

Cross-border investment between China, other BRICS countries set to rise: Deloitte

HONG KONG, April 11 (Xinhua) -- Close economic ties among BRICS countries, especially after the New Delhi Summit, will most likely result in further cross-border merger and acquisition (M&A) deals driven by Chinese companies in other four economies, said Deloitte, a well-known professional services firm, on Wednesday in its newly released report.

BRICS, grouping Brazil, Russia, India, China and South Africa, represented a gathering of important emerging economies which were playing an increasingly big role in world economy during last decade.

Statistics showed that in 2011, 27 deals worth a total of 9.8 billion U.S. dollars were made by Chinese bidders in the other four countries, the same number of deals that were completed in 2010.

"Chinese investment enthusiasm into the BRICS has remained strong as economic growth in these, and other emerging markets, has remained relatively intact despite global uncertainty," said Lawrence Chia, co-chairman of Deloitte China's global Chinese services group, in a press conference held in the day.

The aggregate GDP of the BRIC countries (before South Africa joined in late 2010) has almost quadrupled since 2001, from around 3 trillion U.S. dollars to between 11-12 trillion U.S. dollars in 2010.

The fourth BRICS Summit was held in New Delhi on March 28-29, under the theme of BRICS countries' commitment to the partnership of stability, security and prosperity, where leaders of the five countries vowed to strengthen cooperation and boost inter-trade among the BRICS economies.

Deloitte forecast that emerging economies will grow by five percent in 2012, compared to a figure of 1.2 percent for developed countries.

As a co-writer of the report, namely "Lateral trades -- Breathing fire into the BRICS", Chia believed that cross-border investments between China and the other four BRICS countries will pick up over 2012 and beyond, as "comparatively more attractive growth fundamentals in the BRICS help encourage Chinese businesses to invest in those jurisdictions, as opposed to developed markets".

The report also mentioned that "the desire to escape intense competitive pressures at home" is another reason that leads to Chinese companies' increasing interest in acquiring in the BRICS.

"Chinese bidders are keen on acquiring energy and resources assets as China seeks to increase the supply of key commodities to support its infrastructure development and the production of consumer goods," said Chia.

Statistics showed energy and resources sector accounted for 95 percent of the total deal value and 29 percent of the total deal volume in 2011.

Chinese consumer businesses, looking to expand into fast-growing overseas economies, became another power in the past acquisition activities.

Data showed that outbound consumer business and transportation investments into the four economies from 2009-2011 accounted for 4.5 percent of overall outbound M&A activity by value, while over the 2005-2008 period, this proportion just stood at 1.2 percent.

Meanwhile, Deloitte reminded bidders of cross-border M&A risk within the BRICS, where effective counterparty protection is likely to be lacking. Chinese companies should gain a thorough understanding on their target markets and conduct a complete integrity due diligence on their targets and local partners, Ronald Chao, leader of financial advisory services of Deloitte China, told media.

The latest Deloitte report examines all announced M&A deals undertaken between bidders from China and targets in the BRICS from 2005-2011.