

# Characteristics and Implications of Cross-Border M&As Among Korea, China, and Japan\*

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| Abstract |

The occurrence of cross-border M&As among Korea, China, and Japan has increased recently. The size of cross-border M&As among Korea, China, and Japan has increased by around 16% yearly for the 10-year period between 2005 and 2014, and the weightage of the three nations among the world's cross-border M&As has also increased from 2.4% to 9.3%, that is, 4 times in the past 10 years. Cross-border M&As, based on 6 outbound business types such as manufacturing and services, for the 10-year period from 2005 to 2014, have been analyzed and the results are as follows. First, there has been an increase in the number of large scale M&A cases. Second, M&As of advanced countries such as the United States and countries in Europe have increased. Third, there is advancement of the objectives of the M&A industry. Fourth, the M&As

\* This study is a revision, with supplements, of the content of "The Characteristics and Implications of Cross-Border M&A for the Past 10 Years" the VIP Report published by Hyundai Research Institute" (2015).

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between different business types per business type have increased. Fifth, M&As are being accelerated based on high technology. As the types of M&As of Chinese and Japanese corporations have rapidly changed since the global financial crisis, the search for that chance factor is needed.

• Key Words: Cross-Border M&A, Outbound, Inbound, Global Financial Crisis, High technology

## I . Introduction

Global firms utilize mergers & acquisitions (M&As) as vehicles to evade the barriers to entry of the corresponding nations and advance swiftly into the world market (King et al. 2004). M&As are one of the market entry strategies utilized to secure new technology and increase the corresponding market dominating power. Especially, cross-corporation M&As which supersede nations have spread rapidly through trade freedom due to globalization (Sharma 2016). Looking at M&A trends worldwide, two forms, cross-border M&As and new growth industry M&As, have actively proceeded in order to secure international competitiveness. There were many M&As with financial purposes such as management buyouts and hostile M&As before the 1990s, but since then, the business purpose of M&As have been changed. This is because fund raising has become easy and the development of technology. According to the M&A global outlook, the global M&A market for 2016 has shown resilience and the world transaction price has been shown to be 3.9 trillion Won. Although there have been many events such as geopolitical changes, heightened regulatory scrutiny, and speculation around both Brexit and China, 2016 was a vibrant year for M&As despite substantial global uncertainty. Especially, it cannot be denied that the Chinese outbound deal volume

surge has contributed to the growth of the world M&A market; this is because Chinese corporations are still making efforts to search for attractive opportunities overseas. The outbound activity of China into the U.S. has increased by 471%.

Domestic M&As have risen to be 112 trillion and after recording the highest record it has maintained its steady status (The financial supervisory service report data 2014. 11). It was analyzed that although the size of global M&As have recorded their highest figure since the financial crisis of 2008, the increase of domestic M&A transactions are still low. According to the financial supervisory service, the main characteristics of domestic M&As can be summarized into three items. First, M&As are active for the improvement of financial structure. It is due to matters relating to the restructuring of the affiliates to improve financial structure, that the large corporations wish to sell, rather than to perform a M&A activity on the venture corporations related to new growth power business that are the main objective of M&As. On the other hand, M&As of newly born venture corporations in cutting-edge fields are being actively carried out to secure new growth power. Second, the mergers and divisions among the affiliates are increasing. Reconstruction of the dominant structure such as mergers in a large corporation between different affiliates that perform similar tasks and establishment of a parent company is increasing. On the other hand, in case of global business, the same business type or different types of business M&As are being actively carried out for the reconstruction of business diversification. Third, this is mostly being performed for domestic corporations. Most of the M&As were performed on domestic corporations, while cross-border M&As were rather passive.

Recently, cross-border M&As between Korea, China, and Japan have increased. While the recent world cross-border M&A market has been growing constantly for the past 10 years, the cross-border M&A among Korea, China, and Japan has recently increased. The weightage

of the M&As among Korea, China, and Japan with regards to the world M&As have increased and the world M&As size grew rapidly from 2 trillion, 469 billion and 700 million in 2005 to 3 trillion and 773 billion dollars in 2007. However, it has shown a decreasing trend since the global financial crisis of 2008. It has rebounded back to 2 trillion, 260 billion and 800 million. The weightage of M&As between borders among the world M&As have increased by a small amount from around 41% in 2005 to 44% in 2014. The weightage of M&As between borders (based on the outbound) for China, Japan, and Korea among the world cross-border M&A is constantly increasing. Based on the outbound, the size of M&As within borders of China, Korea and Japan have increased by around 16% for the past 10 years from 24 billion and 700 million dollars in 2005 to 900 billion and 500 million dollars in 2014. In addition to this, the weightage of world cross-border M&As has also increased by around 4 times for the past 10 years, from 2.4% to 3.3%, for the same period of time.

The Korea institute of Finance (서병호 2011) asserted that M&As are needed for local banks in order for domestic banks to overcome the systematic barriers of new markets and to enjoy the retail financial business. The overall matters needed for the M&As as follows: Corporations need to go two steps ahead in order to succeed in cross-border M&As. First there are preparatory steps for mergers and acquisitions. This includes collection of detailed information through the strategic task affiliations with corresponding banks, which is done after determining the candidate banks for the M&As. An exclusive organization needs to be constructed which will proceed with the merger and acquisition. In addition to this, the construction of a network for the cooperation with the supervisory authority is also important. Second, as the post management for mergers and acquisitions, the search for the appropriate timing for the merger and acquisition, proposition of a certain business model to improve the

management achievements of the merged banks right after the merger and the provision of motivation for the prevention of the deviation of the existing staff members are also important.

Thus, the purpose of this study is to survey the characteristics of cross-border M&As during the 10-year period for the three nations of Korea, Japan and China and deduce the implications accordingly. Through this, the main characteristics of cross-border M&As among Korea, China, and Japan shall be analyzed and the main policy implications will be deduced. Specifically, this study shall analyze cross-border M&As for the past 10 years for the three nations of Korea, China, and Japan and a detailed analysis will be carried out and the business types shall be limited to the manufacturing and service businesses etc. This study will analyze how the characteristics of M&As among Korea, China and Japan have changed to eventually propose correct policy directions with regards to the direction that future M&As should be proceed.

## II. Literature Review

M&A activity has been introduced in the form of a wave in advanced countries (Alenandridis et al. 2012). In some aspects, the M&A wave is often explained by way of marketing-timing factors related to the macro-economy and industry-specific regulations (Harford 2005). In particular, as Nelson (1959) pointed out, the business cycle of economic growth seems to be related to the M&A activity. There are many reasons why M&As that cross borders spread rapidly (Sharma 2016). Synthesizing this literature, it can be said that the main drivers which enable M&As are the learning of the intangible assets such as technology, human resources, and brand names. Additionally, new market chances, advancement of technology, and increased competition in the

manufacturing industry can also be included as important M&A factors.

It can be known that overseas M&As are being approached from different aspects. First, numerous overseas corporations procure resources and knowledge and proceed with M&As to reinforce competitiveness (Shimizu et al. 2004; Vermeulen & Barkema 2001). This approach is based on the resource-based view (RBV) and other organizational learning perspectives (Madhok 1997). Nadolska and Barkema (2007) assert that global M&As are the entrance strategies that corporations utilize to increase market dominancy and procure new technology. This M&A entering strategy confronts difficulties due to differences of corporate culture and management methods, and the difference of consumption patterns and commercial practices with local consumers. Also, M&As proceed from various diversification strategical aspects for the corporations' overseas advancement (Wang & Boateng 2007). M&As also take place in order to promote the entry into overseas markets. Cross-border M&As enable the approach to the clients, marketing channels, and local network of suppliers (Wang & Boateng 2007). Also, there are studies which have analyzed the relationship between M&As and performance. Cross-border M&As provide the integration benefits that come from internalization, synergy, and risk diversification, and, as a result of it, create wealth for the acquirer-firm shareholders (Kang 1993).

Looking at the domestic M&A status, some scholars analyzed the history and strategy of M&As of Korean corporations. First of all, Park and Kim (박영렬·김필수 2015) analyzed industry-specific characteristics of M&As, region-specific characteristics, and investment purpose characteristics against 3,328 international M&A transactions of Korean corporations. Among them, international M&As proceeded with per each corporation size were proceeded with mostly based on big corporations. In the case of middle and small corporations, although the prices were low, it was asserted that the M&A weightage was on the

rise. The era-specific M&A promotional purpose of Korean corporations shows a different trend. First, in the industry-specific phase, the phenomenon of going from the preliminary or secondary industry to the tertiary industry has gradually been observed. In the beginning investment purpose phase, the purpose was resource development and promotion of exports. Recently, most of the purposes were the advancement into the market of the opponents (박영렬·김필수 2015).

Park and Han (박은경·한병섭 2016) analyzed against the global M&A corporations that Korean corporations have performed for the past 15 years and have discovered that the domestic and international M&A experience affected the outcome positively. Ryoo (류주한 2008) has proposed four essential factors as a method of successful integration after an M&A. Ryoo (류주한 2008) analyzed the integration level among the bidder and target corporations. The connectivity, corporate culture, suitability, and characteristics of the shared resources among the bidder and target corporations were the factors which directly affected the corporate outcome after acquisition. Cho (조광희 2009) has mentioned that the bidder corporations can confront information disadvantages compared to domestic corporations during the cross-border acquisition. Also, according to the results of the analysis on the 295 American target corporations, cross-border acquisitions had a higher discretionary accrual of target corporations than domestic mergers.

### III. Analysis of the characteristics of the cross-border M&As among Korea, China, and Japan

#### 1. The method of analyzing cross-border M&A

To define the cross-border M&A, it means that the M&A is formed

among the corporations whose nationalities are different (Kang & Johansson 2000). Cross-border M&As can be divided into inbound and outbound M&As. Inbound means that the overseas corporations take over its own corporations and outbound means that the domestic corporations take over overseas corporations.

<Table 1> Cross-border M&A Analysis Index for Korea, China, and Japan

Classification	Main Contents
Study Method	<ul style="list-style-type: none"> <li>▪ Analysis of the cross-border M&amp;As (Outbound) for the 10-year period among the 3 nations of Korea, Japan and China.</li> <li>- The nations under analysis are Korea, China and Japan.</li> <li>- The business types are classified into four types including agriculture, minerals, manufacturing, and service industry. Construction, energy and utility fields are separately classified.</li> <li>- The analysis period shall be the 10-year period (2005-2014).</li> </ul>
Statistics Data	<ul style="list-style-type: none"> <li>▪ The size and number of cases of M&amp;A provided by Bloomberg is used.</li> <li>- Industry-specific data is used as of the announcement date (based on the completion of the M&amp;A transactions).</li> </ul>
M&A Analysis Scope	<ul style="list-style-type: none"> <li>▪ As for the analysis category, only the M&amp;A investment items are analyzed.</li> <li>- Joint ventures, spin-offs, and the buy-back types are excluded in the analysis.</li> </ul>

The method of analysis of this study is as follows as <Table 1>. The scope and objectives of the analysis shall be the outbound M&As among the M&A data between borders of Japan, Korea and China which have completed transactions. Bloomberg has classified the M&A types largely into the acquisition-merge-investment type, joint venture type, spin-off type, buy-back type, and cross-border M&A. Analysis can be performed only in case of acquisition, merger or investment type. M&A shall mean purchasing or selling the management rights of the corporation or assets as a strategic purpose. Investment means purchase of a minority shareholder's shares, private equity investment,

and capital procurement of venture capital. A joint venture means transactions concluded between two or more different corporations, and the spin-off shall mean the method of forming independent corporations after selling or distributing the newly issued stocks of the conventional business part of a certain corporation. The analysis period of this study is the data of the M&A transactions that have been completed in the 10-year period between 2005 and 2014 as of the announcement date.

<Table 2> How to Classify High Technology and Middle-High Technology<sup>1)</sup>

	Based on the Statistical Office of the European Communities	Based on the OECD	Industries that this study has been applied
(High-Technology)	<ul style="list-style-type: none"> <li>- Medical field</li> <li>- Computer, electronics, optical products field</li> <li>- Airplane and spacecraft</li> </ul>	<ul style="list-style-type: none"> <li>- Aircraft and spacecraft</li> <li>- Medicine</li> <li>- Office work, accounting computer-related machines</li> <li>- Medicine, precision, and optical instrument</li> </ul>	<ul style="list-style-type: none"> <li>- Bio-engineering, medicine</li> <li>- Aero and defense</li> <li>- Electronics</li> <li>- Computer</li> <li>- Semi-conductor</li> <li>- Medical equipment</li> <li>- Office suppliers</li> </ul>
(Medium-High-Technology)	<ul style="list-style-type: none"> <li>- Chemicals and chemical products</li> <li>- Weapons</li> <li>- Electrical devices</li> <li>- Machine and equipment</li> <li>- Vehicle field</li> <li>- Other transportation equipment (Shipment and airspace excluded)</li> <li>- Medical equipment and machinery field</li> </ul>	<ul style="list-style-type: none"> <li>- Electronic machine</li> <li>- Vehicle and transportation equipment</li> <li>- Chemicals (Medicine excluded)</li> <li>- Machinery</li> <li>- Transportation equipment such as trains</li> </ul>	<ul style="list-style-type: none"> <li>- Vehicle manufacturing</li> <li>- Vehicle components</li> <li>- Chemicals</li> <li>- Machinery</li> <li>- Electronic components and devices</li> </ul>

▪ This study has been analyzed against the whole high and medium technology.

1) OECD Data (2015), <http://stats.oecd.org>. (accessed on December 7, 2017); Eurostat (2015), <http://ec.europa.eu/eurostat/data/database>. (accessed on December 7, 2017)

This study proposes the high technology and middle-high technology based on the following criteria. When classifying business types based on the objectives of acquisition, the classification shall be made according to the high and middle-high technology classifications proposed by the Statistical Office of the European Communities and OECD as <Table 2>.

## 2. Characteristics of cross-border M&As among Korea, China, and Japan

### (1) Processing of large size M&As

The size of cross-border M&As per case have shown a steady rise among Korea, China, and Japan; Japan and China have continuously processed M&As of a large size. The size of the cross-border M&A per case has risen continuously in China from 24 million dollars in 2005 to 140 million dollars in 2010. This increased to 850 billion dollars in 2014. In Japan it rose by 150 million dollars from 510 billion dollars in 2005 and again fell by 150 million dollars on the same condition; the rise and fall were frequent during the last 10 years. China showed that the cross-border M&A size per case increased from 73 million dollars to 160 million dollars during the same period.

The number of cases of size-specific cross-border M&As showed a large number of M&A cases that were centered on Japan and China over the 10-year period. Looking at size-specific cross-border M&As, it tells us that M&As of under 500 million dollars comprise over 90% of M&A's among Korea, China, and Japan. However, Japan and China respectively recorded 13 cases and 5 cases respectively of the number of cross-border M&A cases of over 5 billion dollars for the given period and have processed a large size of cross-border M&As. The cross-border M&As of a size of 1 billion to 5 billion dollars in Korea

comprise only around 2% and cases of over 5 billion dollars are absent.

<Table 3> Number of Size-Specific M&A Cases in Korea, Japan and China  
(Number of cases, %)

Size ( million dollar)	Korea	China	Japan
> 100	-	1(0.05)	5(0.2)
50-100	-	4(0.15)	8(0.4)
10-50	15(1.8)	89(3.4)	78(3.7)
5-10	23(2.7)	70(2.7)	84(4.0)
< 5	810(95.5)	2,429(93.7)	1,931(91.7)
Total	848(100)	2,593(100)	2,106(100)

▪ Author recomposed the Bloomberg data.<sup>2)</sup>

▪ Size-specific number of cases for 2005-2014./ ( ) means the whole weight./  
Based on the disclosed announced price.

(2) Rise of M&As into the big advanced regions such as North America and Europe

Looking at each continent, in Korea the M&As have moved from Asia to North America and Europe; in China they have moved from Asia to Europe and Middle and South America; and in Japan they have moved to North America. The cross-border M&As have moved from Asia to Europe in Korea, China, and Japan. M&As are focused more towards North America. Korea's continent-specific M&As have decreased by 70.0% in Asia between 2005-2008, it was at 18.4% in Europe and around 50% in Asia between 2000-2014. On the other hand, M&A's in Europe have increased by around 25% and in North America by 15%. Japan dropped their M&A's to an amount of 35.9% in North America for the same period of 2005-2008, to 32.5% in Asia and to 22.5% in Europe and there was a small amount of decrease in Asia

2) Bloomberg Data (2015), <https://www.bloomberg.co.kr>. (accessed on December 10, 2017)

and Europe between 2010–2014. However, M&As in North America have increased by around 42%. China still has the highest weightage of 32% in Asia after the global financial crisis of 2008 and it has rapidly increased by 27.3% in Europe and 12.8% in Middle and South America.

Looking at the industry cluster for the highest acquisition per region, M&As have been processed in the energy sector in Korea and in the service industry in China and Japan. The industry cluster for acquisition in Asia by Korea changed from the service industry to the manufacturing industry; in Europe and North America it changed from manufacturing to the energy industry. China's industry cluster for acquisition in Europe changed from the energy industry to the service industry; while in Japan, the industry cluster for acquisition in the North American region changed from manufacturing to service and agriculture; in Europe, it changed from mining to service.

**<Table 4> Korea, Japan and China's Region-Specific and Industry-Specific Regional M&A Comparison**

Classification		Average for 2005–2008	Average for 2010–2014
Korea	Asia	Service industry	Manufacturing
	North America	Manufacturing	Energy
	Europe	Manufacturing	Energy
China	Asia	Service industry	Service industry
	North America	Energy	Energy
	Europe	Energy	Service industry
Japan	Asia	Service industry	Service industry
	North America	Manufacturing	Service industry
	Europe	Agriculture and mining	Service industry

▪ Author recomposed the Bloomberg data.<sup>3)</sup>

▪ Based on the most weighted industry cluster in the region./  
Based on the disclosed takeover object corporations and industrial classification.

3) Bloomberg Data (2015), <https://www.bloomberg.co.kr>. (accessed on December 10, 2017)

### (3) Advancement of M&As in specific industries

After the global financial crisis, the cross-border M&As for Korea, Japan and China have increased. M&A's in Korea and Japan have increased in the service industry, while in China it has enhanced in the manufacturing and energy fields. It is known that cross-border M&As in Korea, Japan and China are focused around the manufacturing, service, and energy industries. The size of manufacturing M&As in Korea, China, and Japan has risen from 5 billion and 500 million dollars in 2005 to 40 billion and 300 million dollars and then decreased by a small amount, but as of 2014, it was 32 billion and 200 million dollars, reaching the highest M&A value among the industries. The service industry reached 87 billion and 100 million dollars in 2012 during the period of 2005-2014 and it reached the maximum M&A value and it then decreased a little right after. The energy, agriculture and mining industries have also steadily processed the cross-border M&As for the past 10 years.

Per nation after the global financial crisis, Korea and Japan have expanded the service industry while China has expanded the manufacturing and energy sector. Korea has expanded the cross-border weight of M&As from 44.4% and 33.5% respectively on average during 2005-2008 to 33.0% and 40.7% during 2010-2014 based on the service industry. Japan also increased the service industry from around 43% to 47% on an average during the same period and China has fallen from 47% to 43% in the service industry, but due to the recent resource securing and reinforcement of the technical competitiveness, energy and manufacturing have increased from 31.4% and 11.7% to 35.1% and 17.1% on average respectively.

(4) Increase of M&As among different business types

After the global financial crisis, cross-border M&As between the same business types in Korea, China, and Japan had the highest proportion; this came from America. However, the M&As among different business types is rising. While the cross-border M&As among the same industry in Korea, China, and Japan was the core type of M&A, the cross-border M&As for different business types is gradually increasing. Among whole cross-border M&As, the weightage of cross-border M&As among the same industries has sharply risen from 17 billion and 200 million dollars in 2005 to 118 billion and 700 million dollars and has recorded 53 billion and 500 dollars as of 2014. On the other hand, the cross-border M&As for different businesses was only around 33% of the cross-border M&As of the same industry as of 2014, but it is growing steadily and a new type of M&A is growing.

Internationally, since the global financial crisis in 2008, cross-border M&As in different industries have risen and the proportion of cross-border M&As for different industries in Korea and China have risen from 32.7% and 15.5% in 2005-2008 to 38.9% and 21.9% in 2010-2014. In China, it has risen from 16.6% on an average during the same period to 35.2%, an increase of around 19%; this has increased faster than Korea and Japan. On the other hand, the weightage of cross-border M&As for the same industries are showing a decreasing trend since the global financial crisis.

Since the global financial crisis started in America, cross-border M&A types have developed in different industries, in the manufacturing industry in Korea, and in the manufacturing and service industries in China and Japan. In China, the service industry M&As of the manufacturing industry from 2005-2008 has decreased a little from an average of 21.1% to 19.6% in 2010-2014 period. Manufacturing M&As

of the service industry have grown from an average of 13% to 16.9% during the same period. In Japan, the service M&As of the manufacturing industry for the period from 2005–2008 was around 41% on average during the same period of time, but the manufacturing M&As of the service industry for the period from 2010–2014 was around 38%, which was the highest proportion. On the other hand, in Korea, the utility M&As of the manufacturing industry for the period from 2005–2008 was the highest proportion at 30% and the service M&As of the manufacturing industry for the period from 2010–2014 was around 30% and it replaced the former.

<Table 5> Upper 5 Different Business Type Outbound M&A Types in Korea, China, and Japan

Classification	Average Proportion for 2005–2008	Average Proportion for 2010–2014
<b>Korea</b>	① Manufacturing ▶ Utilities (30.0%) ② Service ▶ Manufacturing (14.9%) ③ Manufacturing ▶ Service (14.3%) ④ Manufacturing ▶ Energy (10.1%) ⑤ Service ▶ Construction (9.0%)	① Manufacturing ▶ Service (29.6%) ② Service ▶ Energy (22.8%) ③ Manufacturing ▶ Energy (14.1%) ④ Energy ▶ Utilities (9.2%) ⑤ Service ▶ Manufacturing (6.0%)
<b>China</b>	① Manufacturing ▶ Service (21.2%) ② Service ▶ Manufacturing (13.0%) ③ Agriculture and mining ▶ Manufacturing (12.5%) ④ Energy ▶ Manufacturing (11.7%) ⑤ Manufacturing ▶ Energy (11.0%)	① Manufacturing ▶ Service (19.6%) ② Service ▶ Manufacturing (16.9%) ③ Manufacturing ▶ Agriculture and mining (14.8%) ④ Service ▶ Energy (9.7%) ⑤ Energy ▶ Utilities (8.7%)
<b>Japan</b>	① Manufacturing ▶ Service (41.2%) ② Manufacturing ▶ Utilities (20.2%) ③ Service ▶ Manufacturing (17.9%) ④ Service ▶ Utilities (5.9%) ⑤ Service ▶ Energy (4.8%)	① Service ▶ Manufacturing (37.7%) ② Manufacturing ▶ Service (14.1%) ③ Service ▶ Agriculture and mining (11.9%) ④ Service ▶ Energy (11.0%) ⑤ Service ▶ Utilities (6.1%)

▪ Author recomposed utilizing the Bloomberg data.<sup>4)</sup>

4) Bloomberg Data (2015), <https://www.bloomberg.co.kr>. (accessed on December 10, 2017)

(5) Acceleration of high technology field M&As

In the high technology field, cross-border M&As decreased on average in Korea and Japan while it has gradually increased in China. The size of cross-border M&As in Korea, China, and Japan decreased overall in the high-tech field in the past 10 years while in China it has steadily increased. In the high-tech field, the size of cross-border M&As in Japan has reached the highest figure from 2 billion and 500 million dollars in 2005 to 23 billion and 300 million in 2011; however, since then it has decreased gradually. In Korea as well, it increased from 100 million dollars in 2005 to 2 billion and 800 million dollars while it is now decreasing. In China, cross-border M&As in the high-tech field has increased overall from 600 million dollars in 2005 to 3 billion and 300 million dollars in 2014.

The weight of cross-border M&As in the high-tech field among the overall manufacturing cross-border M&As have recently decreased in Korea and Japan, while in China it is continuously rising. In Japan, the weight of cross-border M&As in the high-tech field among the manufacturing cross-border M&As has risen from 56.1% in 2005 to 82.1% in 2008, but since it experienced a rise and a fall, it decreased by around 21% in 2014. In Korea as well, it soared from 21.8% in 2005 to 80.1% in 2010, but it has fallen sharply to 27.4% in 2014. On the other hand, in China, it has fallen sharply from 73.0% in 2005 to 16.3% in 2008 for the same period, while after that it has risen gradually to 50-70%. Cross-border M&As are being accelerated for the high-tech fields. Since the global financial crisis, high-tech M&As have accelerated in industries such as electronics in Korea, vehicles in China, and medicine in Japan. The proportion of the high-tech field among the cross-border M&As of the whole high-tech fields in Korea and Japan is rising rapidly. The proportion of the high-tech fields among the cross-border M&As of the high-tech fields in Korea and

Japan has risen from 17% and 74% in 2005–2008 to 63% and 81% in 2010–2014 respectively. On the other hand, the high technology for the same period has risen slightly from 25% to 30% and the medium-high technology has decreased from 75% to 70%.

<Table 6> Comparison of Cross-Border M&As of the High-Tech Fields for Korea, China, and Japan after the Global Financial Crisis

Classification	Average Proportion for 2005–2008		Average Proportion for 2010–2014	
	Five High Technology industries	Whole technology level	Upper 5 industries	Whole technology level
<b>Korea</b>	① Electronics component machine (48.8%) ② Machinery (19.2%) ③ Semi-conductor (8.4%) ④ Chemicals (7.8%) ⑤ Vehicle manufacturing component (7.3%)	- High technology: 17% - High technology: 83%	① Electronics (26.7%) ② Semi-conductor (24.3%) ③ Chemicals (22.9%) ④ Machinery (9.4%) ⑤ Computer (7.1%)	- High technology: 63% - Medium high technology: 37%
<b>China</b>	① Chemicals (40.4%) ② Machinery (17.4%) ③ Vehicle manufacturing component (9.7%) ④ Computer (7.5%) ⑤ Electronic component machine (7.0%)	- High technology: 25% - High technology: 75%	① Chemicals (30.9%) ② Vehicle manufacturing component (20.5%) ③ Machinery (13.0%) ④ Electronics (12.0%) ⑤ Medicine (9.9%)	- High technology: 30% - Medium high technology: 70%
<b>Japan</b>	① Medicine (24.6%) ② Bio (21.7%) ③ Vehicle manufacturing component (15.3%) ④ Computer (10.7%) ⑤ Electronics (8.7%)	- High technology: 74% - High technology: 26%	① Medicine (43.2%) ② Bio (10.0%) ③ Computer (8.5%) ④ Medical equipment (8.4%) ⑤ Electronics (7.8%)	- High technology: 81% - High technology: 19%

▪ Author recomposed utilizing the Bloomberg data.<sup>5)</sup>

▪ Weight among the whole high-tech field based on the Outbound M&A./  
The rank of the whole high-tech field.

5) Bloomberg Data (2015), <https://www.bloomberg.co.kr>. (accessed on December 10, 2017)

With regard to each of the five high technologies, they have increased based on electronics and semiconductors in Korea, chemicals and vehicles in China, and medicine and biology in Japan. In Japan, the proportion of the medical field among cross-border M&As of the whole high technology field has risen sharply from around 25% in 2005-2008 to 43% in 2010-2014, while in Korea, the electronics field has risen from 1.8% to 26.7%. In China, the vehicle manufacturing and component fields have increased from 9.7% to 20.5%, a 100% increase.

#### IV. Conclusion and implications

It can be known that the trend of Korean M&As is that the number of transactions and the sizes are all growing. This is in accordance with the report data published by the Korea Supervisory Service. According to Hwang (황현영 2015), the characteristics of domestic M&As are that they do not take over or actively merge the venture corporation with high technical power, but rather, they perform the M&A for the reorganization of the domination structure and for the re-structuring among the affiliates inside the group. This has been mentioned through many earlier cases that the purpose of M&A's in the three countries are different from the purpose of M&As in the advanced Western countries.

Since the global financial crisis, the characteristics of M&As in the three nations of Korea, China, and Japan include large size, focusing on the advanced regions, acceleration of the object industry, increase among different business types, and acceleration of the high-tech field, etc. Cross-border M&As in Korea, China, and Japan for the 10-year period have experienced an increase of large transactions. With regards to continents, M&As have moved from Asia to the advanced regions such as Europe and North America. In case of cross-border M&A

numbers of over 1 billion dollars, China and Japan comprise around 3.6% and 4.3% of the whole with 94 cases and 91 cases each while Korea has only 15 cases which is 1.8%. Additionally, looking at it per continent, Korea and China have continuously focused on Asia since the global financial crisis and they are expanding to the markets of advanced countries in Europe and North America.

Since the global financial crisis, in the industry field also, there has been an acceleration of the M&A object industry and the different business types of M&As have also increased. The cross-border M&As in Korea and Japan are moving from manufacturing to the service industry since the global financial crisis and China is diversifying into energy, manufacturing, agriculture, and mining. Especially, the M&A for manufacturing by the service industry has increased and Korea's manufacturing towards the service industry has grown. In this way, M&As for different business types are growing. In the high-tech field, all the three nations of Korea, Japan and China have augmented the cross-border M&As based on high technology since the global financial crisis. As the types of the M&As of the Japanese and Chinese corporations are rapidly changing, the opportunities should be actively utilized and the threat factors should be minimized. First, capability reinforcing cross-border M&As should be promoted such as technology, brand, distribution network, brand management, know-how, etc. As the opportunity for M&As and selling of shares by advanced countries in Europe and North America since the financial crisis has increased, China and Japan has been actively taking over various overseas corporations to secure high-end brands and cutting-edge technology such as resources, energy, IT, and medicine. Korean corporations should also go beyond the traditional growth strategy and utilize M&As actively and secure the superiority factors and improve their competitiveness. Second, improvement of the unnecessary system and world support policy is needed along with the construction of

integrated types of M&A support systems for the government and civilians. Construction of a system is needed where the government shall propose a vitalization scheme for M&As from the global point of view and the free market led by civilians can be formed from a detailed point of view. The government should develop a systemized M&A education curriculum and a system should be constructed in which civilians can lead the operation. M&As of domestic corporations should be supported actively utilizing local funds and national pension, while vitalization of M&As should be promoted by different means such as tax reduction etc. Third, the search for the M&A strategy which best suits the middle and long-term advancement strategy for core industries such as fusion industry and a higher-value added business is needed for the fourth industrial revolution. Collateral supplementation and synergy should be maximized through M&As for different business types such as manufacturing towards services or services towards manufacturing; through this, a strategy arrangement for fostering a new growth industry and reinforcement of competitiveness will be needed. Forth, it is necessary to identify the M&A trends of China, Germany, and Japan, which are under policy enhancement, and come up with countermeasures to preempt outstanding overseas manufacturers. Recently, the M&A market has been actively implemented in China, Germany, and Japan to respond to the fourth industrial revolution and to upgrade the manufacturing industry. Accordingly, Korean companies should establish joint strategies to take precedence over neighboring countries including those in Northeast Asia, Japan's ultra-aging society, and China's manufacturing revolution. In addition, it is necessary to draw up a framework to devise comprehensive support policies, ranging from searching for the acquisition of overseas top companies to the acquisition, investment negotiation, and financial support programs offered by overseas financial institutions.

The new growth power industry to lead economic growth, institutional industries needed for the securing of the resources from the nation's aspect, and the high added value service industry should be designated as an industry and the vitalization of M&As needs to be induced. Lastly, prior risk inspection is also needed so that no reckless M&As such as a wrong post-M&A management strategy should not impair the corporations or reduce the competitiveness of the national economy. Prior risk factor analysis should be made for risks such as lack of information on the M&A objective for corporations, wrong evaluation and payment of an excessive acquisition price due to excessive competition among the corporations that participated in the acquisition, cross-nation cultural differences, and deviation of important manpower from the company's objective.

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국문초록

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## 한중일 3국 간 M&A 특징 및 시사점

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최근 한중일 3국 간 M&A가 지속 확대되는 양상을 보이고 있다. 아웃바운드(Outbound) 기준, 한중일 3국 간(Cross-border) M&A 규모는 2005-2014년 10년간 연평균 약 16%씩 증가하였고, 전 세계 M&A 중 한중일 3국의 비중도 동 기간 2.4%에서 9.3%로 증가하는 등 지난 10년 동안 약 4배 증가하였다. 한중일 M&A 특징을 분석하기 위해 2005년부터 2014년까지 10년간 제조업, 서비스업 등 전체 6개 업종에 대해 아웃바운드 기준으로 국경 간 M&A를 분석한 결과는 다음과 같다. 첫째, 대규모 M&A 건수가 발생하는 등 대규모화가 진행되고 있다. 둘째, 미주 및 유럽 등 대선진지역 M&A가 확대되고 있다. 셋째, M&A 대상산업의 고도화도 이뤄지고 있다. 넷째, 업종별로는 이종 간 M&A가 확대되고 있다. 다섯째, 첨단기술 중심으로 M&A가 가속되고 있다. 글로벌 금융위기 이후 일본과 중국 기업의 M&A 유형이 빠르게 변화하는 양상을 보이는 만큼, 기회와 위협 요인에 대한 정책적 모색이 필요하다.

- 주제어: 국가 간 인수합병, 아웃바운드, 인바운드, 글로벌 금융위기, 첨단기술