A COMPARATIVE OWNERSHIP ADVANTAGE FRAMEWORK FOR CROSS-BORDER M&As: THE RISE OF CHINESE AND INDIAN MNEs

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Abstract

MNEs from emerging economies (EE MNEs) have recently undertaken aggressive cross-border mergers and acquisitions (M&As). This phenomenon challenges the current understanding in the international business literature. Integrating the comparative advantage theory with Dunning's OLI paradigm, this article develops a comparative ownership advantage framework characterized by five attributes: (1) national-industrial factor endowments, (2) dynamic learning, (3) value creation, (4) reconfiguration of value chain, and (5) institutional facilitation and constraints. We test five propositions with a dataset of 1,526 cross-border M&As by Chinese and Indian MNEs from 2000 to 2008. Preliminary results support the new comparative ownership advantage framework.

Key word*: Comparative ownership advantage, emerging economy MNEs, cross-border M&As, global strategy*

The recent rise of multinational enterprises from emerging economies (EE MNEs), especially those from China and India, raises two interesting research questions (Peng, 2011: 342). First, why do Chinese and Indian MNEs adopt cross-border mergers and acquisitions (M&As) as a primary mode of internationalization? According to the *World Investment Report 2009*, the outward foreign direct investment (FDI) conducted by Chinese and Indian MNEs had a significant increase relative to others in 2008, and the role of these two countries as important sources of FDI around the globe was noticeably strengthened (UNCTAD, 2009). While the worldwide FDI flows decreased 14% in 2008, outward FDI (OFDI) from China increased 111%, up to $56 billion,[1] making it the 12th largest source country of OFDI in the world. What is even more interesting is that the deal value of cross-border M&As undertaken by Chinese MNEs in 2008 was $68

[1] All monetary units in this article refer to U.S. dollars.

billion, 21% *more* than the OFDI flow from China. This means that Chinese MNEs not only use cross-border M&As as a primary mode of internationalization, but also raise significant capital or debt from foreign markets. In the international business (IB) literature, recent work argues that the liability of foreignness derives from the liability of outsiders—namely, the difficulty in developing necessary relevant networks for successful internationalization (Johanson & Vahlne, 2009). To overcome this main burden in internationalization, firms usually follow the sequence of entry modes from exports to minority joint ventures (JVs), then to majority JVs or M&As. In other words, they learn from early entries and adapt the modes of subsequent entry (Chang & Rosenzweig, 2001; Meyer, Estrin, Bhaumik, & Peng, 2009). However, by skipping several earlier modes of entry and focusing on M&As, Chinese and Indian MNEs seem to be rewriting the rules of M&As (Kumar, 2009). Such cross-border M&As challenge the traditional theory of internationalization (Fortanier & Tulder, 2009).

The second question is: What are the drivers behind Chinese and Indian MNEs' cross-border M&As? Previous research has examined drivers, such as technological opportunities and non-codifiable skills (Mutinelli & Piscitello, 1998), strategic resources (Cui & Jiang, 2010; Deng, 2007), product differentiation (Sirkin, Hemerling, & Bhattacharya, 2008), international experience (Shimizu, Hitt, Vaidyanath, & Pisano, 2004), sociocultural distance (Tihanyi, Griffith, & Russell, 2005), size of the target market (Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010), trade liberalization (Breinlich, 2008), legal barriers (Sun, 2009), and institutional constraints (Cui & Jiang, 2010; Deng, 2009; Pablo, 2009; Yang, 2009; Yang, Jiang, Kang, & Ke, 2009). However, they cannot provide a unified theoretical explanation.

Recent developments in international trade theory have paid a great deal of attention to the role of firms' heterogeneity in FDI and cross-border M&As (Nocke & Yeaple, 2008). Empirical research finds that firms that undertake OFDI enjoy an estimated 15% productivity advantage over firms that export but that do not undertake FDI, suggesting that firms that undertake FDI possess a significant competitive advantage over

their domestic peers (Helpman, Melitz, & Yeaple, 2004). A general equilibrium model suggests that cross-border M&As of target firms in a high-cost country by MNEs from a low-cost country can be an instrument to gain further comparative advantage (Neary, 2007). Treating the international M&A market as a market in which heterogeneous firms buy and sell heterogeneous corporate assets to exploit complementarities (Nocke & Yeaple, 2008), we extend Neary's (2007) new comparative advantage theory, which is inspired by Ricardo's (1817) classic theory, to explain why EE MNEs from China and India exhibit a more aggressive global strategy in cross-border M&As than before. Further, we develop a new framework to explain the motivations and characteristics of EE MNEs' internationalization strategy. Integrating the theory of comparative advantage in international trade (Neary, 2007) and the eclectic theory in FDI in IB centered on the ownership-location- internalization (OLI) paradigm (Dunning, 1980), we develop a comparative ownership advantage framework. Specifically, we propose that EE MNEs' quest to use cross-border M&As as an instrument to gain "comparative ownership advantage" is driven by (1) national-industrial factor endowments, (2) dynamic learning, (3) value creation, (4) strategic asset-seeking, and (5) institutional facilitation and constraints (see Figure 1).

[Insert Figure 1 about Here]

CROSS-BORDER M&As AS AN INSTRUMENT OF INTERNATIONALIZATION

The rise of Chinese and Indian MNEs has recently provoked a flurry of research (Athreye & Kapur, 2009; Child & Rodrigues, 2005; Khanna, 2007; Luo & Tung, 2007; Mathews, 2006; Peng, Bhagat, & Chang, 2010). How do these EE MNEs internationalize as latecomers? Why do they use cross-border M&As as a primary mode for market entry? We first review the literature based on the three leading perspectives in strategic management: the industry-based, the resource-based, and institution-based views (Peng, Sun, Pinkham, & Chen, 2009; Peng, Wang, & Jiang, 2008).

The industry-based view on latecomers' internationalization

Under the industry-based view on global value chains, MNEs from developed economies (DE MNEs) usually control high-end value-added activities such as those associated with brands, channels, and product designs as first movers. EE MNEs as latecomers take advantage of their low labor costs to become the original equipment manufacturers (OEM) of DE MNEs (Morck, Yeung, & Zhao, 2008). M&As therefore become the primary mode of EE MNEs' internationalization to update their low-end value-added activities. However, the industry-based view assumes that the primary motives for M&As are on efficiency gain. The empirical evidence on efficiency gains from M&As (of all types worldwide) is far from conclusive because 70% of acquisitions reportedly fail (Peng, 2009, 2011).

The resource-based view on latecomers' internationalization

Two important resource-based perspectives explain why and how EE MNEs internationalize under the resource-based view. First, the springboard perspective argues that EE MNEs can employ international expansion as a springboard to actively participate in global competition and acquire strategic resources (Luo & Tung, 2007; Ramamurti & Singh, 2009). Specifically, in cross-border M&As, latecomer MNEs can access necessary strategic assets (Deng, 2007), strengthen technological innovation capabilities in a host country (Deng, 2007; Rui & Yip, 2008), and acquire tangible and intangible resources that are difficult to obtain through market transactions (Gubbi et al., 2010). These activities make a leapfrogging strategy possible (Athreye & Kapur, 2009).

Second, the catch-up and learning perspective argues a pluralistic character of the process of globalization in which EE MNEs' international expansion is driven by resource linkage, leverage, and learning (Mathews, 2006) and is structured in the ambidexterity of co-evolution, co-competence, co-competition, and co-orientation (Luo & Rui, 2009). Cross-border M&As represent dynamic learning processes (Shimizu et al., 2004). Strategic management research suggests that learning associated with a

firm's prior acquisition experience increases the likelihood of subsequent international acquisitions (Collins, Holcomb, Certo, Hitt, & Lester, 2009). While DE MNEs as acquirers may initiate several post-M&A changes such as a high level of executive turnover, and a significant reduction of head-count, EE MNEs as acquirers are more likely to integrate target companies with a slower speed, little intervention, and a low level of executive turnover (Kumar, 2009). For example, these learning processes have occurred when India's largest aluminum producer Hindalco acquired Canada's Alcon and China's PC giant Lenovo acquired IBM's PC division.

The institution-based view on latecomers' internationalization

The institution-based view emphasizes the importance of domestic institutions and trade liberalization in facilitating or constraining cross-border M&As activities (Khoury & Peng, 2011; Peng et al., 2008, 2009). Predatory governments and institutional voids at home are likely to push EE firms abroad (Witt & Lewin, 2007; Yamakawa, Peng, & Deeds, 2008). Many Chinese and Indian firms establish entities abroad and then return home as inward foreign investors to obtain more policy benefits. However, such an escape view of internationalization cannot fully explain the recent surge of M&As from Chinese and Indian MNEs (Luo, Xue, & Han, 2010). Other scholars argue that the government policy in liberalization and incentives are particularly critical when EE MNEs have adopted cross-border M&A as a major instrument of overseas expansion (Nayyar, 2008). India's economic liberalization since 1991 and China's accession to the WTO in 2001, respectively, encouraged Chinese and Indian firms to invest overseas. A two-country model in general equilibrium can explain that trade and capital-market liberalization significantly change market structure, then increase the international differences in technology that generate incentives for cross-border M&As (Neary, 2007).

In addition, informal institutions such as values and norms also influence cross-border M&As (Cui & Jiang, 2010; Yang et al., 2009). Recent research finds that national pride may drive EE MNEs—relative to DE MNEs—to acquire targets in DE with significant acquisition premiums (Hope, Thomas, & Vyas, 2010).

Taken together, the industry-based, resource-based, and institution-based views provide many insights to our main research questions on EE MNEs' primary mode of internationalization and the drivers behind their cross-border M&As (Cui & Jiang, 2010; Peng et al., 2008, 2009; Yamakawa et al., 2008; Yang et al., 2009). Unfortunately, these three views lack a unified framework to explain why EE MNEs exist and what their competitive advantage in internationalization are. By integrating these three views, we develop a comparative ownership advantage framework to better explain and predict the drivers of EE MNEs' internationalization.

A COMPARATIVE OWNERSHIP ADVANTAGE FRAMEWORK

Dating back to David Ricardo (1817), the theory of comparative advantage explains the variations in the causes of international trade (import and export) from the difference of factor endowments, as well as from the difference of the relative prices of factors in the international community (Peng, 2011: Chapter 5). To a certain extent, this can explain the comparative advantage of China's international trade: the transition from exporting resource-intensive primary products to exporting labor-intensive products, followed by scaling up to capital-intensive products and M&As. Here the same question is raised as that of Hymer (1976): Given that international trade is so prosperous, why do MNEs exist? Why do MNEs also exist in EEs? Alternatively, if international trade has helped achieve a satisfactory division of labor in the global marketplace, why are EE MNEs emerging and active in cross-border M&As?

Dunning's (1980) eclectic theory of FDI centered on the OLI paradigm has answered the question concerning the existence of MNEs to a certain extent. He proposes that the quest for ownership advantage, combined with location and internalization advantage, helps fuel MNEs' FDI. The quest for internalization

advantage points out why MNEs establish subsidiaries abroad to avoid market failures. The search for location advantage answers where these subsidiaries should be established in order to better achieve ownership advantage. Critically, ownership advantage is consistent with the resource-based view in strategy, which emphasizes the importance of possessing valuable resources and capabilities. Location and internalization advantage is consistent with the institution-based view of strategy, which highlights certain location-specific advantage due to friendly rules of the game as institutions (Dunning & Lundan, 2008; Peng et al., 2008, 2009). Overall, the OLI paradigm explains a great deal of DE MNEs' FDI activities, such as whether they engage in cross-border M&As or establish joint-venture alliances, and whether they integrate vertically or horizontally.

Compared with DE MNEs, the fledgling MNEs from China and India have a lower level of ownership advantage, since they seldom possess world-class management, technology, or know-how (Mathews, 2006; Peng, 2011). Some scholars even argue that they suffer from an ownership *disadvantage* in internationalization (Child & Rodrigues, 2005). However, in recent years, many EE MNEs have actively engaged in OFDI, and some even acquired firms in DE. When bidding for the same targets in DE, EE MNEs are even willing and able to pay more than 16% of the premium in cross-border M&As than DE MNEs (Hope et al., 2010). Why do EE MNEs carry out such aggressive internationalization strategies with a high cost and an ownership disadvantage?

The concept of comparative ownership advantage

The theory of comparative advantage in international trade suggests that relative to DE, the structural differences of factor endowments of EE can bring about a late-development advantage (Lin, 2003). At the firm level, EE MNEs can leverage this advantage that ultimately becomes the comparative ownership advantage in resources and capacities. As a form of difference of market structure in international trade theory (Nocke & Yeaple, 2008), the difference of factor endowments can be translated into a difference of

capability structure at the ownership level—the core concept of firm heterogeneity in the resource-based view (Mahoney & Pandian, 1992). Under the same assumption of firm heterogeneity, Neary (2007) uses a general equilibrium model to show that international differences in technology generate incentives for cross-border M&As in which low-cost firms from one country are motivated to take over high-cost firms from another country under Cournot competition.

EE MNEs from China and India therefore have capability structures that are from their DE counterparts. There are two sources for EE MNEs to obtain ownership advantage: (1) country-specific advantages (CSAs) based on the difference of factor endowments in industry (Rugman & Li, 2007) and (2) firm-specific advantages (FSAs) based on capability structure. A firm's comparative ownership advantage arises from the complementary combination of the country-level factor endowments in industry, and the firm-level comparative capability advantage (Luo & Rui, 2009).

For example, when China's BYD entered into the battery industry 12 years ago, it utilized China's low labor cost endowment and huge market potential and combined them with its internally-created battery assembly capacities to produce low-cost, and high-quality batteries to compete with its rivals—Japanese manufacturers. Such complementarity and interaction between CSAs and FSAs can be found in many EE firms.

Under Porter's (1990) "diamond" theory, demand conditions in the domestic market provide the primary driver of growth, innovation, and quality improvement. Both China and India possess such a "diamond." Boston Consulting Group admires the Chinese and Indian MNEs that enjoy the "privileged access to high-growth markets and resources, freedom from legacy assets in high-cost, slow-growing countries, and access to low-cost labor pools" (Aguiar et al., 2009: 9). These CSAs help Chinese and Indian MNEs upgrade their position in the value chain (Sun, 2009), and can be internalized with FSAs building up the comparative ownership advantage in the global market (Rugman & Li, 2007).

Here we define EE MNEs' "comparative ownership advantage" in the context of globalization: EE MNEs' possession and leverage of assets that are relatively (no absolutely) valuable, rare, hard-to-imitate, and organizationally embedded in comparison with MNEs from other countries. Such advantage can be internalized or interacted between FSAs and CSAs, such as organizing assembly lines with low labor costs and building brands to satisfy a large demand in the domestic market.

We called this ownership advantage "comparative" because EE MNEs do not have absolute advantage over their DE counterparts. The comparative aspects of our new framework are inspired by Ricardo's (1817) theory of comparative advantage. Our comparative ownership advantage framework shares the same foundation with Ricardo's theory: heterogeneity of firm capabilities in which the cost differences arise from international differences in management and technology between sectors. This relativity therefore also occurs among EE MNEs, such as between Chinese and Indian MNEs. This means that Chinese MNEs do not have the same pattern of M&As as Indian MNEs do. Following Kogut's (1985) logic that MNEs can configure their spatial position in the global value chain, we argue that Chinese and Indian MNEs have different value curves (see Figure 1). Due to its comparatively backward infrastructure, India lags behind China in international trade and FDI openness, particularly in assembly line production and global manufacturing platforms. However, some Indian MNEs, such as those in the steel and software sectors, are superior to Chinese firms on the left side of the competitive advantage curve, acting as frontrunners in the internationalization of product design, marketing, branding, and research and development (R&D). In addition, India's advantage in low labor costs and younger employment structure allows some of its MNEs to outperform Chinese MNEs on the right side of the curve. This is especially the case in a number of labor-intensive industries such as mining of raw materials. With India's low labor cost advantage being more salient, its competitive advantage on the right side of the curve may be even stronger.

[Insert Figure 2 about Here]

How does the concept of comparative ownership advantage influence cross-border M&As? Neary (2007) provides a seminal model explaining how EE MNEs can become major players with low cost advantage in international M&As market. If we treat international M&As market as a marketplace in which heterogeneous firms buy and sell heterogeneous corporate assets to exploit complementarities (Gubbi et al., 2010; Nocke & Yeaple, 2008), EE MNEs' comparative ownership advantage combining CSAs and FSAs may be the primary driver since the comparative ownership advantage integrates technical, organizational, and managerial resources across country-levels and firm levels. Next, we further develop this concept on five aspects in cross-border M&As: (1) national-industrial factor endowments, (2) dynamic learning, (3) value creation, (4) reconfiguration of value chain, and (5) institutional facilitation and constraints.

(1) National-industrial factor endowments

The comparative ownership advantage framework suggests that national-industrial factor endowments is the first factor in determining EE MNEs' cross-border M&As. EE MNEs like to absorb target's FSAs into EE MNEs' CSAs in cross-border M&As. For example, Feliciano and Lipsey (2002) find that acquisitions tend to occur in industries in which the investing country has a comparative advantage in exporting. Following this logic, Chinese and Indian firms therefore may prefer to acquire targets following their different CSAs, such as in industries characterized by relatively cheap labor and natural resources.

According to CIA's World Factbook 2007, India has higher productivity in service industries than China. A typical Indian service worker generates over $25,000 (adjusted for purchasing power parity) a year in output—significantly more than a Chinese service worker with $15,000. On the other hand, China shows stronger productivity in manufacturing industries than India (Cox & Alm, 2009). A typical Chinese manufacturing worker's compensation is $0.73 per hour in 2005 (about 2.4% of hourly labor costs in the U.S. manufacturing sector), while an Indian manufacturing worker compensation is US$0.91 per hour in the same

year (about 3% of hourly labor costs in the U.S. manufacturing sector).[2] Based on such relative comparative advantage, we suggest:

Proposition 1: Comparatively, China will have intensive cross-border M&As in manufacturing industries, and India will have intensive cross-border M&As in service industries.

(2) Dynamic learning

Successful cross-border M&As require dynamic learning from a foreign country (Shimizu et al., 2004). Following our comparative ownership advantage logic, EE MNEs may prefer to dynamically absorb target's CSAs in location and factor endowments, integrating them into their FSAs via learning. For example, Lenovo's acquisition of IBM's PC department and Tata Steel's acquisition of Corus all sped up their learning processes in the global market, enhancing their comparative ownership advantage (Deng, 2009; Niosi & Tschang, 2009). In this way, our comparative ownership advantage framework demonstrates how synergy is created in cross-border M&As.

Chinese MNEs enjoy comparative advantage in globally oriented manufacturing industries. These industries have close linkages with their suppliers and customers in Hong Kong, Singapore, South Korea, and Taiwan (the so-called "four tigers") as well as Japan and the "new four tigers" (Indonesia, Malaysia, Philippines, and Thailand) for a high quantity of labor supply, integration of supply chain, and transfer of advanced technologies. The integration of Chinese MNEs with local firms in these countries gives Chinese MNEs many dynamic learning opportunities to absorb these countries' CFAs. In contrast, Indian MNEs are much more competitive in software outsourcing, pharmaceutical, and other industries. Their integration with firms in Western developed countries gives them more learning opportunities. Therefore:

[2] Bureau of Labor Statistics report (2010): Labor costs in India's organized manufacturing sector http://www.bls.gov/opub/mlr/2010/05/art1full.pdf

Proposition 2: Comparatively, Chinese MNEs prefer to acquire companies in Asia, and Indian MNEs prefer to acquire companies in the United States and in Europe.

(3) Value creation

To build up comparative ownership advantage with target's complementary assets, EE MNEs must integrate heterogeneous resources in different regions through various creative destructions (Schumpeter, 1934). These new combinations in different geographic regions can create value and rents.

Successful cross-border M&As rely on the process of learning and value creation, particularly in the phase of post-M&As integration (Shimizu et al., 2004). Since M&As' offer approaches and deal structures significantly affect their post-M&A integration performance, a smooth post-M&A transition is important to avoid overturning management structures and teams, and ensure better integration of the resources (Kumar, 2009; Zollo & Meier, 2008). Friendly purchase agreements in M&As can better achieve these tasks than hostile tender offers. In contrast, hostile tender offers often provoke resistance from managers of the target company and do not lead to successful integration. Thus:

Proposition 3a: Both Chinese and Indian MNEs prefer friendly rather than hostile M&As when structuring M&A deals.

Proposition 3b: Both Chinese and Indian MNEs prefer friendly agreements of purchase rather than hostile tender offers in M&A offers.

During the 1980s, hostile tender offers in DE became popular and were known as "barbarians at the gate" (Burrough & Helyar, 1990). However, more recently, tender offers in the United States are much less hostile, and board directors and shareholders do not favor antitakeover mechanisms such as poison pills and golden parachutes erected by target firm (Rao, 2008). Because M&As are considered a way to increase shareholder value, target firm managers are often willing to cooperate with acquiring firms to maximize shareholder value in M&A deals. Beyond the United States and Europe, financial instruments such as

manager's stock options to overcome target firm managers' resistance are not so popular, and tender offers are still relatively hostile and unwelcome. Combining with Proposition 2 on M&As' destinations, we therefore expect:

Proposition 3c: Indian MNEs are more likely to adopt tender offer modes in M&A deals than Chinese MNEs because Indian MNEs' M&As deals are more likely to occur in the United States and Europe than Chinese MNEs' M&A deals.

(4) Reconfiguration of value chain

The comparative ownership advantage framework emphasizes that if EE MNEs optimize their position in the value chain, and move up along the value curve by internalizing resources from different countries, they may enter the more lucrative "blue ocean" markets faster than domestic players without internationalization (Kim & Mauborgne, 1997). Our comparative ownership advantage framework can therefore also, explain how to enhance the international competitive advantage through strategic asset-seeking M&As in reconfiguring the global industry chain (Deng, 2009).

Kogut (1985) argues that national comparative advantage depends on the resource endowment, which determines the country's location advantage in the entire global value chain, and firms' own competitive advantage determines their position in the global value chain. EE MNEs can therefore reposition themselves in the value chain through strategic asset-seeking M&As (Sun, Chen, & Pleggenkuhle-Miles, 2010).

To fuel its rapid economic growth, China's appetite for iron ore, coal, copper, and similar natural resources

seems insatiable. As a late entrant to the global economy, China must secure resource supplies quickly and aggressively while much of the world's best mineral assets are already held by DE MNEs. Therefore, Chinese MNEs may be more interested in backward integration focusing on controlling natural resources. In contrast, India has more advanced technology-based and service industries, but suffers from comparatively

backward domestic infrastructure. Indian MNEs, therefore, pay more attention to the development of overseas markets, particularly those in DE. Thus they may be more interested in forward integration via overseas M&As. In summary:

Proposition 4a: Chinese MNEs prefer to acquire natural resource-intensive firms, while Indian MNEs prefer to acquire technology-intensive firms in cross-border M&As.

Proposition 4b: Chinese MNEs prefer backward integration in cross-border M&As, while Indian MNEs prefer forward integration in cross-border M&As.

(5) Institutional facilitation and constraints

The institution-based view of strategy suggests that EE institutions plays a dual function of both facilitating and constraining the comparative ownership advantage (Luo et al., 2010; Peng et al., 2008, 2009, 2010). Compared to the institution-escape view that emphasizes the institutional constraints in EE (Witt & Lewin, 2007; Yamakawa et al., 2008), we follow Luo et al. (2010) to emphasize the facilitating function of institutions behind cross-border M&As. For example, India has more open market mechanisms, where private enterprises can easily access the stock market to finance their cross-border M&As (Gupta, 2005). On the other hand, the Chinese government still controls many critical industrial and financial resources, and the financial market is monopolized by state-owned banks. The increased power of state capitalism gives Chinese state-owned enterprises (SOEs) unique advantages in financing OFDI, particularly in large-scale M&A deals (Bremmer, 2009; Huang, 2008). Thus:

Proposition 5: In large-scale cross-border M&As, Chinese state-owned enterprises generally play the lead role among Chinese MNEs, and Indian private enterprises play the lead role among Indian MNEs.

Overall, EE MNEs can build up their comparative ownership advantage with five attributes: (1) national-industrial factor endowments, (2) dynamic learning, (3) value creation, (4) reconfiguration of value

chain, and (5) institutional facilitation and constraints. Shown in Table 1, these attributes underlying comparative ownership advantage not only significantly affect strategic behaviors such as the choice of locations in cross-border M&As, the sequence of entry mode in internationalization, and the position in global value chains, but also impact other areas of global strategy, such as the selection of joint venture partners, the direction of technological innovation, the international financing modes, and top management team building. Next, we offer a preliminary test of these theoretical claims derived from our comparative ownership advantage framework.

[Insert Table 1 and Figure 2 about Here]

METHODS

Our data are from the SDC database provided by Thomson Financial (Thomson ONE Banker), which has been widely used in M&A and alliance research (Lin, Peng, Yang, & Sun, 2009; Tong, Reuer, & Peng, 2008).

The advantage of this database is that, it allows us to comprehensively compare and contrast M&As undertaken by all Chinese and Indian MNEs—a first attempt in this rapidly growing literature. Most previous work has focused on EE MNEs in either China (Child & Rodrigues, 2005; Cui & Jiang, 2011; Morck et al., 2008; Rugman & Li, 2007; Rui & Yip, 2008; Sun, 2009) or India (Gubbi et al., 2010; Kumar, 2009; Nayyar, 2008; Ramamurti & Singh, 2009). Comparative work has been rare.[3] Although some scholars have begun to conduct comparative studies of Tata Group and Haier Group (Duysters, Jacob, Lemmens, & Jintian, 2009), few have conducted comprehensive comparisons of Chinese and Indian MNEs (for exceptions see Fortanier & Tulder, 2009; Malhotra & Zhu, 2009). By comparing the differences in the cross-border M&As by

[3] Yang et al. (2009) compare and contrast Chinese and Japanese MNEs in terms of their path of internationalization.

Chinese and Indian MNEs, we can better understand the sources of the comparative ownership advantage of EE MNEs, and their path in establishing their international competitiveness.

We identify M&As in the SDC dataset that involves a change of 20% or more in terms of firm ownership in transaction.[4] This threshold for having a controlling stake in a corporation is widely used in previous research (Faccio & Lang, 2002; Moschieri & Campa, 2009). We use various dimensions of cross-border M&As to test our propositions.

Data description

We examine cross-border M&A transactions between 2000 and 2008 (inclusive) as our sample. Specifically, the acquirers' parent companies are registered in China or India but the targets are located in other countries. We first identify a total of 2,670 cross-border M&As transactions by MNEs from these two countries, of which the numbers of intended M&A transactions are 1,319 and 1,351 for China and India, respectively, and the numbers of successfully closed M&A transactions are 633 and 893 for China and India, respectively. This shows that Indian firms have a higher success rate (67%) than Chinese firms (47%). In this article, we focus on these 1,526 completed transactions as our sample. The total amounts of the transactions are $130 billion for MNEs from China and $60.5 billion for MNEs from India in these closed deals. Table 2 is a comparison of China's and India's inward and outward FDI, and M&As from 2000 to 2008. The amounts of transactions and numbers of acquisitions clearly demonstrate the growth trend.

[Insert Table 2 about Here]

The inward FDI data show that China's FDI stock during the 2000-2008 period is 505% of India's ($591 billion versus $117 billion). However, India's inward and outward FDI, which has a 2.12: 1 ratio ($117 billion verse $55 billion) is relatively balanced. China's inward FDI vastly exceeds its OFDI, which has a

[4] Some high-profile M&A deals, such as the $5.5 billion strategic investment by China Investment Corporation (CIC), China's sovereign wealth fund, in Blackstone, are excluded because they do not meet our 20% ownership change as threshold for inclusion (CIC bought 9.9% of Blackstone in this case).

4.52:1 ratio ($591 billion versus $131 billion). China imposes significant foreign exchange restrictions on OFDI, and restricts private-owned firms' access to foreign currency loans. This policy leads to the dominance of large SOEs in large-scale cross-border M&As.

By 2008 the ratio of China's outward to inward FDI increased to 1:2. Its OFDI amount ranked 12th globally, and 2nd among all the developing and transitional economies (UNCTAD, 2009). China's cross-border M&As accounted for 99.5% of all its outward FDI, and India's cross-border M&As accounted for 109.8% of outward FDI (nine-year average from 2000-2008).[5] These data indicate that overseas M&As are the primary mode of OFDI from these two countries. Because the SDC data also include the joint venture mode (purchase of partial equity shares above 20%), we conjecture the greenfield investments are much less dominant in OFDI from these two countries.

Preliminary test of the propositions

(1) National-industrial factor endowments: The distribution of acquirers' industries

Table 3 lists of the top ten industries conducting the cross-border acquisitions. According to the transaction amount and frequency of cross-border M&As conducted in each industry, we can find the distribution density of the comparative ownership advantage of Chinese and Indian MNEs in various sectors. With high frequency and high volumes, Chinese firms concentrate their M&As in industries such as oil and gas refining, metal products, and mining, and therefore show a stronger comparative ownership advantage in these industries. Indian firms are more active in M&As in industries such as pharmaceutical products and software services, indicating a more prominent comparative ownership advantage in these sectors. Thus, our Proposition 1 is supported.

[5] Although the FDI data and M&A data come from different sources (from World Bank and SDC, respectively), we have verified that the amount of India's overseas M&As indeed exceeds its OFDI. The excess amount is most likely financed by foreign sources raised by overseas subsidiaries and branches of Indian MNEs. This also reflects that Indian MNEs have a stronger capability in raising overseas financing than Chinese MNEs.

[Insert Table 3 about Here]

(2) Dynamic learning: Choice of M&A locations

From the geographical distribution of cross-border M&As by China's and India's MNEs shown in Table 4, we find the different location advantage affected by the comparative ownership advantage of Chinese and Indian MNEs. Chinese M&As primarily focus on Asia. This indicates that Chinese MNEs have a relatively strong dynamic learning capability in integrating resources in Asia countries, leveraging and further enhancing their comparative ownership advantage. Indian M&As are primarily in Europe and the Americas, implying their relatively stronger ability in integrating resources in these regions. These results thus support Proposition 2.

[Insert Table 4 about Here]

Table 5 shows the top ten target countries and regions for cross-border M&As from Chinese and Indian MNEs. These data further illustrate the different location choices for cross-border M&As by China and India, and the geographical distribution of the comparative ownership advantage of these two country's MNEs. Comparatively speaking, countries with higher accounting standards and more comprehensive investor protection laws are more popular in the eyes of overseas acquirers, and these regions also show a higher volume of cross-border M&As (Rossi & Volpin, 2004). India's cross-border M&As follow this trend as Indian MNEs' primary choices for cross-border M&A destinations are the United Kingdom and the United States, accounting for 60% of all transactions. In comparison, the first choice of M&A target location for Chinese MNEs is Hong Kong.[6] South Africa is also on the list of China's top ten overseas M&A destinations. This may be largely due to the single large-scale acquisition conducted by China's Industrial and Commercial Bank, which acquired 20% of Standard Bank of South Africa. Australia is also on the list,

[6] Out of the reason may be that many large domestic enterprises in China (such as those in telecommunications and banking) utilize Hong Kong's convenient capital market to restructure their business.

because there are many mineral resources favored by Chinese firms. For both Chinese and Indian MNEs, Norway and Russia appear on the top ten list.

[Insert Table 5, Figure 4a and Figure 4b about Here]

Viewing the breadth and depth of the global market coverage, Rugman and Verbeke (2004) believe that most large MNEs do not have a global, but rather a regional basis. The regional orientation of Chinese MNEs' M&As supports Rugman and Verbeke (2004)'s arguments. However, the more global reach of Indian MNEs M&As (with only Indonesia within Asia on their top ten list) deviates from Rugman and Verbeke (2004)'s arguments.

(3) Value creation: M&A deal structure and offer attitudes

Based on the price intervals of the completed M&As by these two countries, we find that the majority of transactions from the two countries are below $200 million, with only a small number of transactions above this amount. Among transactions below $200 million (we specifically analyze large amount transactions in Table 9), the average amount of transactions for Chinese MNEs is $17.57 million, while the average for Indian MNEs is $13.26 million. This indicates that transactions for Indian MNEs are more frequent than those for Chinese, but the average amount for single transaction for Indian MNEs is lower than that of Chinese MNEs. In other words, Indian MNEs do more M&A deals, but each deal is smaller.

Table 6 shows that the cross-border M&As by Chinese and Indian MNEs are typically friendly rather than hostile takeovers. This means that MNEs from both countries hope to better integrate those acquired resources that are essential to improve their global competitive advantage. Only by friendly negotiation with the target firm to reach a friendly takeover can one achieve the smooth transition of management teams, and create value in the transaction. This clear-cut M&A deal structure has strongly supported the value creation view of Proposition 3a.

[Insert Table 6 about Here]

According to Table 7, Chinese and Indian MNEs typically use the non-hostile modes of acquisition for most M&A deals, such as schemes of arrangement, private negotiations, and stock swap. All of these deal structures demonstrate a friendly attitude towards M&A targets, and in turn support Proposition 3b. From further comparisons, we find that Indian MNEs engaged in more hostile takeovers than Chinese MNEs, such as the tender offers and mandatory offerings. This result supports Proposition 3c. As mentioned earlier, to some extent, this is related to the fact that Indian MNEs are more likely to conduct cross-border M&As in Europe and America where higher level of investor protection and more transparent rules for M&As exist.

[Insert Table 7 about Here]

(4) Reconfiguration of value chain: M&A target's industry

As shown in Table 8, cross-border M&As by Indian MNEs are primarily in knowledge-intensive industries such as pharmaceuticals, while Chinese MNEs typically conduct M&As in resource-intensive industries, such as oil and gas. This result supports our Proposition 4a that Chinese firms prefer acquisitions in the resource-intensive sectors, while Indian firms prefer acquisitions in the knowledge-intensive sector.

[Insert Table 8 about Here]

Among the most frequent target industries for Indian MNEs the top four are all in the field of downstream services, suggesting that India MNEs are more likely to reconfigure their value chains via forward integration in cross-border M&As. In contrast, the industries with relatively more frequent acquisitions by Chinese MNEs are typically upstream resource industries, suggesting that Chinese MNEs prefer backward integration in cross-border M&As. These support our Proposition 4b.

(5) Institutional facilitation and constraints: A comparison of major M&A participants

Table 9 compares the top ten overseas M&A participants from China and India according to the amount of transactions. It indicates that the large-scale cross-border M&As are usually led by SOEs in China, but privately-owned enterprises in India. This supports Proposition 5. At the same time, these mega-transactions

mostly took place between 2006 and 2008 (only one in 2005), reflecting a rising comparative ownership advantage by Chinese and Indian MNEs.

[Insert Table 9 about Here]

In addition, the top ten M&A transactions in China amounted to $29.08 billion, accounting for 22% of the total cross-border M&As during the past nine years. The top ten M&A transactions in India amounted to $29.63 billion, accounting for 49% of the total cross-border M&As during the past nine years, indicating a high degree of concentration of large M&As among all overseas acquisitions by these two countries.

DISCUSSION

Contributions

In this paper we have developed a comparative ownership advantage framework to account for the internationalization strategies of EE MNEs in cross-border M&As and explain their motivations, modes, and location choices. Three contributions emerge. First, we provide a new unified framework to help the IB field to tackle a novel phenomenon such as the rise of EE MNEs. We extend Ricardo's international trade model of comparative advantage from the national level to the firm level, and integrate Dunning's (1980) OLI paradigm to explain the rise of cross-border M&As from EE MNEs. Our new framework suggests that M&As are FDI efforts made by EE MNEs to internalized home CSAs in factor endowments with their FSAs in capabilities.

Second, we extend Dunning's ownership advantage theory and examine five attributes of comparative ownership advantage among EE MNEs. Specifically, we identify five forces driving Chinese and Indian cross-border M&As: (1) national-industrial factor endowments; (2) dynamic learning; (3) value creation; (4) reconfiguration of value chain; and (5) institutional facilitation and constraints. Clearly, these forces will continue to fuel the competitive advantage of EE MNEs.

Third, while our new comparative ownership advantage framework can explain the rise of EE MNEs as a group, we have also demonstrated, with preliminary findings, that the framework also allows us to differentiate between Chinese and Indian MNEs in terms of their M&A behavior along the five attributes noted above. Latecomer MNEs cannot develop comparative ownership advantage overnight. The establishment of comparative ownership advantage is largely reliant on the improvements of firms' capabilities of learning and value creation. In this process, EE MNEs need more than just one M&A deal, but must continually develop their capabilities and skills after M&A integration.

Policy implications

The comparative ownership advantage framework has important implications at the policy level. EEs must update OFDI policy to encourage domestic firms to go global. Since EEs' technology and industry structure largely lag behind those of developed countries, EE governments are often interested in attracting inward FDI to access advanced technologies and management skills. However, when DE MNEs invest in EEs mostly via wholly-owned subsidiaries rather than joint ventures such as the situation in China today, inward FDI's spillover effect to local firm is significantly weakened. Under these circumstances, OFDI will help EE MNEs access and upgrade their management and technology through M&As or alliances in DE, and allow them to accumulate comparative ownership advantage.

Managerial relevance

EE MNEs can improve their design of internationalization strategies if they follow the logic of comparative ownership advantage. They can use cross-border M&As as an instrument in internationalization, and catch up DE MNEs by integrating CSAs and FSAs. Following the framework of comparative ownership advantage, EE MNEs can also strengthen their position in the value chain, seek alliance partners, acquire complementary assets, and capitalize the supported institution.

DE MNEs can also build their new visions under the comparative ownership advantage framework. They need to have a better understanding on how EE MNEs alter the global competitive landscape, and how these new players drive industry growth and deconstruct the value chain. These incumbents must re-assess their industry's vulnerability and emerging new entrants, make new alliance partners, and respond to the new market structure after experiencing the initial shock of cross-border M&As from EE MNEs.

Future research directions

The concept of comparative ownership advantage opens many doors for future research on EE MNEs. It is important to note that the supportive evidence we have presented is all based on preliminary findings derived from basic comparisons. Multivariant statistical testing certainly remains a worthy future direction.

Theoretically, future research needs to deepen and broaden the trail we have blazed. For example, what kind of institutions facilitates and constrains these emerging multinationals' comparative ownership advantage? India has undergone large-scale privatization since the 1980s (Gupta, 2005), which is more beneficial for the development of privately-owned firms. At the same time, capital markets also support the private sector in internationalization and cross-border M&As. In India, the development of home-grown MNEs and particularly, the formation of their comparative ownership advantage cannot be separated from the institutional transitions that are gradually, accomplished during the process of learning from the West (Ramamurti & Singh, 2009). On the other hand, Chinese government has adopted a series of positive policies towards SOEs' internationalization and supply financial resources in cross-border M&As (Luo et al., 2010). An important future research direction is therefore to further analyze the impact of institutional change on the development of comparative ownership advantage, through a multilevel approach.

In addition, we find that Chinese firms have a lower success rate (47%) in cross-border M&As than Indian firms (67%). For example, Chinalco failed to complete the planned $19.5 billion investment in Australia's Rio Tinto in 2009. What is behind the failure and abandonment of M&As remains an interesting

but underexplored phenomenon (Dikova, Sahib, & van Witteloostuijn, 2010). Finally, the recent upsurge of interest (due to a lack of knowledge) in *international* M&As undertaken by Chinese, Indian, and other EE firms reveals a bigger gap in our mostly Western-centric literature. We do not even know enough about the *domestic* M&As within China, India, and other EE due to a paucity of research. Therefore, if our field aspires to remain globally relevant, we need a lot more sustained research efforts on domestic M&As in these countries, on the differences between these firms' domestic and international M&As, and on the differences between the M&As (both domestic and international) undertaken by such EE MNEs vis-à-vis M&As undertaken by DE MNEs (see Lin et al., 2009 and Yang, Sun, Lin, & Peng, 2011, for recent examples of rigorous comparative research).

CONCLUSION

As new rising powers, Chinese and Indian MNEs have begun to aggressively explore overseas economic interests via M&As, but the existing literature lacks a mature theoretical framework to explain and predict this new kind of MNEs. In response, we have developed a comparative ownership advantage framework to enhance our understanding not only of EE MNEs in general, but also of the differences and commonalities between Chinese and Indian MNEs in cross-border M&As, which are emerging as a primary mode of their internationalization.

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Figure 1 Theoretical framework: The drivers behind Chinese and Indian MNEs' cross-border M&As

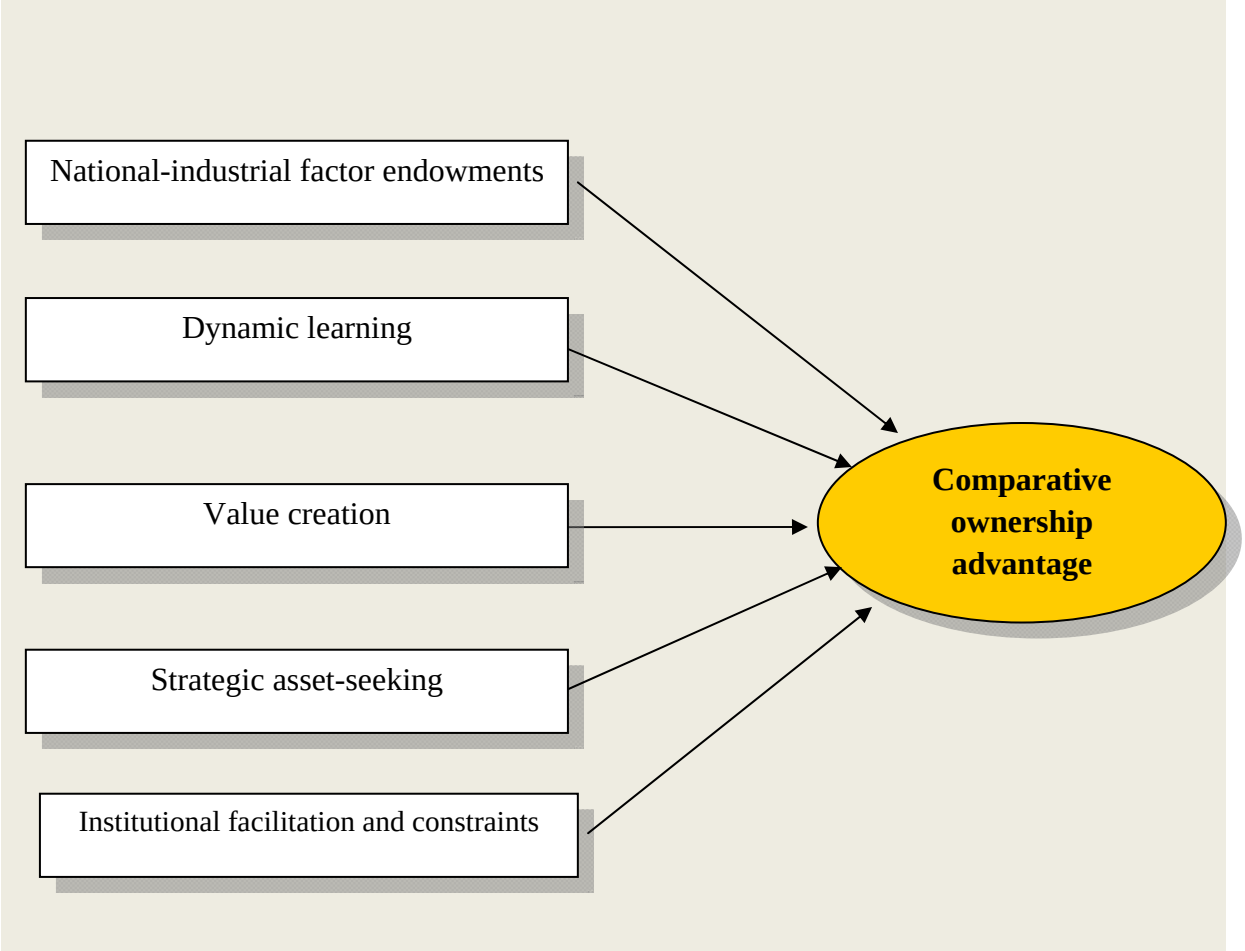
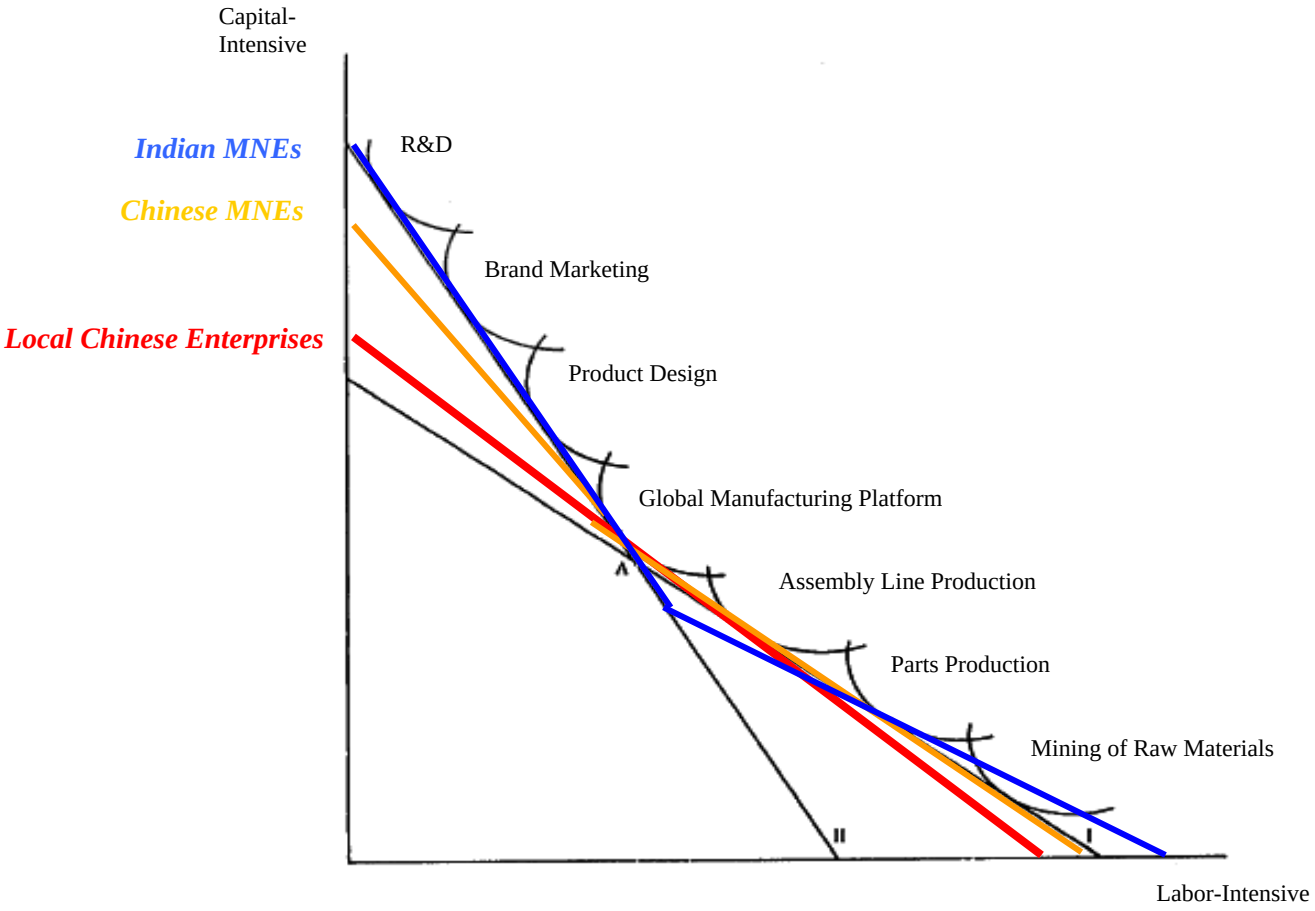


Figure 2: The value curve of Chinese and Indian MNEs based on comparative ownership advantage



Note:

The red line represents the competitive advantage curve of local enterprises without internationalization.

The yellow line represents the competitive advantage curve of Chinese MNEs with internationalization.

The blue line represents the competitive advantage curve of Chinese MNEs with great internationalization.

Inspired by Kogut (1985).

Figure 3 Deal values of Chinese and Indian MNEs cross-border M&As

(based on M&A value, $ Billion)

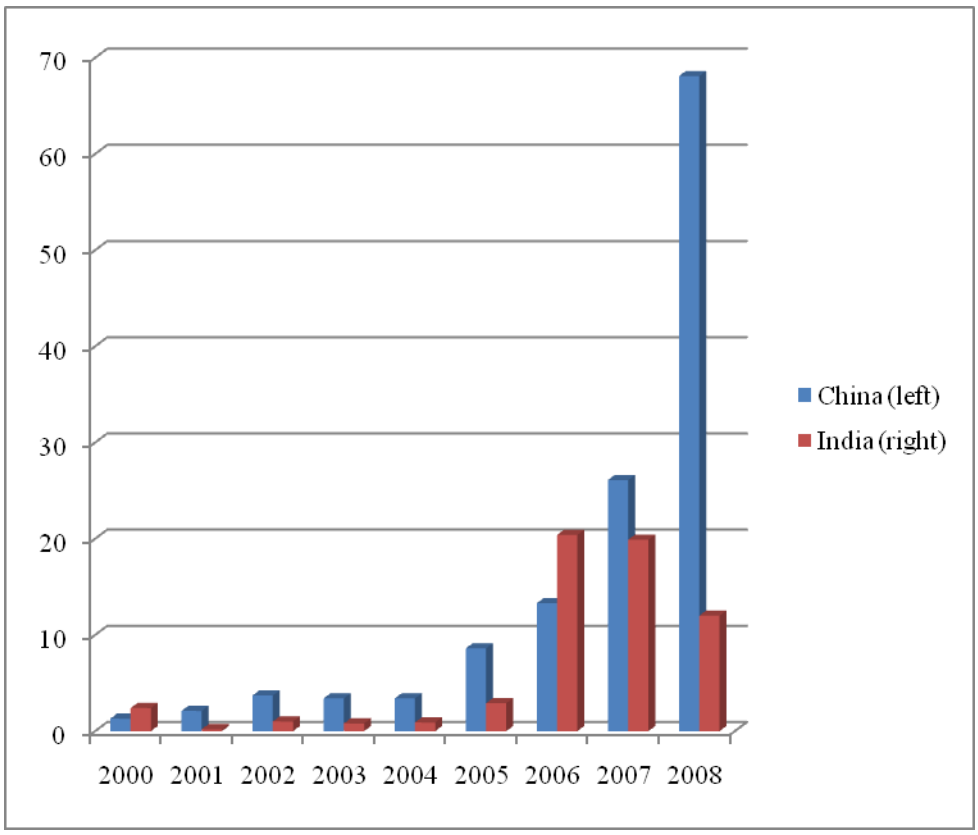


Figure 4a Chinese MNEs' top target countries/regions

(Based on ranking value including net debt of target, $ Mil)

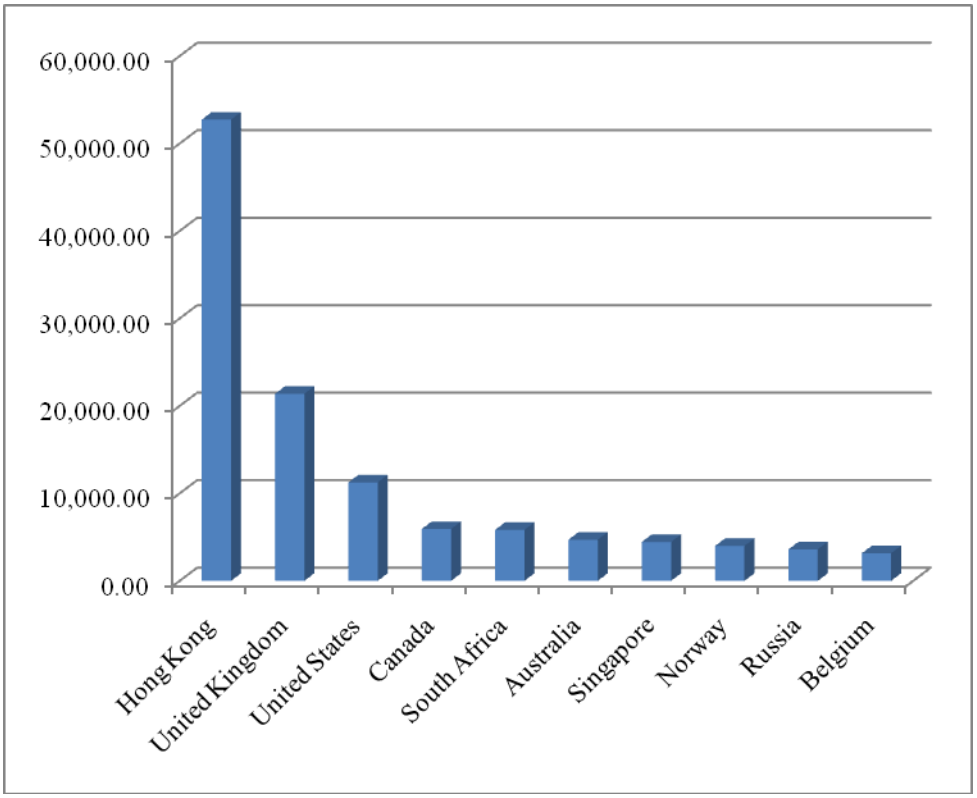


Figure 4b Indian MNEs' top target countries/regions

(Based on ranking value including net debt of target, $ Mil)

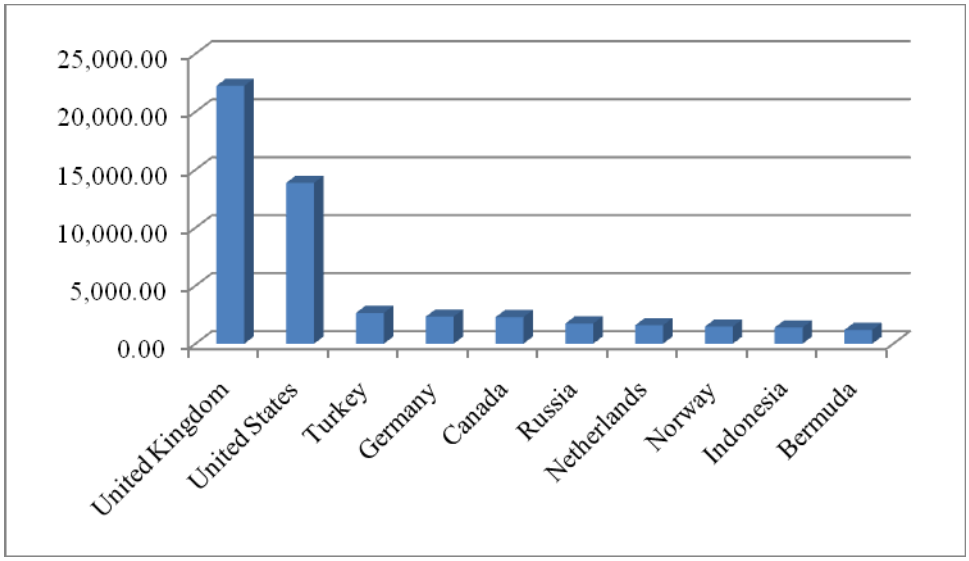


Table 1: Dunning's OLI paradigm and comparative ownership advantage framework

Theory	***Dunning's OLI paradigm***	***Comparative ownership advantage framework***
Boundary of application	MNEs from developed economies.	Latecomer MNEs from emerging economies.
Competitive advantage	Strong, absolute competitive advantage: unique resources and capabilities accumulated in home market.	Weak, relative competitive advantage: dynamic capabilities need to be accumulated, renewed, and strengthened in the process of internationalization.
Capability of technologic innovation	Strong.	Weak.
International innovation (e.g., international diversification)	Emphasize how to lower transaction costs.	Emphasize how to create the "new combination" in entrepreneurship.
Position in the international value chain	Control the most value-added R&D, marketing, channels, and brands.	Advantageous in low cost manufacturing and outsourcing business.
Speed of internationalization	Gradual (relative static).	Fast (dynamic).
Order of international market entry	Simple path: from countries with lower institutional distance to countries with higher institutional distance.	Double path: entering both developed economies and emerging economies simultaneously.
Foreign entry mode	Grow internally: wholly-owned to internalize advantage.	Grow via external means: form joint ventures, partnerships, or conduct M&As—with an emphasis on M&As.
Location advantage	Static: more likely to integrate with ownership and internalization advantage.	Dynamic: integrate those familiar and advantageous resources and strategic assets that also have structurally different location advantage.
Organizational adaptation capability	Slow response to environment change and internalize.	High. The internationalization level is low but accelerated; the adaptive capability is high in order to reconfigure the position in global

		value chain.
Mode of resource allocation	Allocation efficiency.	Adaptive efficiency.
Institutional linkage with home country	Moderate: relationship between firms and home country governments tends to be "arm's-length."	Strong, the incentive of policy and the development of the capital market present both constraining and facilitating functions.

Note: Inspired by Guillén and García-Canal (2009).

Table 2: A comparison of China's and India's inward FDI, outward FDI, and M&As

	China					India				
year	IFDI	OFDI	M&A value ($ billion)	Proportion of OFDI(%)	No. of deals	IFDI	OFDI	M&A value ($ billion)	Proportion of OFDI(%)	No. of deals
2000	40.7	0.9	1.3	146.4	25	3.5	0.5	2.4	488	46
2001	46.9	6.9	2.1	30.9	37	5.5	1.4	0.2	11.8	27
2002	52.7	2.5	3.7	148.4	63	5.6	1.7	1.0	56.0	31
2003	53.5	2.9	3.4	118.7	53	4.3	1.9	0.8	43.9	64
2004	60.6	5.5	3.4	61.6	84	5.8	2.2	0.9	41.3	65
2005	72.4	12.3	8.6	70.3	71	7.6	3	2.9	96.0	110
2006	72.7	21.2	13.3	62.9	69	19.7	12.8	20.4	159.2	163
2007	83.5	22.5	26.1	116.1	106	23	13.6	19.9	146.5	192
2008	108.0	55.9	68.1	121.6	114	42	18.0	12.0	66.7	195
Sum	591	130.6	130	99.5	622	117	55.1	60.5	109.8	893

Source: UNCTAD online FDI database, http://stats.unctad.org/fdi. IFDI refers to inward FDI, OFDI refers to outward FDI. "M&A value" is the actual amount paid by the acquirer (i.e., the biding price minus the cash holding by the acquirer).

Table 3：A comparison of acquirer's industries (Top 10 industries based on deal value)

Chinese MNEs				Indian MNEs			
Acquirer Industry	Ranking Value including Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals	Acquirer Industry	Ranking Value includingNet Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals
Telecommunications	36,187.7	27.8	17	Investment and Commodity Firms, Dealers, Exchange	28,164.3	46.5	61
Investment and Commodity Firms, Dealers, Exchange	31,302.1	24.0	161	Oil and Gas; Petroleum Refining	5,772.2	9.5	24
Oil and Gas; Petroleum Refining	21,629.9	16.6	46	Transportation Equipment	3,034.1	5.0	49
Commercial Banks, Bank Holding Companies	18,524.9	14.2	24	Business Services	2,943.5	4.9	194
Electric, Gas, and Water Distribution	3,306.2	2.5	11	Drugs	2,785.5	4.6	98
Insurance	2,982.0	2.3	3	Food and Kindred Products	2,538.7	4.2	22
Computer and Office Equipment	2,020.4	1.6	9	Prepackaged Software	2,444.7	4.0	73
Electronic and Electrical Equipment	1,949.8	1.5	37	Chemicals and Allied Products	2,240.0	3.7	58

Mining	1,678.3	1.3	27	Metal and Metal Products	2,142.0	3.5	51
Wholesale Trade-Durable Goods	1,628.4	1.3	18	Machinery	1,793.4	3.0	19

Source: SDC database.

Table 4: The geographic distribution of Chinese and Indian MNEs' cross-border M&As

Chinese MNEs				**Indian MNEs**			
Target Primary Nation Region	Ranking Value inc. Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals	Target Primary Nation Region	Ranking Value inc. Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals
Mid-Asia/ Asia-Pacific	66,050.4	50.7	409	Europe	35,366.9	58.4	332
Europe	34,641.9	26.6	63	Americas	18,835.1	31.1	328
Americas	20,331.1	15.6	139	Mid-Asia/ Asia-Pacific	4,145.2	6.9	170
Africa/ Middle East	8,719.3	6.7	13	Africa/ Middle East	2,075.6	3.4	60
Japan	613.3	.5	9	Japan	100.6	.2	3
Total	**130,355.9**	**100.0**	**633**	**Total**	**60,523.4**	**100.0**	**893**

Source: SDC database.

Table 5: Top 10 target countries/regions

Chinese MNEs				Indian MNEs			
Target Country/ Region	Ranking Value inc. Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals	Target Country/ Region	Ranking Value inc. Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals
Hong Kong	52,729.0	40.5	264	United Kingdom	22,240.1	36.8	122
United Kingdom	21,383.3	16.4	12	United States	13,868.7	22.9	274
United States	11,256.5	8.6	77	Turkey	2,656.4	4.4	1
Canada	5,925.2	4.6	34	Germany	2,331.8	3.9	47
South Africa	5,824.7	4.5	4	Canada	2,287.6	3.8	25
Australia	4,702.6	3.6	56	Russia	1,737.6	2.9	4
Singapore	4,446.4	3.4	31	Netherlands	1,585.5	2.6	12
Norway	3,991.1	3.1	3	Norway	1,473.9	2.4	7
Russia	3,600.0	2.8	2	Indonesia	1,394.7	2.3	16
Belgium	3,152.9	2.4	2	Bermuda	1,193.2	2.0	5

Source: SDC database.

Table 6: M&A deal structure

(Deal Value: $ million)

	Chinese MNEs				Indian MNEs			
M&A attitudes	Deal Value	Proportion	No. of deals	Proportion	Deal Vol.	Proportion	No. of deals	Proportion
Friendly takeover	117,111.10	89.8	558	88.2	54,397.70	89.9	855	95.7
Neutral takeover	13,079.00	10	72	11.4	5,777.30	9.6	34	3.8
N/A	165.8	0.1	3	0.5	348.4	0.6	4	0.4
Total	**130,355.90**	**100**	**633**	100.0	**60,523.40**	**100**	**893**	100

Source: SDC database.

Table 7: Modes of M&A transactions

Chinese MNEs				**Indian MNEs**			
Acquisition Technique Totals	Ranking Value inc. Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals	Acquisition Technique Totals	Ranking Value inc. Net Debt of Target ($ Mil)	Proportion of All Deals	Number of Deals
Scheme of Arrangement	43,257.1	33.2	11	Scheme of Arrangement	19,750.0	32.6	5
Stock Swap	33,331.0	25.6	38	Rumored Deal	19,161.4	31.7	17
Privately Negotiated Purchase	32,878.5	25.2	96	Tender Offer*	19,061.8	31.5	16
Divestiture	26,305.5	20.2	207	Divestiture	17,967.2	29.7	283
Acquiror is an Investor Group	17,928.0	13.8	18	Not Applicable	10,730.8	17.7	526
Rumored Deal	12,366.9	9.5	9	Tender/Merger*	4,667.2	7.7	9
Financial Acquiror	11,480.8	8.8	20	Privatization	4,356.4	7.2	3
Tender Offer*	8,744.1	6.7	19	Acquiror is an Investor Group	4,108.4	6.8	15
Going Private	7,730.0	5.9	10	Auction*	3,111.5	5.1	3
Not Applicable	6,008.8	4.6	241	Privately Negotiated Purchase	1,819.6	3.0	23
Auction*	5,464.0	4.2	4	Going Private	1,816.7	3.0	5
Tender/Merger*	3,325.2	2.6	6	Mandatory Offering*	657.6	1.1	1

Open Market Purchase*	2,988.1	2.3	5	Stock Swap	418.9	.7	10
Privatization	2,839.8	2.2	5	Property Acquisition	113.0	.2	1
Mandatory Offering*	2,593.6	2.0	7	Financial Acquiror	102.0	.2	14
Bankruptcy Acquisition	912.9	.7	6	Reverse Takeover	86.0	.1	1
Joint Venture	843.0	.7	9	Bankruptcy Acquisition	23.1	.0	2
Leveraged Buyout	746.8	.6	1	Joint Venture	10.5	.0	6
Institutional Buyout	746.8	.6	1	Open Market Purchase*	.3	.0	2
Reverse Takeover	520.8	.4	16	Management Buyout	.0	.0	1
Repurchase	152.3	.1	1	Leveraged Buyout	.0	.0	2
Internal Reorganization	141.1	.1	25	Acquiror Includes Management	.0	.0	1
Unsolicited Deal	93.3	.1	1	Institutional Buyout	.0	.0	1
Creeping Acquisition	.3	.0	1				
Industry Total	**130,355 .9**	**100.0**	**633**	**Industry Total**	**60,523.4**	**100.0**	**893**

*** refers to hostile modes**

Source: SDC database.

Table 8: A comparison of target firms' industries (Top 10 based on deal value, $ million)

Chinese MNEs					Indian MNEs				
Target Industry	No. of deals	Proportion	Deal value	Proportion	Target Industry	No. of deal	Proportion	Deal Value	Proportion
Energy minerals mining	86	12.0	20402.7	21.2	High-tech Services	98	9.3	2318.3	3.6
Non-financial institution investment	56	7.8	1083.9	1.1	Computer software services	91	8.6	816.0	1.3
Oil & gas exploration	49	6.9	24259.3	25.2	Medical products and services	89	8.4	2509.0	3.9
Auto parts	39	5.5	1133.9	1.2	Commercial services	62	5.9	1142.5	1.8
Computer software service	30	4.2	246.9	0.3	Energy minerals mining	58	5.5	22066.8	34.6
Real estate	29	4.1	3468.9	3.6	Auto parts	53	5.0	3254.3	5.1
Manufacturing	24	3.4	1623.0	1.7	Chemical products	53	5.0	1971.4	3.1
Telecom equipment	21	2.9	200.9	0.2	Food & beverages	38	3.6	2697.8	4.2
Chemical products	20	2.8	56.6	0.1	Manufacturing	32	3.0	2014.0	3.2
Food & beverages	20	2.8	910.8	0.9	Oil & gas exploration	29	2.7	7226.9	11.3

Source: SDC database.

Table 9: China's and India's top 10 cross-border M&A participants

China						India					
Acquirer	Target Company	Target's industry	Target's country	Deal value ($ Million)	Completion Date	Acquirer	Target company	Target's industry	Target's country	Deal Value (Million)	Completion Date
ICBC	Standard Bank Group Ltd	Commercial Banks, Bank Holding Companies	South Africa	5,616.70	10/25/2007	Tata Steel UK Ltd	Corus Group PLC	Manufacturing steel, aluminum production	United Kingdom	11,791.20	10/17/2006
CNPC International Ltd	PetroKazakhstan Inc	Oil and Gas; Petroleum Refining	United Kingdom	4,141.20	08/22/2005	AV Aluminum Inc	Novelis Inc	Manufacturing, Aluminum rolled product	United States	3,388.60	02/10/2007
Sinopec Corp Qingdao	OAO Udmurtneft	Oil and Gas; Petroleum Refining	Russia	3,500.00	06/20/2006	Investor Group	Sabiha Gokcen International	Airport	Turkey	2,656.40	07/09/2007
SinoSing Power Pte Ltd	Tuas Power Ltd	Electric, Gas, and Water Distribution	Singapore	3,072.20	03/14/2008	Jarpeno Ltd	Imperial Energy Corp PLC	Oil, gas exploration, production	United Kingdom	2,608.10	08/26/2008
CNOOC Ltd	NNPC-OML 130	Oil and Gas; Petroleum Refining	Nigeria	2,692.00	01/8/2006	Tata Motors Ltd	Jaguar Cars Ltd	Manufacturing and automobiles	United Kingdom	2,300.00	03/26/2008
COSL Norwegian (Parent: CNOOC)	Awilco Offshore ASA	Oil and Gas; Petroleum Refining	Norway	2,500.90	07/07/2008	ONGC Videsh Ltd	Sakhalin-1 Project	Oil and gas exploration, production	Russia	1,700.00	08/02/2000
China Merchants	Wing Lung Bank Ltd	Commercial Banks, Bank	Hong Kong	2,081.70	06/02/2008	Essar Global Ltd	Algoma Steel Inc	Mnfr,whl steel prod	Canada	1,602.60	04/15/2007

Bank		Holding Companies									
Sinopec	Tanganyika Oil Co Ltd	Oil and Gas; Petroleum Refining	Canada	2,028.50	09/25/2008	Tata Power Co Ltd	Kaltim Prima Coal PT	Coal mining	Indonesia	1,300.00	03/30/2007
CITIC Group	Nations Energy Co Ltd	Oil and Gas; Petroleum Refining	Canada	1,955.60	10/25/2006	United Spirits Ltd	Whyte & Mackay Ltd	Production, scotch whisky	United Kingdom	1,176.40	05/16/2007
CITIC Group	CITIC Pacific Ltd	Metal and Metal Products	Hong Kong	1,500.10	11/12/2008	GMR Infrastructure Ltd	InterGen NV	Own,op power plants	Netherlands	1,107.10	06/25/2008

Source: SDC database.