The Transformation of Chinese M&A Wave in ASEAN

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The world has observed the rise of Chinese outward M&A activities in the past decade. These Chinese firms are expanding overseas; in the early stage, their M&A activities were mainly focused on gaining access to natural resources; as they advanced up along their value chains, their M&A activities have gradually moved toward gaining access to new market as well as advanced capability and technology. ASEAN is one of the region that has attracted incoming M&As from China. This study seeks to explain the M&A behaviour of Chinese firms in ASEAN. The paper collects primary data through semi-structured interviews with key informants. This primary information is supplemented by extensive data from secondary sources such as industrial reports and publicly available databases of international organisations. Despite the new trend of market, capability and technology-seeking M&As by Chinese firms, the majority of these M&As in ASEAN remains natural resource-seeking. This is due to the condition of ASEAN as region which is rich in natural resource but lack of large and mature consumer market as well as lack of advanced capability and technology. However, the investment has been anticipated to shift into the second-wave M&A. According to Chinese 13th Five-Year Plan and the increase of foreign aids to ASEAN region, future investments are likely to relate with technological innovation and infrastructure construction, peculiarly in logistics and transportation sectors.

INTRODUCTION AND LITERATURE REVIEW

Cross-border mergers and acquisitions (M&As) in ASEAN has gradually risen over the past two decades. During 2014 - 2017, net cross-border M&A sales in ASEAN rose significantly by 124 percent to USD 16.7 billion, which contributed to the rise in foreign direct investment (FDI) flows into the region. This has risen more than five times from merely USD 5.6 billion in the beginning of the period. The majority of the sales (60 per cent) were in Singapore; The 2nd and 3rd biggest M&A market were Indonesia and Malaysia. The increase in cross-border M&A sales was due to the significant surge in acquisition of assets by developed-country MNEs, from -\$4.2 billion in 2016 to \$9.7 billion in 2017, and the rise in the average value of deals. Another reason for the rise was the increase in the number of megadeals and in merging or acquiring of high-value petroleum mining assets, real estate activities, food, beverage and tobacco businesses (The ASEAN Secretariat, 2018).

Historically, the ownership and control of Asian firms was more restrictive prior to the Asian Financial Crisis in 1997. At that time, local governments put extensive restrictions on foreign-ownership (table 1). As a result, most companies were locally-owned. After the financial crises, foreign investors were allowed to gain a controlling stake in local firms in order to attract more foreign investment. This has led to rapid increase in incoming M&A activities in the region (Kang and Johansson, 2000).

TABLE 1
RESTRICTIONS ON FOREIGN OWNERSHIP IN ASEAN FIRMS PRIOR TO 1997 FINANCIAL CRISES (DIXON, 2006)

Country	Restrictions
Indonesia	Permitted for up to 49% of listed companies; not permitted for unlisted companies; excluding areas are down-stream oil and gas, banking and insurance; requirement that most foreign activity had to involve JVs or other forms of co-operation
Malaysia	General limitation up to 30% of equity; Under bumiputra regulation, it is stipulated that 30% of shares must be held by bumiputra; exclusion from areas deemed in the national interest, e.g. banking, insurance and motor vehicles, and those involving ownership of land
Philippines	100% ownership permitted, but excluded from: mass media, telecommunications, retailing, public utilities, resource exploitation - including mining and inshore fishing; limited to 30% in advertising, 40% where land ownership is involved or the capitalisation of enterprise is less than USD 200,000 and 60% in banking
Singapore	Foreign ownership is restricted in: media, legal and other professional services, marketing, residential property ownership, banking (40%), insurance (20%); in banking approval of the Monetary Authority or holdings of 5% or more; listed companies deemed to be in the national interest limited e.g. 27.5% for Singapore Airlines
Thailand	Full foreign ownership effectively excluded from all areas under the 1972 Alien Business Law; banking and finance limited to 25%; minority ownership excluded from a wide range of areas, including agriculture and any involving ownership of land

Another important reason behind the rising M&A activities is the increasing integration of ASEAN under the current AFTA (ASEAN Free Trade Agreement) established in 1992 and the AEC (ASEAN Economic Community) in 2015. The integrated single market under AFTA has created a necessity for international firms to establish its base in one of these member countries and take benefits of the agreement that allow relatively free movement of products and services within the region. M&A is one way for international firms to establish its presence in the region; this approach gives firms a faster and easier access to the market than developing its operation from zero. Through M&A, these incoming firms are able to grow from a relatively strong foundation of locally acquired firms. The more integrated AEC, which will remove barrier for capital and labour movement within the region, should further accelerate the M&A wave of international firms into ASEAN.

The rise of China as an important global economic powerhouse together with the increasing number of Chinese companies, seeking to establish their global presence, have accelerated the outward movement of capital from China to various regions around the world. Chinese overseas investment has accelerated three times in the past 10 years from USD 87.73 billion in 2007 to USD 278.36 billion in 2017. This trend is consistent with many policies implemented by Chinese government, especially the current 13th Five Year Plan for 2016-2020 that supports companies to invest abroad which results in significant higher outward investment vis-à-vis 12th Five Year Plan during 2011-2015 (American Enterprise Institute , 2019).

The recent studies by BDA Partners show that the value of Chinese outbound M&A has increased almost four times from USD 52 billion in 2013 and to a record high USD 201 billion in 2016. (BDA Partners, 2018) However, Chinese outwards investment stagnated in 2017 resulting from restrictive measures aiming to restrict the capital outflows following the Yuan depreciation in 2015 (Hsu, 2017)

(BAKER MCKENZIE, 2018). The National Development and Reform Commission (NDRC) has set the rules and criteria to classify investment into three groups including encouraged, restricted and prohibited transactions. As a result, China tends to promote the encouraged transactions such as infrastructure projects which are parts of the famous Belt-and-road initiative (BRI), high-technology businesses, research and development, energy, service, agricultural sector. For Belt-and-road initiative, China has created a Silk Road Fund in 2014 with USD 40 billion to promote investments (Page, 2014). This results in increase in proportion of investments in BRI countries from 8% in 2016 to 12% of total ODI in 2017. It is also expected that BRI will be the new focus of China's outward investment. Simultaneously, it prohibits the investments in the industries that are against national interest or risky industries including real estate, sport clubs, hotels, film industry and entertainment. This can be implied that in the future, China investment will shift from property market to those in infrastructure, value-added services and high-technology industry (Huang & Xia, 2018).

The phenomenon of Chinese M&A outbound downfall in 2017 was also confirmed by the study of Brown & Chan (2018). It was found that China M&A fell 11% to USD 671 billion off the record highs of 2016, as China focused on strategic approach to outbound M&A. There were less mega-deals (> USD 1 billion) in 2017 compared to the previous two years which reflects the tightening rules by government authorities. This emphasizes the notion that government policies have significant influence for firms to invest abroad. (You, 2015). Regarding the sectors for Chinese outbound investments, Technology and industrials products (often also higher specification) are still the most active sectors, in line with consumer products: this is consistent with China's government strategy of going out to bring back technologies, advanced industrial know-how ("industrial upgrade"), IP, brands and consumer products to the China market. The deals will also engage more with synergies in value chain of each industry including, but not limited to, aerospace, energy, advanced manufacturing, natural resources-related. It is also anticipated that China's big technology companies will be more active on the global stage (Deloitte , 2018).

The academic world has also conducted many researches about Chinese M&A (Deng, 2012), especially their characteristics and factors which contribute to Chinese M&A successes, including the government roles and the status of the companies which mostly are state-owned enterprises.

It is manifested that government has played an important role in encouraging Chinese firms to invest abroad through its "Go Global" policy (Wang, et al., 2012; Du & Girma, 2010). This enabled Chinese firms to invest abroad despite their competitive disadvantages vis-à-vis firms in other countries (Luo, et al., 2010). It was also noted that Chinese institutional constraints and some incentives from the government are also encouraging factors for Chinese firms to merge or acquire businesses overseas (Hitt, et al., 2004).

It is also worth mentioning that Chinese M&As' purposes are mostly to seek strategic assets due to lack of technology and excess amount of cash (Boateng, et al., 2008). However, the purposes of M&A are still varied throughout the destinations. In more developed market, the Chinese firms who perform M&As mostly seek technology, innovation, know-how and expertise to enhance their competitiveness as a whole (The Economist Intelligence Unit , 2015). On the contrary, the Chinese firms mainly focus in natural resources, market or infrastructure projects which these Chinese firms can take advantages (Cogman, et al., 2017). In these markets, institutional disadvantages can also be advantages to Chinese firm since they are familiar with the institutions in their homelands as well (Cuervo-Cazurra & Genc, 2008).

There are also some literatures indicating that being state-owned enterprises enable firms to achieve significantly higher performance (Zhou, et al., 2012) (Calomiris, et al., 2010) since they are likely to face less challenges financially when they conduct investment outside their homes. State-owned enterprises also have more credits when they apply for loans with low-interest which is favorable for these enterprises (RobertCull & Xu, 2003).

Nevertheless, Chinese enterprises have to face a lot of challenges before, during and after the M&A processes. This includes, but not limited to, political opposition in some developed markets (Tingley, et al., 2015), Chinese domestic rules that restrict outward investment (Hsu, 2017), internal corporate governance (Xiao & Sun, 2005). These firms also have the obstacles after they acquire or merge with target firms (Xiao & Sun, 2005).

METHODOLOGY

Case study is the perfect methodology for conducting this in-depth investigation into the merger and acquisition trend of Chinese companies in ASEAN. According to Yin (2003a), a case study is an empirical study which is set to examine a contemporary phenomenon within its actual surroundings. This is very important when the boundaries between the examined phenomenon and its surrounding environment cannot be set precisely. The high level of mergers and acquisitions (M&A) over the past decades, the increase in the internationalisation of large TNCs from China, the domination by a few global players in various industries. The case study method allows a multi-perspective, multi-dimensional analytical tool, providing researchers tools for considering the actions not only of the main actors, but also of the relevant groups of actors within and outside the value chain and their interrelations. For its robustness and vigour, the case study is chosen for this inquiry; it will penetrate beyond the surface of this complex research topic to provide both a big picture and an in-depth understanding. It collects primary data through semi-structured interviews with key informants including senior investment consultants and several businessmen. This primary information is supplemented by extensive data from secondary sources such as industrial reports and publicly available databases of international organisations such as China Global Investment Tracker (American Enterprise Institute), UNCTAD and World Bank.

RESULT AND DISCUSSION

ASEAN is an important targeted region for Chinese outward M&A activities. The region has attracted Chinese companies due to its close proximity to China and the benefits from various trade and investment agreements. Under the ASEAN-China free trade agreement, various arrangements and developments have been made to foster stronger collaboration on trade and investment. The ongoing negotiation, RCEP (Regional Comprehensive Economic Partnership) will further the strong tide between China and ASEAN. RCEP is a cooperation among 10 ASEAN members and China, India, Japan, South Korea, Australia and New Zealand. This agreement will eventually develop into the largest single market in the world. This combined market will have approximately half of the world population and acts as an engine for global economic growth. These collaborative agreements, increasingly relaxed inward foreign direct investment (FDI) policies by ASEAN countries and the increasing financial power of Chinese firms will position ASEAN as an important region for Chinese outward M&A (ASEAN Secreteriat, 2013, Athreye and Kapur, 2009, Pickering Pacific, 2010).

China allocated its money for ODI most in Singapore in 2017 (USD 13 billion) due to its better business environment, access to huge market and close cultural tie with China. Singapore is followed by Malaysia and Thailand which still have positive attitude and welcome Chinese investors. It is also worth mentioning that Vietnam, Indonesia and Malaysia have become attractive investment destinations for Chinese investors in spite of less-developed business environment including infrastructure and institutional factors. These destinations still have some advantages owing to their abundant natural resources, ideal demographic factor with relatively young population (Huang & Xia, 2018)

This paper focuses on M&As of Chinese firms in ASEAN during 2011 to 2018; different cases of Chinese M&As in ASEAN as seen in the following table. These cases were selected based on their relevance to the study and their value of more than USD 100 million (table 2). They are analysed to give overview of the trend as well as to examine the characteristics of Chinese M&As in ASEAN.

TABLE 2
SUMMARY OF KEY M&A ACTIVITIES OF CHINESE FIRMS IN ASEAN DURING 2011-2018

Year	Investor	Value in USD Millions	Share Size	Partner/Target	Sector	Subsector	Country
2011	HNA	$530	50%	GE SeaCo	Logistics		Singapore
2011	China Nickel Resources	$270	80%	PT Yiwan Mining	Metals		Indonesia
2012	Ex-Im Bank	$240			Entertainment		Cambodia
2012	China Architecture Design and Research	$150	100%	CPG	Real estate	Construction	Singapore
2012	SAIC	$150	51%	CP Group	Transport	Autos	Thailand
2013	Guangxi Beibu	$480	40%	IJM Corporation	Transport	Shipping	Malaysia
2013	Vanke	$110	30%		Real estate	Property	Singapore
2013	Fosun	$100		Gunung Gahapi	Metals	Steel	Indonesia
2013	CDH	$110	20%	Mobile World	Technology	Telecom	Vietnam
2013	Shandong Bright Ruby	$910		Park Hotel	Real estate	Property	Singapore
2014	Bank of China, China Life, and Hopu Investment	$160	2%	Global Logistics Properties	Logistics		Singapore
2014	Alibaba	$250	10%	Singapore Post	Logistics		Singapore
2014	China Mobile	$880	18%	True Corp	Technology	Telecom	Thailand
2014	CIC	$1,360	19%	Bumi Resources Minerals	Energy	Coal	Indonesia
2015	Jiangsu Changjiang, Semiconductor Manufacturing International, IC Fund	$1,660	100%	STATS ChipPAC	Technology	Singapore	STATS ChipPAC
2015	CITIC	$730	55%	United Envirotech	Utilities		Singapore
2015	SAIC	$280	49%	Weststar Maxus	Transport	Autos	Malaysia
2015	Alibaba	$150		Singapore Post	Logistics		Singapore
2015	CIC and Didi Kuaidi	$100		Grab Taxi	Transport	Autos	Singapore
2015	Nantong Fujitsu	$370	85%	Penang	Technology		Malaysia
2015	China General Nuclear	$5,960	100%	Edra	Energy		Malaysia
2015	Sailun and additional	$190			Transport	Autos	Vietnam
2016	Sinochem	$180	55%	Halcyon Agri	Agriculture		Singapore
2016	Zhuhai Zhenrong	$2,100	70%		Energy	Oil	Myanmar
2016	Alibaba	$1,000	51%	Lazada	Other	Consumer	Singapore

Year	Investor	Value in USD Millions	Share Size	Partner/Target	Sector	Subsector	Country
2016	China International Marine Containers	$190	77%	Pteris	Logistics		Singapore
2016	China Everbright and Baofeng	$660	65%	MP&Silva	Entertainment		Singapore
2016	Qingjian	$460			Real estate	Property	Singapore
2016	Shenzhen Government	$990	100%	ACR Capital	Finance		Singapore
2016	Power Construction Corp	$250	70%	PLN	Energy	Coal	Indonesia
2017	China Communications Construction	$110	70%		Real estate	Property	Indonesia
2017	China Galaxy Securities	$120	50%	CIMB	Finance	Investment	Malaysia
2017	Geely Auto	$110	50%	Proton	Transport	Autos	Malaysia
2017	Alibaba	$1,000	32%	Lazada	Other	Consumer	Singapore
2017	China Nonferrous	$200	51%		Metals		Indonesia
2017	Tencent	$150		Go-Jek	Transport	Autos	Indonesia
2017	Didi Chuxing	$500		Grab Taxi	Transport	Autos	Singapore
2017	JD.com	$100		Go-Jek	Transport	Autos	Indonesia
2017	Shandong Hengyuan	$140			Energy	Oil	Malaysia
2017	Yanlord-led consortium	$220	18%	Perennial Real Estate	Real estate	Property	Singapore
2017	Alibaba	$500		Tokopedia	Other	Consumer	Indonesia
2017	HNA	$1,030	100%	CWT	Logistics		Singapore
2017	CIC	$370	10%	Equis Energy	Energy	Alternative	Singapore
2017	Vanke, Hopu, Hillhouse, Bank of China	$9,060	79%	Globa Logistics Property	Logistics		Singapore
2018	Alibaba	$2,000		Lazada	Other	Consumer	Singapore
2018	Kunming Iron	$500	100%		Transport	Aviation	Cambodia
2018	China JinJiang Environment	$110	95%	Indo Green Power	Energy	Alternative	Indonesia
2018	China Communications Construction	$200	100%		Transport	Shipping	Singapore

Sources: American Enterprise Institute (2019)

TABLE 3
PERCENTAGE SHARE OF DIFFERENT SECTORS BY NUMBER OF DEAL AND DEAL VALUE COMPARING BETWEEN THE 12th AND 13th FIVE YEAR PLAN FOR 2011-2015 AND 2016-2018

Sector	Year 2011-2015				Year 2016-2018			
	Number of Deal	Percentage by Number of Deal	Deal Value (USD million)	Percentage by Deal Value	Number of Deal	Percentage by Number of Deal	Deal Value (USD million)	Percentage by Deal Value
Agriculture	0	0.00	0	0.00	1	3.85	180	0.81
Chemicals	0	0.00	0	0.00	0	0.00	0	0.00
Energy	2	7.69	7,320	45.10	5	19.23	2,970	13.35
Entertainment	1	3.85	240	1.48	1	3.85	660	2.97
Finance	4	15.38	1,090	6.72	2	7.69	1,110	4.99
Health	0	0.00	0	0.00	0	0.00	0	0.00
Logistics	4	15.38	1,090	6.72	3	11.54	10,280	46.20
Metals	2	7.69	370	2.28	1	3.85	200	0.90
Real estate	3	11.54	1,170	7.21	3	11.54	790	3.55
Technology	4	15.38	3,020	18.61	0	0.00	0	0.00
Tourism	0	0.00	0	0.00	0	0.00	0	0.00
Transport	5	19.23	1,200	7.39	6	23.08	1,560	7.01
Utilities	1	3.85	730	4.50	0	0.00	0	0.00
Others	0	0.00	0	0.00	4	15.38	4,500	20.22
Total	26	100.00	16,230	100	26	100.00	22,250	100.00

Sources: Applied from American Enterprise Institute (2019)

Table 3 outlines the distribution of deals among different sectors by number and value. Investment will increasingly be driven by sectors with high potential where Chinese firms have developed strong domestic know-how and expertise (TNF Group, 2018). From 52 M&A deals during 2011 to 2018, the energy sector accounted for 10 deals; representing the highest value of the targeted industries. However, interestingly, the proportion of its deal value has decreased from 45.10 to 13.35 percent during the transformation of the 12th and 13th Five Year Plan. Simultaneously, the deal value of logistics sector has oppositely surged from 6.72 to 46.20 percent. An important observation is the fact that from fifty two deals, thirty nine of them are outside energy and metals sectors. During 2011-2015, the energy sector alone accounted for one-third of total deal number while the M&A deals in this sector were valued approximately half of the total deal value. It can be implied that in the 12th Year Plan, Chinese M&A activities in ASEAN primarily focused on gaining access to key natural resources including oil, gas and various mining metals. Many ASEAN countries has abundant natural resources but limited know-how and technology in energy extraction equipment which brings about the opportunity for Chinese investors. (TNF Group, 2018)

During 2016-2018, transport sector accounted for the largest in number of deals as it accounted for around 23 percent and logistic sector has become the highest deal value at 46 percent. This fact demonstrates a strong interest by Chinese firms and the Chinese government in gaining access to various transport infrastructures such as port and rail in the region. Within the Belt and Road Initiatives (BRI), ASEAN will remain a destination of choice for Chinese investors due to its optimistic growth forecast and the arrival of closer regional harmonization through some mechanisms like the RCEP.

Considering the total amount of deals, it can be observed that energy deals has decreased significantly while logistics and infrastructure has gained importance in Chinese outward investment. This indicates the shift of focus of Chinese firms' outward investment from resource-seeking to infrastructure and logistics. This is also consistent with China belt-and road initiative which aims to expand China trade route into designated regions and pave the way for Chinese businesses and people to take advantage of markets in this region.

Another interesting sector that is expected to be merged or acquired more in the future is e-commerce. One of the most important examples for e-commerce merge and acquisition is Alibaba which purchased a stake in Lazada. Now, Alibaba has 83% stock in the company with 4 billion USD investment (Cadell & Aravindan, 2018). ASEAN market is lucrative for Chinese firms due to its proximity to China and fast internet adoption rate in the region (TNF Group, 2018). It is forecasted that the e-commerce spending will jump to US$90 billion by 2025 (Singapore Business Review, 2018)

The result is also a consequence of China's 13th Five-Year Plan for Economic and Social Development which has main objectives to build a moderately well-off society while overcome challenges as middle income trap. It encourages firms to invest abroad to construct a network strategically and leverage its competitive advantage. This is also to integrate China with global value chain. The focus of the plan for firms conducting outward investment is in the belt-and-road initiative route since this is China's new strategic to build more influence in the global level. This is why there is the phenomenon of more investment in infrastructure and more strategic industries in this region. It is also worth mentioning that Chinese government also enhances its foreign trade system to facilitate firms investing abroad (Chu, 2015) (National Development and Reform Commission, 2015).

Nonetheless, there are still some challenges remain for Chinese firms'investment in ASEAN especially when it comes to tax, accounting and legal compliance. Culture adaptation is also a challenge for Chinese firm to conduct their businesses in the ASEAN region (Wang, 2012). Nevertheless, these challenges can be overcome by implementing long-term approach to develop mutual benefit between China and the host countries (EY, 2018).

China's increase investment is in line with its increasing foreign aid. Nowadays, China is one of the world's largest providers of foreign aid (Chandran, 2017). Most of the aids provided by China is a loan at below-market interest rates while some of them are in term of grants.

The value of Chinese foreign aid giving off to ASEAN countries during 2000 - 2013 is demonstrated in Table 4.

TABLE 4
THE VALUE OF CHINESE FOREIGN AID IN ASEAN COUNTRIES DURING 2000-2013

Country	Deals	Loan		Grant	
		Amount	Currency	Amount	Currency
Brunei	10	-	-	-	-
Cambodia	192	4,783,586,549	CNY	1,080,996,000	CNY
		7,814,156,463	USD	498,008,810	USD
Indonesia	86	16,730,267,179	USD	1,303,100,000	CNY
				231,500,000	IDR
				12,030,000	USD
Laos	83	1,000,000,000	CNY	467,820,000	CNY
		12,100,224,818	USD	1,500,000,000	LAK
				53,434,139	USD
Malaysia	10	3,500,000,000	MYR	159,500	MYR
		2,400,000,000	USD	200,000	USD
Myanmar	77	1,459,880,000	CNY	442,500,000	CNY
		1,873,750,000	USD	247,994,800	MMK
				100,680,000	USD
Philippines	26	400,000,000	CNY	49,230,000	CNY
		26,140,000,000	PHP	5,500,000	PHP
		10,175,485,000	USD	7,250,000	USD
Singapore	11	-	-	-	-
Thailand	24	20,000,000,000	THB	54,700,000	CNY
				84,750,000	THB
				1,905,000	USD
Viet Nam	39	975,000,000,000	VND	261,700,000	CNY
		3,751,766,666	USD	90,000,000	VND
				32,258,333	USD

Source: Dreher, A., Fuchs, A., Parks, B.C., Strange, A. M., & Tierney, M. J. (2017)

It was shown in the table 4 that most of aid recipients in ASEAN region are less-developed countries or emerging countries especially Cambodia which has close ties with Chinese (South China Morning Post, 2018). China eyes on investing in infrastructure projects in these countries since they are parts of belt-and-road initiative.

Regarding foreign aid, there are many literatures stating that foreign aid has some consistency with the foreign direct investment (Xu & Zhong, 2011) (Arazmuradov, 2012) since foreign aid will enhance productivity of capital such as infrastructure and human capital (Selaya & RytterSunesen, 2012) which will make the investments easier for other investors if the fund donated is allocated appropriately. It will also augments the economic resources of the country as well.

Apart from increasing resources and upgrading productivity in the country, foreign aid also reduced the risk in the receiving countries for the donor countries since the receiving countries tend to be more compromised in receiving foreign investment and has less right out nationalization of foreign–owned property and less strict rules. (Asteriou, 2009).

China's foreign aid is different from conventional foreign aid as implemented by the western countries. Its motive is mainly to exert its influence on trade, politics and support its rise to be a global power while western countries' aid is mainly for humanitarian or political purposes. China also does not interfere the aid recipients politically (Fuchs & Rudyak, 2018). However, it should be noted that one of the purposes of Chinese foreign aid which can lead to investment is to gain access to the recipients' natural resources (Naim, 2009). Ministry of Commerce of the People's Republic of China is mainly responsible for China's foreign aid. It forms alliances with Chinese companies and China Exim bank to assist them to invest abroad. China Exim bank plays an important role to send the Chinese firms to "go global" as it provides a significant amount of concessional loans (Zhang & Smith, 2017).

Large state-owned enterprises are favored to run Chinese foreign-aid projects since government is one of their income sources. They are also big companies which have a great amount of resources to implement the projects. Non-state-owned enterprises who implement the foreign aid projects are those who are big in size and capital such as Huawei. Chinese government support these firms systematically in both financial and political way in order to implement its economic diplomacy and the Go Global strategy (Huang & Ren, 2012). The government holds meeting with some developing countries in order to discuss the economic matters and pave the way for the firms to invest in these countries (Luo ,2016). Therefore, it can be concluded that Chinese foreign aid, to some extent, is related to Chinese investment in the recipients' countries.

CONCLUSION

Various literatures have pointed that Chinese firms are moving from the first-wave natural resource seeking M&As to second-wave, market, capability and technology-seeking M&As. Chinese firms are moving away from traditional M&A strategy that primarily aims for gaining access to energy and metal resources to acquisitions of strategic assets such as technology, brand and network of operation in order to create higher value for their operations and move up the value chain. Despite this general phenomenon, the majority of Chinese M&As in ASEAN still exhibits a first-wave characteristics. 139 out of 347 deals during 2011 to 2018 have been focused on gaining access to natural resources such as oil, gas and various metals which are abundant in the region. This may be due to the fact that ASEAN is a developing region, where the consumer market is relatively small and immature. Moreover, ASEAN firms still lack advanced capability and technology to attract the second wave M&A from Chinese firms. As a result, the majority of Chinese M&A in this region has been first-wave, natural resource seeking. Despite, the fact that the majority of deals have been first-wave M&As, the difference between first and second waves is not relatively significant. It can be anticipated that as ASEAN economy grow further, the consumer market become larger and ASEAN companies gradually move up the value chain with improved capability and technology, the Chinese second-wave M&A will eventually overtake the first-wave M&As in this region. Another significant reason that Chinese M&A deals in ASEAN has shifted from acquiring natural resources to investing more in logistics and transportation sectors is owing to the Chinese government policy. According to the 13th Five-Year Plan, Chinese has placed emphasis on encouraging technological innovation and bolstering infrastructure construction. Chinese tends to selectively promote the outbound transactions that advance its infrastructure connectivity projects, especially the investments in countries and regions along the route of Belt-and road initiative (BRI). Consequently, most of ASEAN countries in BRI have been significantly broadened the proportion of investments in logistics and transportation sectors, such as, shipping, railway and automobiles. Beyond the transformation from first to second wave M&As, the rise in overall Chinese M&A in ASEAN to seek more natural resource at first and subsequently new market, advanced capability and technology will eventually result in the more integrated value chain among ASEAN and Chinese firms, sharing responsibility for different business activities and working together along the value chain. Last but not least, ASEAN region is prominently a potential prospect for Chinese foreign aid; they have been provided financial supports both in form of low interest loans and grants. These aids are also an impactful factor in boosting ASEAN M&A. It could not only benefit to complementary financial inputs but also simultaneously mitigate the legitimate and contractual risk.

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