

CHAPTER 5: CONCLUSION AND RECOMMENDATION

Cross-border mergers and acquisitions activities involved in South East Asia after the 2007 economic crisis have been decreasing in terms of both numbers of cross-border mergers and acquisitions deals and value. Between 2007 and 2010 Indonesia, Malaysia, Philippines and Thailand completed 1,703 cross border M&A deals worth 101USD billion. Malaysia completed 928 cross border M&A deals worth to 43 USD billion followed by Thailand with 322 deals worth to USD 14 billion.

The number of deals dramatically decreased in the four countries of Southeast Asia namely as Indonesia, Malaysia, Philippines and Thailand, following 2007 economic crisis. A study by Faisal and Glaister (2008) concluded that economic recession or booms can affect the level of growth trend of global mergers and acquisitions activities and its regional focus. The report further posited that industrial characteristics such as growth prospects, market structure and competition are a strong influence on cross-border mergers and acquisitions transactions. Slow growth, over-capacity and increased competition in global markets typically drive industrial restructuring and often make mergers and acquisitions preferable to Greenfield investments.

It might be too early to elicit reliable perceptions or draw strong conclusions on the relationship between cross-border mergers and acquisitions activities in emerging south East Asia four countries (Indonesia, Malaysia, Philippines and Thailand) as the result of economic crisis. This descriptive analysis study

shows that during the period before the economic crisis, mergers and acquisitions activities trend in the four countries increased positively annually contra to the trend after the 2007 economic crisis. This shows an inversely relationship trend between the two periods. A study by Song, et al (2010), providing an overview of cross-border mergers and acquisitions from 1997 to 2007 in five East Asia countries, namely Indonesia, Malaysia, Philippines, South Korea and Thailand, and concluded that, numbers of deals and transactions value were significantly increasing for the ten years from 1997 to 2007.

This study revealed that, the expected CBMA trends by many Investors were not achieved as soon as the 2007 economic crisis attacked the developed countries. The increase trend which existed since after the 1997 economic crisis was interrupted soon after the 2007 economic crisis which started in Europe and America. There could be other reasons that may cause the decline in CBMA activities in these countries, but all in all economic crisis in the developed countries had a direct effect relationship on decisions on cross-border merger and acquisition transactions. On the other hand financial economic indicators such as GDP, currency exchange rate stability and inflation rate consumer prices were highly affected during the period from 2007 to 2010.

The numbers of cancelled deals during the 2007 economic crisis in the four countries, Indonesia, Malaysia, Philippines and Thailand, verify the impact of economic crisis on decisions to buy or sell off companies. Press

announcements revealed that most of the terminations were due to un-fulfilment of payment or pricing agreement and risk considerations. The results shows that in the eleven year period from 2000 to 2010 there were 210 deals terminated, of which 101 deals were terminated during the years, 2006, 2007 and 2008. At the same time, the number of completed deals dropped dramatically after the economic crisis, from 503 deals in 2008 to 267 in 2010.

The driving factors controlling the trend of cross-border mergers and acquisitions activities in the four countries remain unclear as they vary from one country to another. Economic change and changes of government policies are the most significant influence on CBMA changes. The study revealed that economically stable countries with more favourable policies are most attractive for CBMA activities. Most of the East South Asian countries have adopted different means to control their economy, especially during economic slowdown. Each of the four countries studied released stimulus funds to stabilize their economy.

The result of this study is supported by the UNCTAD (2008) report which estimated that FDI and CBMA inflow and outflow may decrease in developing and emerging countries. Further more a study by Burksaitiene (2010) revealed drastic declines in the mergers and acquisitions activities world wide in 2009 as a result of economic downturn and financial crisis.

This paper has examined cross-border merger and acquisition trend in Indonesia, Malaysia, Philippines and Thailand in relation to the economic

crisis. In future researcher may find that, specific driving forces and magnitude of charges are interesting and fertile areas for further study.