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### **GREETINGS...**

Happy Holidays to all of our clients, associates and friends in the US, China and Asia. Currently, countries across the world are facing economic challenges. We hope that the globalized world comes together to solve many of the challenges that we face. In time, we hope that things improve and lead to a lasting prosperity. We want to wish everyone a very happy holiday season and new year. A time to count our blessings and feel gratitude for what we have. Best holiday wishes to all.

Sincerely,  
Aaron Schechter and Frances Chou

### **HOT TOPICS...**

#### **Recent Trade Figures Released by China...**

In December, China released trade figures showing that exports had fallen by 2.2% in November, compared to a year earlier, and represented the first decline in over 7 years. The figure marks a major shift from the 19.2% gain in October and an almost 26% rise in full year 2007. Additionally, imports dropped even further, showing a 17.9% drop in November from a year earlier. The steep drop in imports signals weakness in domestic consumption as well as in falling demand for



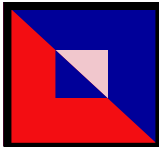
components used in manufacturing. The above figures indicate that China's economy has slowed much more quickly than anyone had expected. The World Bank and other forecasters expect China's GDP to grow by 7.5% in 2009, which would be welcomed growth by most countries, however, it is below the 8% growth level that is regarded as essential in order to provide jobs for the 7 million or so new members to China's workforce each year and to avoid huge social dislocation.

#### **Stimulus Package Announced by China...**

In November, China's leaders announced a 4 trillion RMB (US \$586 billion) dollar economic stimulus package. For the 4<sup>th</sup> quarter 2008, the Chinese government plans to spend about 100 billion RMB (US \$14.7 billion) in central-government spending and another 20 billion RMB (US \$ 2.9 billion) in disaster-reconstruction funds brought forward. About one-third of the economic stimulus funds will go to rural areas, one-quarter to building transportation infrastructure and most of the rest to public housing, environmental projects and health and social services. Some economists estimate that with the increased spending stimulus, China will have a budget deficit equivalent to 2.6% of its GDP in year 2009, which will help keep the economy growing, and offset the recent deterioration in the outlook for external and domestic private demand. Critics of the plan say that the Chinese overall economy needs more resilience-enhancing liberalization, rather than more government intervention; and that China would be better served by opening its doors wide to foreign investment in key sectors such as banking and finance, or allowing a freer flow of people, capital and goods across its borders.

#### **The Recent Depreciation of China's Currency — RMB...**

In early December, there was an unusually sharp fall in the value of RMB against the dollar, which fed speculation that the Chinese government was reversing its path of currency appreciation. Prior to this December, RMB rose by more than 20% since it was de-pegged from the dollar in 2005. Some speculated that the reason for any reversal and currency devaluation would be to help support the growth of Chinese exports, which have slowed this year, and represent 40% of China's GDP. However, experts believe that such a reversal and devaluation of its currency is highly unlikely for several reasons. First, it would work against the Chinese government's efforts to increase domestic consumption. Second, it would cause trade friction with the US and other western trading partners. Lastly, it could also lead to a reversal of the estimated more than US \$150 billion in "hot money" that has flowed into China during the first half of 2008 — "hot money" that could reverse course and flow out of the country at a quick rate, which would be problematic for Chinese banks and asset prices. For further discussions on the "hot money" flowing into China, see our August 5, 2008, newsletter at: <http://www.splusc.com/Newsletter080508.pdf>.



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### **LEARN THE ROPES...**

On October 23-25, 2008, the USC Marshall School of Business hosted the Pacific Rim Entrepreneur Summit in Shanghai. The Summit was organized in partnership with the entrepreneur programs of leading Pacific Rim business schools, including: Stanford, Chicago, Northwestern, Maryland, Cornell, Colorado, Virginia, Sydney, Malaya, Nanjing, Zhezang, Jiao Tong, National Taiwan University, National University of Singapore, and the Cheung Kong Graduate School of Business. In all, over 200 international entrepreneurs and business leaders met to share knowledge and develop networks, with the goal of creating highly-profitable business partnerships in the Pacific Rim. Among the Summit participants included Ronnie Chan, chairman of Hang Lung Group, Ltd., Dr. Min Zhu, group executive vice president of Bank of China, and Dr. Charles Zhang, founder and CEO of Sohu.com. Schechter + Chou was proud to have served on the planning committee, and as panelist and moderator, for this exciting event.

On November 13, 2008, Frances Chou was an instructor at the "Legal Do's and Don'ts" course for the California Center for International Trade Development (CITD) and San Bernardino County, Department of Economic Affairs.

### **LEGALLY SPEAKING...**

The following is provided by Y.F. Chou, Prof. Corp. For questions, please contact [info@yfchou.com](mailto:info@yfchou.com).

#### **First Look into China's Merger Review Process Under the New Anti-Monopoly Law...**

Since China's new Anti-Monopoly Law ("AML") became effective on August 1, 2008, China Ministry of Commerce ("MOFCOM") issued its Announcement No. 95 ("Announcement No. 95") on November 19, 2008, concerning MOFCOM's conditional approval on the acquisition of Anheuser-Busch Companies Inc., ("AB") by InBev N.V./S.A. ("InBev"). This is the first official announcement by MOFCOM concerning its decision on a notification filed under AML. For further discussions on the new Anti-Monopoly Law, please see our September 6, 2007, and May 6, 2008, newsletters at: <http://www.splusc.com/Newsletter090607.pdf> and <http://www.splusc.com/Newsletter050608.pdf>. This Announcement and an "Anti-Monopoly Review Q&A" (the "subject Q&A") published shortly thereafter provide a welcome insight into MOFCOM's policies and practices in its review process under AML for such mergers.

The subject approval is subject upon several conditions, including (1) not to increase AB's existing 27% share in Tsingtao Brewery Co., Ltd.; (2) to report to MOFCOM any change in its controlling shareholders or the shareholders of the controlling shareholders; (3) not to increase InBev's existing 28.56% share in the Zhujiang Brewery Co., Ltd.; and (4) not to seek to acquire stakes in China Resources Snow Brewery (China) Co., Inc. or Beijing Yanjing Brewery Co., Ltd. All the names of the breweries mentioned in the conditions are local competitors in China.

Announcement No. 95 does not have any detailed analysis of antitrust issues presented by the merger. However, together with the subject Q&A, it seems to indicate that, first, the companies involved in such mergers must provide extensive information with their merger notification filings and should consult with MOFCOM as early as practical with regard to information to be included in such filings, because the standard for "completeness" of information seems to be highly subjective and determined solely in MOFCOM's discretion. Second, MOFCOM will use the merger review process to provide substantive views, and to impose prior approval limitations, on future acquisition activity by the merger parties. Before issuing Announcement No. 95, MOFCOM consulted a number of relevant parties, such as relevant government agencies, beer trade associations, domestic beer and raw material producers and domestic beer distributors in order to formulate the conditions imposed on future acquisitions by InBev. Such prior approval limitations on future acquisitions were frequently used by the US Federal Trade Commission until 1995.

Currently, there are still other notification filings pending before MOFCOM. Even though Announcement No. 95 and the subject Q&A provide some guidance, formal regulations are still needed, so that the review procedures for such mergers will be more consistent and systematic.

2

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