Emerging market companies buy up the world

REUTERS, *Davos*

There's a new swagger among the bosses of emerging market companies as they sign cheques for a growing list of acquisitions in both the developed and developing world. And this is just the start.

After suffering less in the downturn and rebounding faster than their US and European counterparts, corporations from China to Mexico are taking advantage of their strength to go shopping for an ambitious range of businesses.

Emerging markets are, more than ever, a key topic at the annual meeting of the World Economic Forum in Switzerland. Traditionally, most focus has been on Western firms buying assets in fast-growing developing economies, to hedge against sluggish growth at home.

But it is a two-way street and, increasingly, emerging market firms are shopping in the developed world as they move up the value chain and pursue their own diversification.

"The three words that characterise the last decade have been 'Made in China'. The three words that are likely to dominate the next decade will be 'Owned by China'," said Gerard Lyons, chief economist at Standard Chartered.

"And by the time we move to the 2020s it will be 'Paid in renminbi'."

China may grab the most headlines, but it is not alone. Acquisitive companies from India, Mexico, Russia, Brazil and South Korea are also on the prowl.

AFP

Take Indian wind turbine maker Suzlon Energy, which owns 91 percent of Germany's REpower and whose chairman, Tulsi Tanti, says he can "leverage huge synergies" through matching REpower's technology with low-cost components.

Or Apollo Tyres, another Indian manufacturer that acquired businesses in the Netherlands and South Africa because, in the words of chairman Onkar Kanwar: "We are hungry and passionate and want to do things."

In the five years since China's Lenovo bought IBM's PC business for $1.25 billion, cross-border deals have changed other parts of the industrial landscape -- from cars to bread.

Jaguar and Land Rover are now owned by India's Tata Motors, while Mexico's Grupo Bimbo will become the world's largest bread maker when it closes the purchase of Sara Lee's North American bakery business this year.

Firms in emerging markets want to move beyond the advantage of cheap labour -- anyway on the decline -- to create global organisations with the skill base found in Western companies.

The strategy looks to be working. By 2020, the top 100 stars of the developing world could collectively generate $8 trillion in revenues, roughly equivalent to aggregate S&P 500 revenues today, according to a new report from Boston Consulting Group.

The 100 "global challengers" come from 16 countries but China, India, Brazil, Mexico and Russia dominate the list.

"These companies see M&A as a path to access technology, to access channels and to access brands around the world," said Mark Foster, global head of management consulting at Accenture.

"We have to expect more of this because they've got the cash and, perhaps more importantly, they've got the confidence."

For emerging market firms, investing in sluggish developed world economies is a long-term play that sits alongside a parallel drive to snap up targets in other developing economies.

In that space, however, they are competing with Western multinationals whose growing appetite for assets in the world's big developing economies has driven up prices.

Last year, emerging markets accounted for 33 percent of the world's $2.4 trillion tally of all mergers and acquisitions -- totalling $806 billion, or a 76 percent increase over 2009, according to Thomson Reuters data.

Much of the activity was focused on resources, where China's state-owned firms, backed by soft loans, have made a land-grab for commodities, often in competition with India.

Asian groups like Sinopec of China and Thailand's PTT Exploration and Production struck deals last year ranging from buying stakes in oil fields to Korea National Oil Corp's hostile takeover of Britain's Dana Petroleum.

Helped by strong currencies, emerging market companies are also contemplating chunky deals in more advanced sectors.

Significantly, the biggest deal of any kind in 2010 was America Movil's $27.5 billion purchase, including debt, of Carso Global Telecom -- a tale of Latin American empire building by Mexican tycoon Carlos Slim.

India's Bharti Airtel, meanwhile, became the world's fifth largest mobile operator, by subscribers, after buying Zain's African operations for $9 billion in 2010, and Russia's Vimpelcom is locked in its own fight for overseas expansion.

Things don't always pan out as planned for the new players.

Last year's $1.8 billion purchase of Ford's Volvo unit by Geely was a notable win for "China Inc", but earlier this month Xinmao threw in the towel on a 1 billion euros bid for Dutch cable maker Draka.

India courts investment as FDI slides

AFP, *New Delhi*

As India was pitching itself as a hot investment destination at the World Economic Forum in Davos, figures showed the amount of foreign money entering the country has fallen by nearly a third.

It may seem a surprising figure given scorching growth running at nearly nine percent. But the culprits are delays in environmental clearances and land acquisition, red tape, and infrastructure bottlenecks, a report by India's central bank said last week.

In 2010, foreign direct investment (FDI) in India slid 32 percent from a year earlier to $24 billion.

At the same time, rivals were drawing ever more FDI. Singapore grabbed 122 percent more than the previous year with $37 billion, China drew 6.3 percent more than 2009 at $100 billion, while FDI inflows into Malaysia grew by a staggering 410 percent to $7 billion.

"The numbers are a wake-up call. India has been dragging its heels on economic reforms for too long," Kevin Grice, international economist at London-based Capital Economics, told AFP.

The figures came as India sent a huge corporate and government presence to the Davos meeting in the Swiss Alps, with bullish chief executives hailing India's booming economy and investment potential.

But the central bank noted that the biggest investment falls were in construction, real estate, mining, and business and financial services.

"India should take note. Its peers are marching ahead. India's policies are not as open, competitive and welcoming as they should be," Deepak Lalwani, head of London-based Lalcap Ltd, an Indian investment consultancy, told AFP.

Businesses regularly complain about India's byzantine regulations, burdensome standards and cumbersome visa rules.

The central bank said India must pull up its socks to reverse the investment decline by shortening approval times and sorting out land acquisition issues.

ICBC leads Chinese banks global charge

AFP, *Beijing*

ICBC, the world's largest bank by market value, is proving the most aggressive Chinese bank in expanding abroad, serving Chinese firms that are increasingly active globally after the financial crisis.

Of the country's "big four" banks, ICBC is leading the way as Chinese lenders restart plans that were put on hold by the global crisis and seize new opportunities left in its wake.

Bank of China fulfilled that role in the 1980s, but times have changed as Chinese firms have been widely encouraged to invest abroad and Beijing seeks to boost the global profile of the yuan, the experts say.

"BoC and ICBC are roughly at parity in terms of overseas activity. But it does indeed appear that ICBC is emerging as the most international of the Chinese banks," IHS Global Insight analyst Adam Breen told AFP.

For Andy Xie, an independent economist based in Shanghai, the process is the logical result of the global expansion by Chinese companies, which are branching out to secure vital natural resources and explore new markets.

"Even Chinese companies of medium size are going global. If Chinese banks don't offer them services offshore, then they might switch to other banks like HSBC that have both a China presence and an international presence," Xie said.

This month alone, ICBC opened branches in Paris, Amsterdam, Madrid, Milan and Brussels -- following on from existing offices in London, Moscow, Frankfurt and Luxembourg.

In December, it extended its reach to Pakistan. The month before, reports said ICBC was eyeing a takeover of South Korea's Kwangju Bank. It already has two branches in Seoul and one in the port city of Busan.

Sun-dried freshly harvested rice in Bogor, West Java province. Indonesian President Susilo Bambang Yudhoyono declared at the World Economic Forum in Davos, Switzerland that food security should be a key priority for the G20, warning that soaring food prices could lead to more unrest. In 2008, tens of thousands of Indonesians took to the streets of Jakarta to protest soaring food prices, particularly rice, cooking oil and soybeans.

Comcast finalises NBC deal

AFP, *New York*

Comcast Corp. said Saturday it finalised a deal for control of NBC Universal, creating a media and entertainment empire that rivals that of The Walt Disney Company.

"This transaction brings together the rich traditions of some of the world's most well known and respected entertainment, news and sports brands at NBC Universal with the technology and consumer reach of Comcast, creating the ideal entertainment and distribution company," said Comcast chairman and chief executive Brian Roberts.

The deal gives cable giant Comcast a controlling 51-percent stake in the media-entertainment powerhouse, while US conglomerate General Electric retains 49 percent.

Comcast is the largest cable television operator and high-speed Internet provider in the United States while NBC Universal has a vast array of news, movie and television properties.

The deal was announced in December 2009 with the transaction valued at $30 billion at the time.

French group Vivendi said Wednesday that it had sold its remaining 12.34-percent stake in NBCU to General Electric for $3.8 billion.

NBC Universal comprises NBC -- the oldest of the four major US broadcast networks -- financial news channel CNBC, news channel MSNBC, The Weather Channel, Bravo and the Spanish-language

Philippine business titan wants more

AFP, *Manila*

Manuel Pangilinan may have embarked on one of the Philippines' most remarkable corporate buying binges over the past dozen years, but he is hungry for more.

Since returning home in 1998 after more than two decades overseas, the investment banker has taken control of the Philippines' major telecom firm, its main power retailer and the biggest water utility.

Also in the 64-year-old bachelor's bulging portfolio are the nation's biggest hospital chain, nearly all its main toll roads, major media outlets, mining companies and Manila's biggest rail network.

Now Pangilinan has his eyes set on road, rail and airport projects worth $3 billion that President Benigno Aquino's new government intends to put out for tender this year on a public-private partnership basis.

"We're looking to fill out our infrastructure portfolio -- infrastructure growth is something that could really add value," Pangilinan told AFP in a recent interview from his Manila office.

His group is interested in taking stakes in other toll roads near Manila, while two state-owned light railway lines and a much older system in the city would also be interesting should they come into play, he said.

"The railways are something interesting for us. I firmly believe the country needs a good railway system," said Pangilinan, adding he would also like to build a new international airport in Manila one day.

Pangilinan's most important positions -- and those through which his investments are made -- are as chairman of Philippine Long Distance Telephone (PLDT) and chief executive of Metro Pacific Investments Corporation.

But a step further back in his corporate structure is the key to his success: his role as managing director of Hong Kong-listed First Pacific Co., controlled by Indonesia's largest conglomerate, Salim Group.

Pangilinan got his big break while working in Hong Kong as an investment banker after a 1978 visit to the office of Anthoni Salim, son of Indonesia's richest man Lim Sioe Liong, who founded the Salim Group.

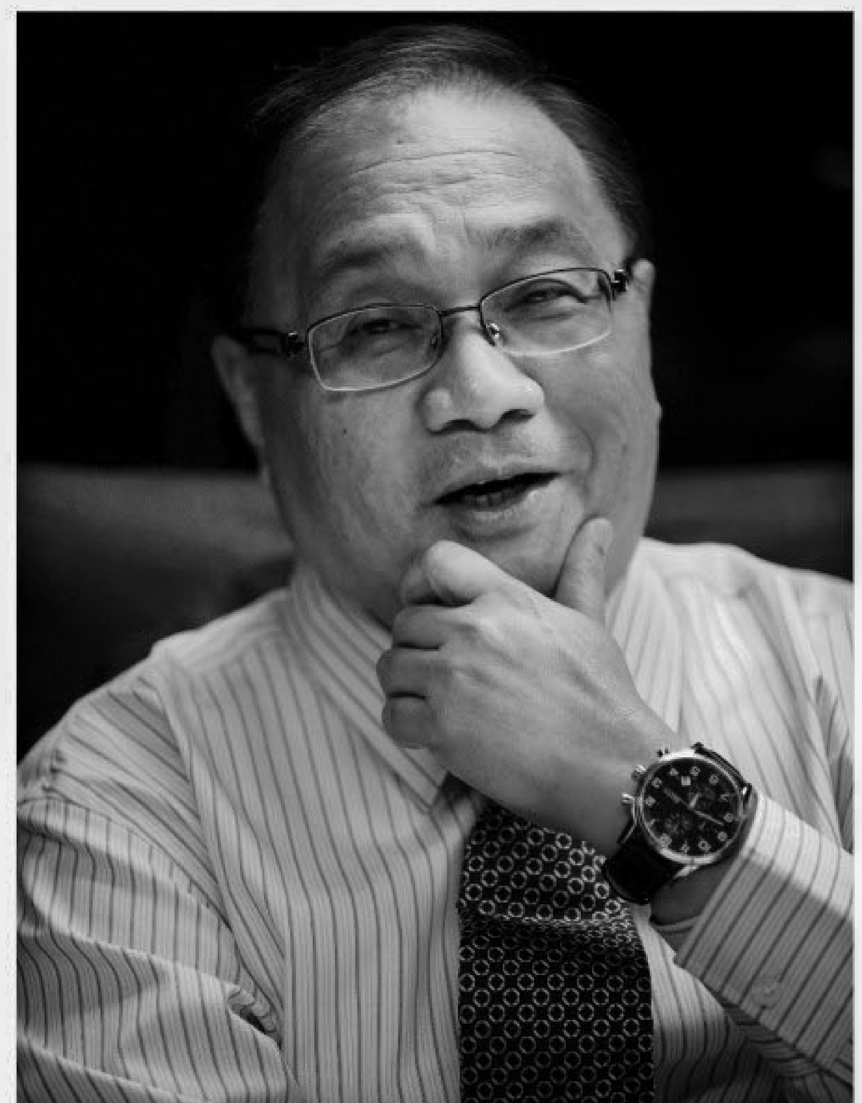
His sales pitch to arrange funding for a cement project was politely brushed off, but he hit it off with the son, who later became Salim group chairman.

"You have to gain his trust, like most family-owned groups," Pangilinan said of his relationship with Anthoni Salim.

"You have to know how to manage, and part of that learning process is to be able to effectively disagree with him, politely, but (tell him), 'You know, I think you're wrong.'"

In 1981 the two men, who are about the same age, set up First Pacific. Philippine Long Distance Telecom was their first major acquisition in the Philippines in 1998.

Aside from the Philippine ventures, Pangilinan and Salim also own Indonesia's biggest food company, Indofood Sukses Makmur, through their partnership in First Pacific.



Manuel Pangilinan

Pangilinan, who grew up in a middle-class home the son of a bank manager, said his success could be attributed to his strong work ethic, gained competing against rivals from dynastic business empires.

As in other Asian countries, many of the Philippines' most powerful companies are family-run.

"That's probably my single best advantage, if you can call it an advantage," he said, describing himself as a self-made man and workaholic with a chip on his shoulder because of his humble origins. "You try harder."

Pangilinan is an arts and economics graduate from the Philippines' prestigious Ateneo university.

He earned a masters degree at the Wharton business school in the United States and worked as an investment banker in Hong Kong for 22 years while his country went to pieces amid corruption and dictatorship.

He relocated back to Manila in 1998 as the PLDT venture got underway, with an eye to picking up bargains after the ravages of the Asian financial crisis.

Despite his perceived Midas touch, industry watchers said Pangilinan's business acumen had come into question over the years.

One spectacular failure came when he bid aggressively in 1995 to win Fort Bonifacio, military land adjacent to Manila's central business district, for 1.6 billion dollars -- an asset he was later forced to sell for much less.