Study on the Conditions of Transnational Merger and Acquisition of Chinese Private Enterprises

Xin-gang SONG*

Business school, Huaiyin Institute of Technology, Huaian, P.R. China, 223001
*Corresponding author

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Abstract. Thesis aims to explore the main conditions for cross-border M & A of Chinese private enterprises. The dissertation analyzes the conditions for the realization of cross-border mergers and acquisitions of private enterprises in China from two aspects: the macroeconomic environment and the microeconomic environment. Through the research, it is concluded that the current macroeconomic environment for Chinese private enterprises to carry out cross-border M & A is good, the microeconomic conditions are also constantly improving, and the conditions for cross-border M & A are ripe.

Introduction

In recent years, with the rapid development of China's economy and increasingly fierce international competition, many large Chinese enterprises actively respond to China's "going out" policy, and actively carry out cross-border mergers and acquisitions, cross-border mergers and acquisitions and other activities, become an important means of internationalization of enterprises. Private enterprises as Chinese enterprise is an important part in the national economy occupies an important position, and actively seek overseas mergers and acquisitions, especially on behalf of Lenovo, Haier, Geely, Huawei in private enterprises, based on the foreign advanced technology and scientific management experience, expand foreign markets, in the process of internationalization of enterprises in the achievement of particular concern.

Private Enterprises and Transnational Mergers and Acquisitions

The Meaning of Private Enterprises

"Broad sense" refers to all enterprises except the enterprises operated by the state and the government, and the narrow sense refers to the individual and private enterprises. Referred to as private enterprises.[1]

The Meaning of Transnational Merger and Acquisition

Transnational merger refers to cross-border mergers and acquisitions of transnational enterprises, is refers to a country (also known as M & A) in order to achieve a certain goal, through certain channels and means of payment, will be another country (also known as enterprise mergers and acquisitions business) all the assets or operations enough to exercise stock buy down, thus management in another country the implementation of the enterprise actual or complete control behavior.

Analysis of the Macro Economic Environment of Cross-border Mergers and Acquisitions of Private Enterprises

The Promotion of National Economic Strength Lays the Foundation for Cross-border Mergers and Acquisitions of Private Enterprises

Since the global financial crisis in 2008, China's economic growth rate has declined, but still

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maintain an average annual rate of rapid development of 7.3%. In 2016, China's GDP reached 74 trillion and 410 billion yuan, an increase of 6.7% over the previous year, with an annual per capita GDP of 54 thousand yuan, an increase of 6.1% over the previous year, an annual national income of 7 billion 424 million yuan, an increase of 6.9% over the previous year, the annual per capita GNP close to 8000 U.S. dollars. The fourth stage of the investment development cycle theory definition of Denning more than $5000 per capita GNP, at this stage of development of the country has a strong ownership advantage and internalization advantage, and from the height of the global strategy to use the location advantages of the host country, the foreign direct investment reached a considerable scale, and the output of capital a larger net outflow phenomenon. According to the economic development data of 2016 and the theory of investment development cycle, China should now be in the fourth stage of the theory of investment development cycle. Therefore, China's foreign direct investment should have a larger scale and maintain the net capital output. In fact, in 2015 China's net foreign direct investment flows after the United States reached $145 billion 670 million, the stock of foreign investment exceeded one billion U.S. dollars, up to $1 trillion and 97 billion 860 million, ranking eighth in the world, it shows strong economic development strength, to support the conditions of implementation of Chinese enterprises transnational mergers and acquisitions has provided an important.

Stable Financial Environment Provides Reliable Financial Guarantee and Strong Financing Ability

First of all, China's banking industry has maintained a good momentum of development, and relatively loose monetary policy provides a strong liquidity to provide a stable guarantee for enterprise credit financing. With the expansion of international business, many banks began to provide enterprise cross-border mergers and acquisitions business consulting services and other functions, the rise and rapid development of China's capital market, to provide a new financing channel for enterprises through the issuance of bonds and stocks of indirect financing, provide low-cost sources of funding for M & A. Thirdly, the high savings rate for many years also provides the possibility for enterprise financing. In the past more than 10 years, China's savings balance has maintained an upward trend, greatly enhancing the ability of commercial banks to create credit, which provides a strong financial support for China's enterprises to engage in foreign direct investment. Figure 2 shows that, from 2002 to 2015, although the growth rate of China's savings deposits has fluctuated significantly, but overall maintained an upward trend.
Secondly, strong foreign exchange reserves provide a solid foundation for foreign direct investment. Since 2012, China's foreign exchange reserves have remained above $3 trillion, which provides a strong foreign exchange guarantee for enterprises to invest abroad.

Policy Orientation Strongly Supports Cross-border M & A Activities

In 2015, the fifth plenary session of the party 18 Suggestions to consummate the opening-up strategy layout, pushing forward the construction of the "area" all the way to accelerate the enterprise "going out", continuously under the state council issued "the drive to build the silk road economic belt and the 21st century the vision and action of the Marine silk road", "about to speed up cultivating new foreign trade competitive advantage of several opinions and on promoting international capacity and equipment manufacturing cooperation guidance" and other important documents, strongly promote the development of China's foreign investment cooperation. The ministry of commerce, and other departments to actively implement the work deployment and requirements of the state council, issued and implemented a number of policies, guide the enterprise faster better "go out", for the enterprise implementation of foreign direct investment provides a powerful policy to pay.[3]

The Industry Merger and Acquisition Experience for Enterprises to Implement Cross-border Mergers and Acquisitions are Prepared

After years of institutional reform, the economic strength of Chinese enterprises has increased greatly. Although the scale of domestic mergers and acquisitions in China can not be compared with the domestic mergers and acquisitions in developed countries, the domestic enterprises mergers and acquisitions also provide opportunities for training and accumulation of experience for cross-border mergers and acquisitions. At the same time, with the implementation of China's "going out" strategy, there are a large number of enterprises involved in cross-border mergers and acquisitions, both successful case experience, but also failed to learn the lessons of cases.
Micro Economic Environment Analysis of Cross-border Mergers and Acquisitions of Private Enterprises

The overall Scale and Economic Strength of Private Enterprises

Cross border M & A is different from domestic M & A, and the entry threshold is higher, because the companies engaged in cross-border M & A have a certain economic scale and have the ability to combine the economy. At this stage, China has a number of competitive private enterprises, some of which have entered the Fortune Magazine selected the world's top 500 list. In 2017, the World Fortune 500 list was released, and the number of Chinese companies on the list has increased for 14 consecutive years, reaching 115 this year. Among them, the mainland of China (excluding Taiwan region) is 109 enterprises. 10 Chinese companies listed on the list for the first time, they are: Ampang insurance group, Hengli Group, sunshine gold control, Alibaba, Biguiyuan, Tencent, Su Ningyun Shang, Xiamen construction and development group, China World Trade Center holding group and Xinjiang Guanghui, most of these companies are private enterprises.\[^{4}\]

Private Enterprises in China Have Comparative Advantages in Some Technical Fields

Compared with large multinational corporations in developed countries, Chinese enterprises do not have absolute advantages, but there are still some relative advantages in some industries. After years of development, China's private enterprises have more mature technology in the textile, light industrial machinery, etc., has a comparative advantage, the technology is suitable for the needs of economic construction in developing countries, easy digestion and absorption, can alleviate the employment pressure.

In some traditional industries and some high-tech fields, China also has the comparative advantages to invest in developed countries and developing countries. Such as ceramics, Chinese medicine, Chinese flavor diet, etc., have condensed the traditional culture of the Chinese nation for thousands of years, and has a strong competitive power in the world market. China has made great achievements in aerospace, biological engineering, new energy, new materials and other fields, and has reached the world's leading level.

China's Private Enterprises Transnational Operations Management Team Gradually Mature

Transnational mergers and acquisitions must have all kinds of professionals who are familiar with international economic operations. Overall, China's private enterprises cross-border mergers and acquisitions talent shortage. This is because China's private enterprises into the transnational operation time is still short, transnational operation ability and experience to be improved, the local senior transnational management personnel team is still in the process of training and formation. It is difficult to solve the problem of talent demand of cross-border mergers and acquisitions of private enterprises in the short term, so it is necessary to employ some senior management personnel from abroad to participate in transnational operations, and to enable local talents of host countries to use it for themselves. This is also the talent strategy commonly adopted by multinational enterprises.

Private Enterprises Have a Strong Desire to "Go Out"

With domestic supply side in-depth development of reform, the national implementation of the industrial structure adjustment, eliminate backward production capacity, transfer surplus capacity needs urgent, at the same time, influenced by domestic factors of production costs, such as human resources, the land is rising, the influence of Chinese enterprises increasing international industry chain layout, the desire of the enterprises "going out", in a variety of ways for foreign investment, the integration of domestic and foreign resources, accelerating the pace of international operation.

In recent years, with the enhancement of economic strength, the pace of China's private enterprises to participate in cross-border mergers and acquisitions began to accelerate significantly. Statistics show that in 2015, the number of overseas mergers and acquisitions of non state owned enterprises exceeded the number of state-owned enterprises. By the end of 2015, China's foreign direct investment in non-financial sectors stood at us $938.2 billion. Among them, state-owned enterprises accounted for 50.4 per cent, and the share of non-financial sectors continued to fall. Non-state
enterprises accounted for 49.6 per cent, an increase of 3.2 percentage points over the previous year, which was roughly equal to the external investment of state-owned enterprises and diversified development of investment subject structure.

As of the end of 2015, there were 20,200 OFDI enterprises in China, with diversified types of investment enterprises, including 67.4%, 9.3%, 7.7% and 0.9% respectively for limited liability companies, private companies, joint stock limited companies, self-employed and collective enterprises And 0.4%. According to the definition of private enterprise in this article, the removal of state-owned enterprises and foreign-funded enterprises (including Hong Kong, Macao and Taiwan investment enterprises), private enterprises accounted for nearly 86% of China's foreign direct investment enterprises.\(^9\)

Figure 4. China's outward FDI structure in 2015.

Conclusion

In the economic globalization and transnational merger and acquisition of the world economic environment, China's private enterprises after 30 years of reform and opening up experience, need to go out and participate in the world economy. At this stage, some private enterprises in China have obtained certain experience in transnational operation after years of transnational business practice. More importantly, from a macroeconomic perspective, transnational economic activities of the private enterprises with foreign economic development strategy of the country, to get the support of national policy, from the micro economic environment, the management of private enterprises to continuously improve the operational capacity, has some technical advantages in some areas, greatly enhanced the economic strength, complete with the strength of transnational mergers and acquisitions.

Reference

[3] The state council's vision and action on jointly building the Silk Road economic belt and the 21st century maritime silk road


