



Women's Business Center of California
El Centro de Mujeres Empresarias de California
Supporting the Successful Growth of Entrepreneurs
Apoyando el Crecimiento Exitoso de Empresarios

How does one set up a joint venture?

There are many persons interested in a China connection either purchasing goods or establishing an enterprise in China. The steps needed to open a business are clear and well documented.

Each proposal is analyzed and approved on a project-by-project basis before it is registered. Rules for the establishment of Chinese-foreign equity joint ventures and Chinese-foreign contractual joint ventures require:

A proposal must first be submitted and approved in writing; followed by a feasibility report to the planning department or technological renovation administration. Approval is needed before investors can sign legal documents, such as the contract and articles of corporation of the enterprise.

Once signed, these documents are submitted to the examination and ratification department, for issuance of the Approval Certificate for Enterprises with Foreign Investment after approval by the Ministry of Foreign Trade and Economic Cooperation. Investors can proceed with the registration formalities by presenting the Approval Certificate.

Investments of less than US \$30 million in areas encouraged by the state can be examined and approved by provinces, municipalities, autonomous regions and cities listed as independent units in state plans. Many of these political entities have established foreign investment service centers, which offer foreign investors with a one-stop service, ranging from legal consultation to procurement of project approval.

There are also many experts ready to provide consulting services. Larger investments need the approval of the State Development Planning Commission or the State Economic and Trade Commission, while the contract and articles of corporation shall be examined and approved by the Ministry of Foreign Trade and Economic Cooperation.

Initially investments required joint venture by a majority Chinese investment. That has changed, and many international companies have chosen to be sole owners. Most of these endeavors are million or multi-million dollar affairs.

While China has attracted many companies to establish themselves here already, most small and medium enterprises would probably depend on existing companies. However, there are also many investment opportunities.

The many laws also propose to guarantee the independent operation rights of foreign-funded enterprises and to protect the legitimate rights and interest of both domestic and overseas investors. (There are many website with information on the rules.)



Salome Hernandez is currently living in Shanghai and hopes to be able to answer some of the questions the members of the Women's Business Center might have on doing business in China or business with China.

See WBCC China Connection in the MicroBizBeat Archives section to learn more about Salome



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CHINA BASICS

China the Oriental Jewel: For many China is the mysterious oriental beauty calling to many westerners with the possibility of a market of more than a billion potential buyers for their products; or a candy store where you can purchase any sweet thing you want.

It is the most populous nation in the world, a huge potential market, the globe's largest producer, and a major trading partner for the U.S. (with the positive and negative aspects).

Is China the Answer?: As there are people talking about a recession and the need to tighten the belt, it is perhaps at this time that some businesses find it more essential to look to China. Going straight to the factory for wholesale orders could mean savings.

Entrepreneurs realize that they can buy a product more cheaply, thus saving their budget. They can then sell more cheaply and become more competitive and have the ability to pass savings along to the customer. Or, they can make a larger profit. There are various ways of going about this.

But we must always remember what our mother told us, protect your investment; practice safe business, don't do anything I wouldn't do.

Big Internationals Already In: Major companies did not waste time entering the China market in the hope of capturing a foothold for their goods or to acquire Chinese products for export to the U.S. and other countries. Direct foreign investment in China grew by leaps and bounds over the last three decades, although it dropped slightly in 2006 to about \$69.5 billion.

Other large U.S. companies went in early to look for the products they wanted. Some moved their production operations to China. The larger companies have full staffs including the CEOs, lawyers, HR officers, and many others. Smaller companies could do with help to manage their needs. There are more and more Chinese that speak English so it has become easier.

China Legal Reaction: In 1979 China responded to this economic activity with legislation. The Chinese congress made an attempt to legislate foreign investors with The Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures. Soon there were other laws covering Chinese-Foreign Contractual Joint Ventures, and Wholly Foreign-Owned Enterprises.

Modifications and new laws continue to be made governing the establishment, operation, termination and liquidation of foreign-invested enterprises. In 2000 entrance into the WTO required further revisions to make the regulations conform to international rules and other changes, including abolishment of obsolete laws and regulations, and will gradually revise the laws and regulations that are incompatible with the rules of the WTO. In 2001 the Chinese-Foreign Equity Joint Ventures received significant revision.