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HD **Coal crackdown has Chinese hunting gas**

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Beijing's move to close coal-fired power plants with high levels of pollution and to restrict coal use has led to an increased Chinese appetite for Australian gas assets, according to Helman Sitohang, head of the investment bank for Credit Suisse Asia Pacific.

In an interview with The Australian Financial Review, Mr Sitohang said Chinese investors will continue to have a strong interest in buying Australian iron ore and coal assets, "but at the same time, there is also a definite interest in clean energy, such as gas assets".

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He added that China's move to restrict coal burning in an effort to reduce pollution was weighing on coal prices, and had whetted Chinese interest in gas. "They are clearly interested in acquiring Australian gas assets, although they're going to try and be smart and not buy at the peak", he said.

Mr Sitohang said activity in Asia's capital markets had picked up noticeably this year,and predicted that this pace was likely to be maintained next year. "The $US25 billion [$29 billion] Alibaba IPO is a classic example of the huge-scale deals that are coming out of Asia," he said.

Activity had also been boosted by Beijing's decision to loosen the approval requirements for Chinese foreign investment. "We're now seeing that sub-$US1 billion activity is clearly picking up, and that's a positive."

According to Dealogic, Asia Pacific (ex Japan) M&A volume jumped 36 per cent year on year to $US469.3 billion in the first nine months of 2014, the highest volume in the first nine months on record. China's outbound M&A hit a nine-month record of $US55.4 billion, with Chinese buyers focusing on buying companies in the technology, mining and finance industries.

According to Mr Sitohang, China's acquisitions were in some way reminiscent of Japan's buying spree in the 1980s and '90s.

But, he added: "China is doing smart acquisitions, buying strategic assets. For instance, we've just seen a Chinese company spend $US1.95 billion to buy the Waldorf Astoria in Manhattan."

He said that although Chinese buyers were keen to invest in other South- East Asian countries, there were some constraints on what they could buy.

"For example, in Vietnam, most of the companies are state-owned. In the other countries such as Indonesia, Thailand and the Philippines, a lot of the assets are still owned by first or second generation owners, who are not interested in selling.

"But there is still a lot of opportunity when it comes to joint ventures and direct capital investment."

Mr Sitohang said there was significant potential for Australian companies to expand their sales in the fast-growing South-East Asian region, which boasts a population of more than 600 million people.

"There's a huge market for exports such as **dairy** products, as well as building materials because of the large amount of infrastructure being built in countries like Indonesia, Vietnam, the Philippines and even Thailand," he said. "I know that for some global players, these markets are becoming most profitable markets to operate in."

In addition, he said, there is a "huge opportunity" for Australian companies to sell services, such as life insurance, health care and education.

"In a country like Indonesia, which has around 270 **million** people, or 10 times the population of Australia, total pension fund assets are around 10-15 per cent the size of Australia's superannuation system."

He also singled out tourism as a major potential export. "You have a well-established infrastructure, and a nice climate. And there's also connectivity – you have on your doorstep three **billion** people who are only eight hours away from any point within Australia."

The fall in the dollar, he said, meant that Australia was now becoming competitive again when it came to providing tertiary education.

Mr Sitohang said the lower dollar was also likely to **lead** to some pick-up in foreign investment.

"The currency is clearly a factor. When the Australian dollar was trading at $US1 and above, everyone was talking about how expensive Australia was. Now that it's fallen, it's a much more interesting entry point."

However, he added: "Companies that are planning an **acquisition** or expansion take a longer view, and have to assume that in future the currency will strengthen again.

"But I think you have great advantage of political stability which is important."

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