



# SETTING UP BUSINESS IN CHINA

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HB

# CHINA WARNINGS

## 01.

China's government does not like you. No really, they don't.



# CHINA WARNINGS

## 02.

Your Chinese counterparties do not like you. No really, they don't.



# CHINA WARNINGS

03.

Your China employees are not China law experts. No really, they aren't.



# CHINA WARNINGS

04.

Owe money to China (maybe). Don't go there.



# CHINA WARNINGS

05.

China Law: what's written may not be real life.



# CHINA WARNINGS

06.

And yet, the laws apply to foreigners. Hard. See Canada.



# CHINA WARNINGS

07.

What's civil here may be criminal there.





# CHINA WARNINGS

08.

Your data is the Chinese Government's data. No really.



# CHINA WARNINGS

09.

Houston Rockets. Groveling backlash?



# THE KEY

**Minimize Your Footprint!**



# MAIN OPTIONS FOR CHINA

WFOE

JOINT VENTURE

CONTRACT

# WFOEs



Is it even legal?

--

Is it even necessary?

# WFOE PROS AND CONS

Pro: No Partner

Con: No Partner

Expensive and  
difficult to form  
AND to operate

May not be legal

# JOINT VENTURES



Is it even legal?

--

Is it even necessary?

# JOINT VENTURE PROS

Cost and risk sharing.

Quick and sometimes cheap  
access to facilities/contacts/skills.



# JOINT VENTURE CONS

Their Field and Their Rules

Same Bed, Different Dreams

What can you do for me TODAY?

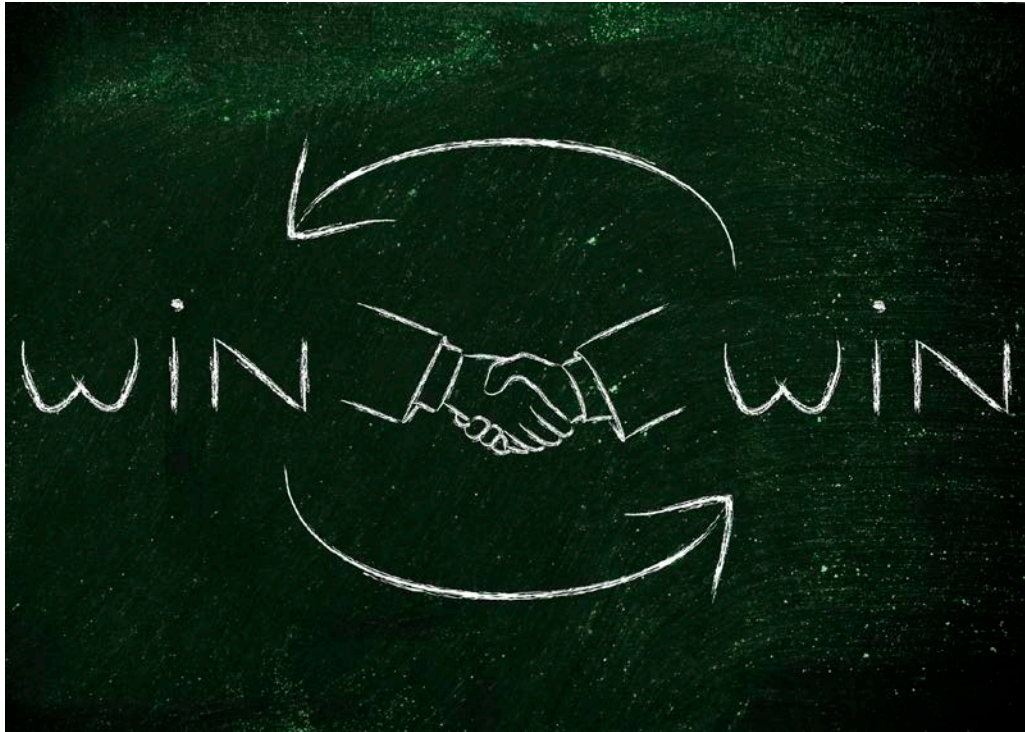
Meet your future competitor

# JV ISSUES

Control

Intellectual Property

Assets—Check Them



# JOINT VENTURES

Control is always critical, yet nearly always illusory.

# REPRESENTATIVE OFFICE

No employees

No money

Taxes

# CONTRACTS

Lowest Risk. By Far.

Lowest Reward. Really?



# WHY BOTHER WITH A CONTRACT?



Clarity



Enforcement



Prevention

# WHY BOTHER WITH A CONTRACT?

*What about corruption?*



# THE GOOD CONTRACT: GUIDELINES

In writing

One language

Excruciating detail

Sealed



# THE GOOD CONTRACT

THINK...



LIQUIDATED DAMAGES



DISPUTE RESOLUTION

# LITIGATING OUTSIDE CHINA

Chinese courts are NOT obligated to  
enforce U.S. judgments...

*and they don't.*



# LITIGATING OUTSIDE CHINA (2)



Chinese courts ARE obligated to enforce Spanish judgments...

*and they don't.*

# LITIGATING IN CHINA

China jurisdiction

China law

Chinese language

# LICENSING AGREEMENTS

Upfront/royalties

–

Register with the proper  
government agency



# DISTRIBUTION AGREEMENTS

Similar to the U.S.

–

Make sure you can terminate  
for bad performance



*Be careful out there.*





THANK YOU!



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