

The Enlightenment that The SGCC's Subscription Brings to Chinese Enterprises' M&A

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Abstract

This paper focus on the reasons why the SGCC's subscription for shares in Eandis evolved into a complex debate of political complexion among the public and the lessons we can learn form this subscription. In order to find out the reasons that why a business activity become a political issue and the lessens, we search relevant information and news. Finally we find out that the reasons consist of the nature of the industry, the scale of the investment, the political environment, characteristics of the society, the economic environment and so on.

Keywords

SGCC's subscription, state owned company, interests between two countries.

1. Background

Eandis is the largest energy distribution network consortium in Belgium, consisting of seven intercity power and natural gas distribution network operating companies in Flanders. They faced with some debt crisis because of the European decree that the business of energy producers and suppliers had to be split. To solve these problems, Eandis management planed to look for new investment in Eandis Assets in the international market.

Finally, SGCC Europe was selected as the 'preferred bidder' through a comprehensive analysis of these biding documents. SGCC agreed to invest 830 million euros in the acquisition of 14% shares in Eandis, and eventually won the bid at a commercial premium 71% higher than the net assets.

2. Different opinions

However, this simple business activity finally evolve into a complex debate of political complexion among the public.

According to these protesters, there are several opinions. First, the distribution and supply of electricity and gas was a public service. Public services had a monopoly on the market and were controlled by the society and grasped by the public. If the municipal government or state agency could not guarantee investment or capital increase, citizens should participate in the shares in the form of cooperation. Second, the shareholder agreement between Eandis and SGCC was considered to damage the decision-making power of its main shareholder. What's more, an letter addressed to several ministers of the Federal Government and the Flanders Region warned that SGCC was under the leadership of the Communist Party of China and it had close connection with the Chinese intelligence agencies and military force. For the sake of national security, the vigilance on the proposal of SGCC's subscription for shares in Eandis should be raised. At the same time, the new media Twitter added fuel to the fire by exposing various viewpoints and attitudes directly to the public, and various parties begun to express themselves.^[1]

Finally, in the Eandis meeting of the board of directors, SGCC's subscription for shares in Eandis was rejected.

3. Reasons

When we discuss a simple commercial activity, we usually discuss the relationship between the companies. When we talk about politics, we usually focus on the relationship among countries. The SGCC's subscription became a political issue because it involved national interests. Meanwhile, Belgium have the suitable environment for political debates.

3.1 The subscription involves interests between the two countries(nature. scale)

The nature of industry determines that the subscription can't be performed without political discussions. Electricity is a kind of public service, which affects citizen's daily life and the national security. A foreign state-owned company's subscription for shares in the largest electricity supplier in Eandis means much more uncertainty for both the public and the government, which will influence the stability of Belgium.

The scale of the subscription can affect the influence of the business activity. In this case, the subscription for shares in Eandis is up to 14%, which means the SGCC can have great impact on Eandis. Meanwhile, Eandis is the biggest electricity supplier in Belgium, which can greatly effect the country. Taking the these elements into consideration, the subscription can effect Belgium a lot. Thus, the subscription can't be seen as a simple business activity.

Foreign investment has taken up investment opportunities, so the interests of the domestic people decrease. The relevant interest groups hope to increase their own interests and obtain more investment opportunities through political power.

The close economic relationship between two countries will affect the diplomatic relations between the two countries and affect the long-term interests of the country. Therefore, the commercial exchanges between the two countries are inseparable from politics

3.2 Suitable environment (politics. society. economy)

Belgium has suitable political environment. Belgian political system contributes to the phenomenon. In Belgian political system, the interest groups and other lobbyists play an important role in government issues, making people's debates more political. When a subscription being mentioned, the organizations will communicate with government and effect the decisions government make.

The way Belgian think of Chinese government is also a significant factor. Some people in Belgian government think SGCC's purpose of the subscription for the shares in Eandis is helping Chinese government to control the electricity supply in the world. With the development of globalization, people pay more attention to the relationship between countries. The public will think politically. Sometimes they will seek for political help.

The characteristics of the society is also very important in the process of involving the business activity into a political debate. Belgium has just experienced a terrorist attack that has led to a heightened national security concern, in part leading to political discussions with the subscription.

Economic environment is significant for the foreign investment. Recently, the personal savings rate at the bank was zero. People are seeking for investment with higher rate of return, making investment for this project attractive. The government prefer to provide the stable and profitable investment to its citizen.

3.3 Other forces (media. Information)

Media exposure has made more people and institutions pay more attention to the subscription. Political parties and government agencies also focus on the commercial activity's political influence. In this context, attention to the political implications of the subscription has been raised to a new level.

The growing importance of information. The development of the Internet, big data and blockchain make people pay more attention to the security of information. As it involves the stability of the country, information security between two countries is highly valued by relevant departments. The

Belgian government does not want information to be available to companies from other countries with government backgrounds.

4. The lessons we can learn from this case

As far as I am concerned, there are several lessons we can learn from this case. First, China should set up good image abroad. Nowadays, there is no doubt that more and more western countries reckon China as a powerful threaten. When we are trying to cooperate with them, they usually suspect our motivations at first. Under this condition, we should try our best to set up a friendly image so that we would not be rejected easily. However, we have to admit that it takes time.

Second, we should earn their trust first, for instance, in SGCC's subscription for shares in Eandis, SGCC is a state owned company and it had close connection with the Chinese intelligence agencies and military force which make the local government worried about the national security. What's more, it quoted 71% higher than that net asset of Eandis. Maybe SGCC want to show its sincerity and economic strength, but the high price cause doubts. They may suspect our motivations because of the high price.

At the same time, we should avoid to cooperate with abroad companies in some sensitive areas such as areas related to military or areas related to public service. Just as what we can see from the SGCC's case, Eandis is the largest energy distribution network consortium which has access to many sensitive data. There is no denying that the local authorities and organizations would argue about this subscription, because if SGCC succeed in this subscription, chances are that we can acquire their sensitive data which can be a huge threaten to their national security. So, next time when we try to invest abroad, we should avoid to invest in some sensitive areas so that we can avoid some unnecessary trouble.

Meanwhile we should not ignore the power of media, it is a double-edged sword. In SGCC's subscription, the new media Twitter added fuel to the fire by exposing various viewpoints and attitudes directly to the public, which played a significant role in SGCC's failure. Nowadays, the information spreads fast and new media is powerful. The public have access to acquire information around the world, however, at the same time it is quite easily for new media to guide public's thought. It is important for us to take full use of media and avoid its damage to ourselves.

Last but not least, we have to admit that no matter how hard we try to set up a friendly image or earn their trust, there is always something we can not decide. What we can do is to insist our principals and cooperate with sincere partners.

References

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