

Japan more active in international M&A than China
Wed Aug 31, 2005 4:58 PM ET

PHILADELPHIA, Aug 31 (Reuters) - Despite some high-profile takeover bids by Chinese companies for U.S. companies, the Japanese have been more active in buying Western businesses, according to research firm Mergermarket.

Earlier this month China's CNOOC Ltd. <0883.HK> abandoned its \$18.5 billion offer to acquire Unocal Corp. in the face of strident political opposition in the United States. Instead, San Ramon, California-based Chevron Corp. <CVX.N> bought Unocal for about \$17 billion.

Chinese appliance maker Haier Group and two U.S. private equity partners in July dropped out of the bidding war for Maytag Corp. <MYG.N> Earlier this month, Maytag agreed to be acquired by U.S. rival Whirlpool Corp. <WHR.N> for \$1.7 billion.

The political firestorm over the Unocal auction, fueled by lawmakers' concerns a sale to a Beijing-controlled company would harm national security and threaten U.S. energy assets, has not been seen in recent years over deals with Japanese companies.

"In the 1980s any expansion by Japanese companies was viewed warily in the West, just as Chinese companies are viewed today. With the spotlight now firmly fixed on China, astute Japanese executives appear to be taking advantage," Mergermarket said in a report.

Japanese companies made more than three times as many acquisitions in North America and Europe in the second quarter of 2005, compared with Chinese companies, the research firm said.

The number of deals involving a Japanese company acquiring a Western business increased by almost 400 percent in second quarter, compared with the same quarter a year ago, and by 433 percent compared with the first quarter of 2005, Mergermarket said.

Based on financial value, the acquisitions by Japanese companies rose to \$1.19 billion in the second quarter, up 95 percent from the first quarter, the firm said.

Mergermarket attributed the increase in Japan's international merger activity, in part, to an improvement in that country's economy and a drive to expand internationally.

Yet, despite its increasing financial strength, Japan is seen as less threatening to the North

American and European economies than China, Mergermarket said.

Japanese companies also have pursued small and mid-sized deals that may be more palatable to U.S. regulators than the headline-grabbing, multi-billion-dollar bids made recently by the Chinese, Mergermarket said.

For example, Japanese trading house Sumitomo Corp. <8053.T> in February said it acquired gas stakes in the U.S. Gulf for \$144 million from U.S. exploration and development firm NCX Co.

One recent success story by the China in North America includes Chinese state energy company CNPC International Ltd.'s \$4.18 billion to buy PetroKazakhstan <PKZ.TO>, the Canadian oil company operating in central Asia.

© Reuters 2005. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.