment was in the energy industry, raw materials and daily consumer goods industries. In Egypt, most Chinese investment was in the energy industry as well as the industrial industry.



Top 5 Countries in the "One Belt and One Road" Region with the most M&A from China and the Industry Distribution

The largest number of China-sourced M&A transactions in Belt and Road countries was completed in Singapore, Israel, Russia, Malaysia, and Indonesia. From 2000 to 2016, transactions completed in Singapore totaled 68, accounting for 34.69% of the total number of China's M&A transactions in the whole Belt and Road countries. The number of China's M&A transactions in those 5 countries accounted for 61.22% of the total volume of China's M&A in the whole regions.



Top 5 Countries in the Belt and Road Regions by M&A Volume from China

APPENDIX DATA AND METHODS >

DATA

The data used in this report is sourced from the Thomson Reuters Mergers & Acquisitions database which tracks M&A transactions that change in stockownership at a level of over 5% or a level of less than 3% but the transactions value is higher than USD 1million. This Database is among the most complete and authoritative globally and has been widely used in the area of investment banks across the world. The methods of analysis used in this report based on this database are as follows:

METHODS

First, the acquirers and target countries refer to the country where the subseries making the acquisition and subsidiaries being acquired are located rather than the country the ultimate parent company is located. It has to be taken into consideration that the subsidiaries involved in the M&A transactions may not be in the same country as their parent companies. For example, if a US parent company makes its overseas M&A investment in a Belt and Road country through its subsidiary in Russia, such investment would be considered as sourced from Russia in this report. If we analyze in the way otherwise, the total number of cross-border M&A transactions in the Belt and Road regions would be about 10.13% less.

Second, the M&A transactions analyzed in this report are all completed with explicit value. Transactions in progress are not considered in this report.

Third, this report focuses on cross-border M&A transactions in Belt and Road, excluding others types of M&A programs. This standard applies to any M&A programs as long as the target companies are in Belt and Road countries and the acquiring companies are not from the same countries as companies being acquired are from. In addition, some M&A programs are not included in this report because they are not just associated with cross-border M&A transactions but also with other business deals, such as corporate auction, repurchase and self-tender, restructuring and debt restructuring, bankruptcy acquisition, recapitalization, loan modification, etc. These types of M&A programs only account for 1% of all cross-border M&A in the Belt and Road regions.

Fourth, when writing this report, we used the Target Macro Industry standard designed by Thomson Reuters instead of the SIC standard to classify the whole market into 13 industries, including energy, industrials, raw materials, finance, telecommunications services, information technology, real estate, daily consumer goods, non-daily consumer goods, healthcare, media and entertainment, retail and public utilities.

The listed companies mentioned in this report referred to companies whose subsidiaries or parent companies are listed.

FEATURES

This report shows the current status and the regional and industrial distribution of cross-border M&A programs in the Belt and Road countries by analyzing authoritative and complete corporate data. The data on the corporate level are more precise and, can provide a different perspective for the researches on the cross-border M&A in the Belt and Road regions.

Analysis is complete and done with integrity. This report establishes a complete and precise framework of analysis to not only analyze the status of the cross-border M&A programs in the Belt and Road regions but also in the Belt regions and Road regions separately. In addition, this report includes in-depth analysis on the cross-border M&A programs in some key countries and industries and on what role China plays in the Belt and Road regions in this regard. In each part of this report, we compare the cross-border M&A programs launched by the United States, Japan and China from the perspective of regional and industrial distribution, which is of great value of reference.

IMPLICATIONS

The Belt and Road Initiative is China's long-term strategy of opening up and its key objective is to promote policy communication, road connectivity, trade flows, currency circulation and people-to-people exchange in the Belt and Road countries. This is also a historic opportunity for China to accelerate its pace of domestic economic restructuring, realize a new normal of economic development, promote diverse foreign trade and economic cooperation, and enhance overall level of opening up. At present, China is working with countries along the Belt and Road regions to plan and push forward the construction of the six major economic corridors. There is no doubt that foreign direct investment is a key area in China's economic cooperation with the Belt and Road countries, especially in China's cross-border M&A programs in this region.

Since the implementation of the Belt and Road strategy, the size of China's M&A investment in the Belt and Road countries has grown rapidly, and this trend will continue in the future. However, there are many kinds of investment risks in those countries and investment failure are not unfamiliar. Therefore, it is necessary to make a comprehensive analysis of the cross-border M&A transactions in each industry of each country in the Belt and Road regions, so as to reduce the risk faced by Chinese acquirers, improve the efficiency and returns of China's foreign direct investment, and promote the stable and sustainable implementation of the Belt and Road Initiative.

The Belt and Road summit was held in May, which indicates that China will strengthen its cooperation with the Belt and Road countries and the Belt and Road strategy will win more consensus and recognition. At the same time, a series of new Greenfield investment and M&A programs may be launched after this summit. In fact, many Chinese companies are not familiar with the M&A status in countries along the Belt and Road. Therefore, this requires the academic community to make in-depth and comprehensive researches and analyses in this regard and provide reference and guidance for Chinese companies that are interested in making M&A investment in the Belt and Road countries.

