Lawmaker says monopolistic M&As threaten China's economic security

2008-03-11 00:06:33 [Big Normal Small]   Comment

Special Report: NPC, CPPCC Annual Sessions 2008

BEIJING, March 10 (Xinhua) — A deputy to the 11th National People's Congress is calling for an economic security law to prevent ill-disposed, monopolistic merging and acquisition (M&A) by transnational corporations from threatening the Chinese economy.

"It's high time to heed this issue concerning China's sovereignty, future and economic security," said Zhou Xiaoguang, president of Neoglory (China) Holding Group based in the eastern Zhejiang Province.

While 80 percent of China's large-scale supermarkets have been merged or acquired by foreign companies, she said leading manufacturers of machinery and household electric appliances have become targets of transnational corporations in the new round of M&As.

"In the manufacturing sector, for example, nearly all the leading players are foreign-funded companies," said Zhou. "Chinese players are increasingly losing their competitive edge."

In one of the latest M&A case, France's Groupe SEB became the controlling shareholder of China's leading cookware maker Supor in December by acquiring 52.74 percent of its shares for 327 million euros.

Su Xianze, Supor's founder, holds a 36-percent share after the deal, but the shares in circulation were reduced to 11 percent, compared with the minimum requirement of 25 percent for listed companies in China, arousing concerns that Supor may be forced out of the stock market.

"On the other hand, transnational accounting and auditing firms including Deloitte, KPMG, Ernst & Young and Price WaterHouse-Coopers have nearly monopolized the auditing of all the overseas-listed Chinese companies, mostly leading players in energy, finance and other key sectors," said Zhou.

It's groundless for China, a member of the World Trade Organization, to impose restrictions on M&As by transnational corporations, but it must resolutely stop ill-disposed and monopolistic merging plans, she said. "Many developed countries in the world have laws and regulations to that effect."

Last year, the United States passed the Foreign Investment and National Security Act of 2007 (FINSA), which increases the power of the American President to block a foreign acquisition on national security grounds, said Han Fangming, a member of the 11thNational Committee of the Chinese People's Political Consultative Conference, the top political advisory body.

Han, an investment banker, said it is necessary to set up an independent committee to standardize M&A procedures and block monopolistic acquisition.

"The committee, consisting specialists, scholars and other professionals from the industry, will also work to ensure only reasonable and constructive overseas investment projects are approved," he said.

Last August, China's legislators passed the nation's first anti-monopoly law, which requires national security checks for foreign companies seeking to merge with or take over Chinese enterprises.

Three months later, the country's planning agency, the National Development and Reform Commission, again identified sectors as restricted or off-limits to foreign capital, including "important and non-renewable" mineral resources and "strategic and sensitive" Industries relating to the national economic security.

Chinese lawmakers are also considering a law to prevent state-owned assets from being sold too cheaply.

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