In a world roiled by activism, geopolitical uncertainty and data risk, dealmakers are eager to lean in, according to our survey.
Introduction

If you’re like us, you spend a lot of time thinking about where M&A markets are headed. That’s particularly true in times of uncertainty when we are eager for any information that can help us understand how forces, such as the coronavirus outbreak, may affect people and markets.

To better understand what dealmakers think about the future, we’re launching the White & Case Global M&A Sentiment Tracker. Our first project under this banner is a survey of 800 senior M&A executives from companies operating in a wide variety of sectors around the globe. In early 2020, we also conducted in-depth phone interviews with selected dealmakers.

We did this research before the coronavirus outbreak really took hold, but we believe that most of what we heard from dealmakers in 2019 remains true today, even if timelines for some of their expectations may have shifted.

This collection is our first contribution from the project, and it’s focused on four main insights developed from the survey:

- **Dealmakers plan to lean into a downturn.** Fifty percent of respondents said they expect to do more deals if a downturn emerges in 2020 than if one doesn’t. Coronavirus may change when this happens but we still think a “lean in” attitude will prevail at some point.

- **Shareholder activism changes everything.** Though many companies will have to contend with an activist, virtually all public companies now have to grapple with activism—in part because it has helped transform how companies think about M&A strategy.

- **Trade and national security policies create pent-up demand for cross-border deals.** Most companies expect to do more cross-border deals in 2020—with some newly able to target desired countries and others forced to wait or shift priorities.

- **The digital revolution could fuel “shadow protectionism.”** Virtually every company is on the hunt for tech—but mounting tensions related to data use could have huge implications not only for M&A but also geopolitics and the global economy.

It has been incredibly rewarding to think through what we’ve heard from dealmakers so far, and we’re grateful for their contributions. We would be equally grateful to hear any thoughts you may have about this collection or how you’d like to see this project evolve. Please let us know what you think.

John Reiss
Global Head of M&A, New York
This report is based on a survey of 800 M&A executives from companies operating in a wide variety of sectors around the globe.

Our methodology

In the fourth quarter of 2019, we conducted a survey of 800 dealmakers at companies in the US, Europe and Asia-Pacific. These were senior executives at large companies operating in more than ten sectors. We also conducted phone interviews with selected senior executives, some of whom are quoted in the report.

Company size

- 45% US$5bn+
- 40% US$500mn – US$1bn
- 15% US$1bn – US$5bn

Sectors

- 25% Banking and financial services
- 12.5% Pharma & healthcare
- 12.5% Oil & gas
- 12.5% Information technology (50) and telecommunications (50)
- 12.5% Power & utilities
- 12.5% Private equity
- 12.5% Industrials, infrastructure & real estate (including energy infrastructure, food & agriculture, retail & CPG, entertainment & media, other)

Locations

- 250 in EU: UK, Germany, France, Italy, Spain
- 350 in NA: US (250) and Canada (50)
- 200 in APAC: China, Hong Kong SAR, Singapore, Australia
Dealmakers plan to lean into a downturn

Half of the executives in our survey expect to do more deals if there’s a downturn in 2020 than if there isn’t

By Darragh Byrne, Gregory Pryor, Michelle Rutta, Caroline Sherrell and Francis Zou

Dealmakers were optimistic heading into 2020. The coronavirus outbreak has changed things, but we believe that most of what we heard from dealmakers in 2019 remains true today, even if timelines for some of their expectations may have shifted. Only 35 percent of respondents to our survey said an economic downturn is extremely or very likely within the next six months—the figure rose to 50 percent for within one year and 61 percent for within three years. And 86 percent said they expect M&A activity to increase in their region in 2020, with half of this group saying activity would increase significantly.

But what stands out most is that 50 percent of dealmakers said they expect to do more deals if there is a downturn in 2020 than if there isn’t. The figures are 48 percent for executives at corporates and 59 percent for executives at PE firms.

In other words, many companies didn’t see the overall economic direction in their markets—or globally—as a likely constraint on their ability to pursue M&A in 2020, particularly if valuations come down. These expectations may have changed in light of the coronavirus outbreak, which has already taken a significant human toll and had a material effect on the global economy, disrupting businesses and rocking capital markets. In particular, dealmakers may now expect a downturn to materialize sooner than they did at the end of last year.

But do dealmakers still expect to lean into a downturn if it is precipitated by the coronavirus? We don’t have data on that, but we think it’s quite possible that they would lean in, although probably not right away. Dealmakers are likely to pull back at first, waiting for some clarity about the scope and duration of the outbreak. But the underlying factors that would drive dealmaking should endure one way or another—which suggests that any fall in M&A would be followed by a surge once we have a better understanding of how the outbreak is likely to play out (see the sidebar “How the coronavirus could affect M&A” for more details).

What are the underlying factors that would enable and motivate dealmakers to lean in? When asked to rank the top-three drivers of M&A over the next year, dealmakers put “a healthy financing environment” at the top of the list, followed by “the need to acquire a new technology” and “the need to enter a new market or sector.” These are factors that are usually called out as primary drivers in growth markets.

Indeed, 66 percent said they expect financing options to get better over the next year. It seems lenders are eager to get off the sidelines after a slower 2019, and lending is expected to pick up in 2020 (it has already picked up significantly in the UK). This view applies across various debt financing types, including leveraged and corporate bank finance, direct institutional lending and debt capital markets.

Moreover, for strategic buyers, a downturn isn’t likely to diminish longstanding M&A imperatives, such as the need to acquire tech or enter new markets or sectors. And PE firms are knee-deep in dry powder—having ended 2019 with a record US$1.5 trillion on hand, according to Preqin—and may be particularly eager to act if valuations drop.

Financing should hold up

We remember dealmakers saying they expected to lean in prior to the last downturn only to pull back dramatically when the so-called music stopped. From the high of 2007 to the low of 2009, global M&A value dropped by more than 50 percent to US$1.7 trillion.

Downturn unlikely within six months—quite likely within three years

In your opinion, how likely is an economic downturn within the following timeframes?

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Extremely likely</th>
<th>Very likely</th>
<th>Moderately likely</th>
<th>Not at all likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six months</td>
<td>16%</td>
<td>19%</td>
<td>41%</td>
<td>25%</td>
</tr>
<tr>
<td>One year</td>
<td>18%</td>
<td>32%</td>
<td>40%</td>
<td>11%</td>
</tr>
<tr>
<td>Three years</td>
<td>25%</td>
<td>36%</td>
<td>31%</td>
<td>8%</td>
</tr>
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</table>

86 percent said they expect M&A activity to increase in their region in 2020.
But the last downturn was the most severe recession of the post-war era. And it was driven by a credit crisis that led to a severe retraction in the availability of financing for M&A. Banks all but stopped lending and appetite for corporate debt virtually vanished.

The next downturn is not likely to be nearly as severe as the last one, and a number of factors suggest that access to financing could hold up when it hits. Two factors stand out:

- **Banks are better prepared this time around.** Regulations implemented in the wake of the last downturn require large banks to hold more capital in reserve against the possibility of a crisis. And many are subject to stress tests that help ensure they are able to weather a recession. This suggests banks will be more likely to continue lending throughout a downturn, even if they become more selective and ramp up due diligence standards.

- **Credit markets understand the cash flows in certain sectors, such as healthcare and infrastructure, very well, and these sectors may be more likely than others to have access to financing in a recession.**

**Alt capital providers have significantly expanded credit pools.** The rise of alternative capital providers and direct lenders has significantly increased the availability of financing for M&A since the last downturn, particularly for PE firms. These players are subject to fewer regulations than traditional banks; they tend to hold the debt they issue (as opposed to selling it, as traditional banks typically do); and they are often skilled in dealing with distressed situations, which are more common in a downturn. Moreover, many have significant dry powder they’re eager to deploy. Some could be hit hard by a downturn, but many are likely to continue lending throughout (although it’s worth noting that most have yet to be tested by a recession, so there’s little precedent for predicting how they may react).

Yet attitudes can turn on a dime. A lot depends on how equity capital markets hold up, particularly because market capitalization is so important in determining company
How the coronavirus could affect M&A

Expect deal flows to slow down due to capital market volatility and impact on financing, as well as the practical issues related to travel and face-to-face negotiations. In deal agreements, we may also see “pandemic” added to “war, terrorism and revolution” provisions in material adverse effect and force majeure clauses (see our recent alert “Suspending contractual performance in response to the coronavirus outbreak” for details).

Consider what has happened in China, where the outbreak started. The number of M&A deals involving Chinese companies has tumbled as bankers were barred from travel and encouraged to avoid face-to-face negotiations for fear of spreading the disease. And the outbreak has also prompted some buyers to hold off on acquisitions in the hope of snapping up assets at a lower price later.

According to Dealogic data, the number of M&A deals involving Chinese companies from January 1 to February 11 fell by a third compared to the same period in 2019, with total deal value down almost 70 percent.

Of course, the dynamics are different in distressed situations. Some companies are hit so hard by a downturn that they have no option but to sell. In such cases, those with experience buying distressed companies will have huge advantages.

Then there’s the tendency toward optimism among dealmakers, which may sometimes skew expectations positive. But when facts on the ground change significantly, pragmatic executives change course.

The coronavirus is now posing the biggest challenge to dealmakers’ expectations in 2020, but we still expect to see a robust M&A market once the world has a better understanding of what the outbreak’s trajectory is likely to be.

50 percent of dealmakers said they expect to do more deals if there is a downturn in 2020 than if there isn’t

Two-thirds expect financing to get better in 2020

Do you expect the M&A financing environment to be better or worse in one year’s time?

Better: 66%
Worse: 16%
Difficult to say: 19%

Optimism about financing spans channels

In the event of an economic downturn, how would you expect the use of each of the following M&A finance options to change?

<table>
<thead>
<tr>
<th>Finance Option</th>
<th>Increase significantly</th>
<th>Moderately increase</th>
<th>Remain the same</th>
<th>Moderately decrease</th>
<th>Decrease significantly</th>
<th>Not applicable</th>
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<tr>
<td>Leveraged bank financing</td>
<td>19%</td>
<td>28%</td>
<td>29%</td>
<td>18%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Corporate bank financing</td>
<td>23%</td>
<td>32%</td>
<td>26%</td>
<td>14%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Direct institutional lending</td>
<td>22%</td>
<td>29%</td>
<td>31%</td>
<td>13%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Debt capital markets</td>
<td>20%</td>
<td>31%</td>
<td>30%</td>
<td>12%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Equity capital markets</td>
<td>22%</td>
<td>33%</td>
<td>29%</td>
<td>13%</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Shareholder activism changes everything

Activism affects virtually everyone now—even those who may never have to deal with an activist

By Nels Hansen, Michelle Rutta and Patrick Sarch

If you’re still nursing doubts about whether activism has a broad effect on M&A, it may be time to put them to bed. Seventy-eight percent of respondents to our survey said activism will be a major driver of M&A over the next year.

Moreover, 95 percent said that activism has an impact on their M&A strategy—with 46 percent of that group saying it has a significant impact. The figures are similar across regions, with a near majority of respondents from the US (49 percent), Europe (45 percent) and Asia-Pacific (42 percent) saying activism has a significant impact on their M&A strategies. Perhaps surprisingly, respondents who were most likely to say this were from Spain (64 percent), China (59 percent) and Germany (53 percent).

In some of these countries, particularly where family businesses are more common and companies tend to be dominated by controlling shareholders, conventional wisdom has held that activism would have a hard time taking hold. But activists are increasingly targeting companies with controlling shareholders, especially when corporate governance is perceived to be weak.

So why did only 22 percent of respondents select shareholder activism as a top-three choice among nine important drivers of M&A? We think this apparent discrepancy actually highlights the complicated nature of activism’s impact—which in a sense is felt virtually everywhere, even if only a small number of companies are targeted at any given time.

78% say activism will be a major driver of M&A

To what extent do you agree/disagree with the following statement? “Shareholder activism will be a major driver of M&A activity over the next twelve months.”

95% say activism affects their strategy

To what extent do activist investors (actual or potential) impact your M&A strategy?
How big is the iceberg?

Some argue that disproportionate media coverage exaggerates activism’s impact. The press is obsessed with it because it makes for great stories. In fact, only public companies are subject to shareholder activism, only a small number of public companies are overtly targeted and only some of these situations involve M&A.

In a recent report, Lazard, the investment bank, identified 209 public activist campaigns that targeted 187 companies around the world in 2019. That was down from 248 campaigns in 2018 but roughly in line with figures from other years dating back to 2015. Ninety-nine of the campaigns launched in 2019—47 percent of the overall total—were focused on M&A, a record number.

But there were 19,365 M&A deals globally in 2019. Of course, Lazard only reports campaigns that were made public, and the majority

Activism ranks low as driver of M&A

Which of the following do you expect to be the major drivers of deal activity in your region over the next 12 months (rank 1 to 3)?

- A healthy financing environment: 40%
- The need to acquire new technology/IP: 41%
- The need to enter a new market/sector: 42%
- Consolidation within existing markets: 34%
- The need to acquire a new customer base: 33%
- Favorable valuations: 28%
- Increased appetite from foreign acquirers: 22%
- Shareholder activism: 22%
- Divestment of non-core assets: 39%
are not. Lazard’s numbers may represent the tip of the iceberg—we know that a lot of activism is taking place below the surface, out of public view, but no one really knows how much.

In fact, non-activist campaigns may be more common than most people think. The Financial Times recently published a piece about the relative effectiveness of private versus public activism, noting that activists increasingly use the metric “return on time invested” (Roti) when considering which path to take. It seems they often conclude that private campaigns deliver higher Roti.

Yet even assuming that only a small portion of activist campaigns are public, the combined total that involve M&A is still tiny relative to the overall number of deals. And adding strategies such as bumpitrage to the count wouldn’t seem to change it that much.

So what explains the seemingly titanic impact that activism seems to have on M&A strategies and expectations? After all, virtually everyone we surveyed said activism affects their M&A strategy.

It’s in the water
Activism’s greatest impact may be indirect. When talking with boards 20 years ago, the conversation tended to focus on operating the business—maintenance. They didn’t revisit strategy and capital allocation policy very often, and they didn’t regularly communicate their thinking to investors.

That has changed. In particular, boards now talk about strategy almost continuously. They are hyper-focused on questions like: What’s different now? What are the opportunities? How do we think outside the box? What are we missing? It’s no coincidence that these are the kinds of questions activists ask. Boards have a different mindset today, and the change has coincided with the rise of activism.

In part, this is because activists can turn things upside down for companies that aren’t prepared to deal with them. But it also seems that activists have been around long enough to have helped change how companies think in a more generalized way. Many if not most companies, including private companies, may have come along this path to keep up with competitors who have developed an edge through greater vigilance. By affecting a relatively small number of companies, activism may have helped bring virtually all executives to a more proactive, ownership-oriented way of thinking.

If true, this may help explain why 95 percent of our respondents said activism affects their M&A strategy—while only 22 percent said it is a primary driver of M&A. The rise of activism has led companies to bake a type of activist thinking into their strategies—to preempt activists but also just to compete effectively in their markets. If activists actually materialize, companies may present M&A as a way to address their concerns—but they may be likely to see these ideas as coming from the strategic possibilities they had already identified prior to the activists’ arrival.

In this way, though relatively few companies actually grapple with activists, there’s a sense in which virtually all companies are now affected by activism.
Trade and national security policies create pent-up demand for cross-border deals

Cross-border M&A remains a high priority—though trade wars and national security rules change the game for some

By Farhad Jalinous, Guy Potel, Greg Spak and Vivian Tsoi

Appetite for cross-border deals remains high across countries. Seventy-six percent of respondents to our survey said that they expect to carry out at least one cross-border deal in the next year. That figure was the same across Europe, the US and Asia-Pacific—but responses from a few countries stood out, including China (86 percent), Spain (86 percent), Germany (86 percent) and France (84 percent).

And 80 percent of respondents said they expect to carry out more cross-border deals this year compared to last.

The UK ranked number one on the list of targets, with 33 percent of executives saying they’ll be looking to do deals in the UK in 2020—followed by Germany (28 percent), France (24 percent), China (23 percent) and the US (18 percent). Indeed, 50 percent of respondents based in Spain expect to target the UK, as do 43 percent of those based in China.

The value of global cross-border M&A has remained fairly steady since 2014, ranging from a high of US$1.5 trillion in 2015 to a low of US$1.3 trillion in 2017. There’s a sense in which cross-border dealmaking is like an inflated balloon—putting the squeeze in one area doesn’t shrink the overall size, it just sends oxygen to another area.

But as the pundits like to say,
policies have consequences. Data from our survey highlight how trade and national security policies can distort the market in ways that create pent-up demand.

**Economic security**

It can be difficult to assess the impact of trade issues on M&A. Trade wars and agreements can render some potential cross-border investments relatively less attractive, but it can encourage other types of investment, leading some companies to shift focus from one country or region to another. For example, companies may seek to move production from one country to another to capitalize on benefits or avoid penalties following changes in trade policy.

But some companies do defer investment decisions until trade policies become clearer, often in the hope that they will have a better opportunity to invest in a particular country at a later date when circumstances are more advantageous. Brexit seems to be driving this kind of dynamic with regard to UK inbound M&A—which dipped to US$163 billion in 2019, its lowest value since 2014.

Our data suggest that Brexit has created pent-up demand for UK assets, having caused eager buyers to wait and see how the situation develops. Given that our survey closed before the recent UK elections, our data may even underestimate the potential for a rise in inbound activity, at least in the short term—assuming Prime Minister Boris Johnson brings greater clarity about the UK’s path to Brexit. But remember that the rules governing the UK’s future trading relationship with the rest of the world remain unclear. The “transition period,” which will prevail at least through 2020, promises to be filled with the types of ups and downs that are likely to give investors second thoughts.

Effects of the US-China trade war are equally unclear. US-China trade friction doesn’t seem to have created much pent-up demand so far, although it is hard to disentangle the factors that have contributed to the severe decline in cross-border M&A between the two countries in recent years. It’s more likely that pent-up demand between these two countries is due to issues related to national security.

**National security**

The Committee on Foreign Investment in the United States (CFIUS) conducts national security reviews of inbound investments...
into the US—and under the Trump administration, it has significantly ramped up scrutiny of foreign investments into US businesses with a potential link to critical technologies, critical infrastructure or sensitive personnel data, as well as investments in real estate located in close proximity to certain sensitive government installations. Indeed, new regulations implementing the Foreign Investment Risk Review Modernization Act (FIRRMA) went into effect on February 13, 2020.

CFIUS has had a profound effect on Chinese companies that are interested in investing in the US. And it has created tremendous pent-up demand, seriously frustrating Chinese executives. They are increasingly turning to other countries, such as Germany, the Nordics and Japan, in search of tech and other assets, but their appetite for US deals remain very strong.

For a long time, the US was one of the few countries that had a rigorous policy for evaluating foreign investments on national security grounds. Many countries do now, and more will in the future (for details, see our recent report “Foreign direct investment reviews 2019: A global perspective”). Germany and France are leading the way in Europe. Notably, the UK’s policy is relatively light, which may help explain why China ranks the UK so highly as a target for cross-border deals.

But national security concerns can negatively affect any foreign buyer. “We’re a UK company, and we’ve got a long history of getting approvals,” says James Down, General Counsel, Corporate at Smiths Group, a UK-based diversified engineering company. “But we are still at a potential disadvantage in an auction process where a buyer wants speed and certainty and a competing bidder is a US buyer that doesn’t have to get approvals.”

Moreover, some companies may take national security into consideration out of concern about getting on the wrong side of regulators. That could mean thinking twice about pursuing a transaction in China, for example, worrying that doing so could affect how US regulators may treat them in the future.

Grey lines, fuzzy borders
The line between actions taken in the name of trade and national security aren’t always crystal clear. Critics argue that countries sometimes use national security rules to implement protectionist policies, sheltering certain assets that may have no real bearing on national security.

These factors could lead to the potential emergence of “shadow protectionism” (see “The digital revolution could fuel ‘shadow protectionism’”), which could arise from conflicts over different cultural standards that affect how companies and governments use data—and which may relate to concerns about economic, national and personal security.

The UK is a top target
You have answered that you are looking to carry out a cross-border transaction over the next year. Which markets are you looking to target?

<table>
<thead>
<tr>
<th>Market</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>33%</td>
</tr>
<tr>
<td>Germany</td>
<td>28%</td>
</tr>
<tr>
<td>France</td>
<td>24%</td>
</tr>
<tr>
<td>Italy</td>
<td>17%</td>
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<tr>
<td>Spain</td>
<td>17%</td>
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<tr>
<td>US</td>
<td>18%</td>
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<tr>
<td>China</td>
<td>23%</td>
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<tr>
<td>Hong Kong SAR</td>
<td>15%</td>
</tr>
<tr>
<td>Singapore</td>
<td>9%</td>
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<tr>
<td>(please specify)</td>
<td>1%</td>
</tr>
</tbody>
</table>
The digital revolution could fuel “shadow protectionism”

Digital drives deals in every sector, ensuring tech is a primary focus of M&A across the board—even as data challenges multiply

By Lindsey Canning, Arlene Hahn, Erin Hanson and Greg Spak

Some say every deal is a tech deal now. Not quite, but the point is well taken. Respondents to our survey rank “the need to acquire a new technology” as the second most important driver of M&A in 2020, behind “a healthy financing environment.”

Sixty-five percent are looking to acquire or merge to enhance their technology capabilities in the next year. The figure is 76 percent in banking and financial services and 71 percent in pharmaceuticals and healthcare. Nearly 80 percent of non-tech companies expect to spend more than 20 percent of their M&A budgets on acquiring tech.

Companies in every sector are being challenged to digitize and automate their operations—and provide digital and automated services to their customers. This is now true even in sectors such as manufacturing and industrials where digitization has traditionally been less important. And M&A is the fastest way to gain new competencies or technologies.

“Sometimes companies need to recognize that things are just going to take a long time to develop organically, and as a result they need to make an inorganic investment to jump the S-curve,” says James Down, General Counsel, Corporate at Smiths Group, a UK-based diversified engineering company. “Often that is a driver for M&A, whether that involves outright acquisitions or minority investments with a path to control, and digital solutions are increasingly at the heart of those decisions.”
In financial services, digitization is driven by the transition to 5G and the rise of app-based banking (including the inexorable trend toward cashless and cardless payments—which is already ubiquitous in parts of Asia). AI and machine learning are increasingly important, too. But cultural differences between banks and nimble tech companies can make M&A difficult.

In pharma and healthcare, companies now have sufficient tech in place and data on hand to enable true predictive and prescriptive healthcare. The trends toward digital health records and wearables continue unabated. And in some situations, AI can help to make computers better at diagnosis than doctors. “Telehealth and telemedicine are areas of focus, but they are very driven by regulation,” says a senior executive at a large US healthcare company. “If there’s regulatory change that clarifies the payment structure for those services—particularly if the government starts paying for it—it will be a huge growth sector.”

Nearly 80% of non-tech companies will spend more than 20% of their M&A budget on tech

Over the next three years, what percentage of your M&A investments do you predict to be targeting technology businesses?

Data is at the center of the digital revolution. But the rules about what’s acceptable when it comes to data use in the digital era are just beginning to take shape. This presents serious challenges for every company, particularly those that deal with personal data. “You’re either dealing with employee data, or customer data, or end-user data, sometimes even business data, and you want to make sure that you fully understand any compliance requirements that you’re acquiring,” says Kelby Barton, General Counsel of Avast, the Czech
cybersecurity software company. And some of the biggest fault lines trace international and cultural boundaries.

**Digital standards and shadow protectionism**

Different cultures have different norms about data use, particularly when it comes to privacy. Expectations about privacy in Europe, for example, may differ dramatically from expectations in Asia—and that is reflected in how companies and governments collect and use data, and how data use is regulated.

Added to this is the concern in some countries that data flows could be harmful to their societies by facilitating trade in goods or services that the respective governments wish to control.

There’s an impulse to manage these types of cross-cultural differences by trying to keep data within national or regional borders. Such developments could contribute to the emergence of parallel digital universes around the globe, with the US and China representing two of the most prominent models for how different ecosystems could evolve.

“I don’t think the pendulum is going to swing the other way on data privacy and protection,” says Barton. “It’s going to keep going in the direction it’s going. As it relates particularly to China and the US, I don’t know how that will resolve itself.”

The trend could lead to something like “shadow protectionism”, whereby economic activities are effectively limited to certain spheres depending on the participants’ political and cultural commitments. One could imagine Western and Eastern spheres that were limited in their abilities to communicate or transact with one another.

Ideally, international standards would eventually be established to harmonize laws about data use across countries and cultures, facilitating cross-border communications and transactions. In the 19th century, the Berne Convention established international standards for copyright that still serve the world well today. But countries were not nearly as different in their approaches to copyright prior to the Berne Convention as they may be regarding data use today.

Modern trade agreements have recently begun to commit signatories to a relatively free flow of data across borders and prohibit data localization requirements. But there are only a few agreements that contain commitments of this sort—and, as always, exceptions apply, including those related to national security.

This could become a major factor in how technology ecosystems and markets develop in the future—one that could have tremendous implications for M&A, not to mention geopolitics and the global economy.

"The trend could lead to something like shadow protectionism, whereby economic activities are effectively limited to certain spheres depending on the participants’ political and cultural commitments"
Global

John Reiss
Partner, New York
T +1 212 819 8247
E jreiss@whitecase.com

EMEA

Thierry Bosly
Partner, Brussels
T +32 2 239 25 09
E tbosly@whitecase.com

Darragh Byrne
Partner, Frankfurt
T +49 69 29994 1433
E darragh.byrne@whitecase.com

Alexandre Ippolito
Partner, Paris
T +33 1 55 04 15 68
E aippolito@whitecase.com

Patrick Sarch
Partner, London
T +44 20 7532 2286
E patrick.sarch@whitecase.com

Caroline Sherrell
Partner, London
T +44 20 7532 2195
E caroline.sherrell@whitecase.com

Allan Taylor
Partner, London
T +44 20 7532 2126
E ataylor@whitecase.com

Americas

Chang-Do Gong
Partner, New York
T +1 212 819 7808
E cgong@whitecase.com

Gregory Pryor
Partner, New York
T +1 212 819 8389
E gpryor@whitecase.com

Michelle Rutta
Partner, New York
T +1 212 819 7864
E mrutta@whitecase.com

Asia-Pacific

Baldwin Cheng
Partner, Hong Kong SAR
T +852 2822 0405
E bcheng@whitecase.com

Vivian Tsoi
Partner, Shanghai
T +86 21 6132 5930
E vtsoi@whitecase.com

Daniel Yeh
Partner, Hong Kong SAR
T +852 2822 8786
E daniel-yeh@whitecase.com

Tools for dealmakers

M&A Explorer is a platform that combines an interactive tool with a regular flow of short articles from White & Case partners. The tool enables users to create charts to explore trends in M&A in every country and sector, drawing on more than a decade of data from Mergermarket.

mergers.whitecase.com

CFIUS FIRRMA Tool

Our CFIUS FIRRMA Tool takes users through a step-by-step analysis to help them determine whether a contemplated transaction could be subject to CFIUS’s jurisdiction under the new Foreign Investment Risk Review Modernization Act (FIRRMA), which went into effect in February 2020, and if mandatory filing requirements would apply.

whitecase.com/cfius-firrma-tool

Debt Explorer

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China's rise in global M&A: here to stay
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