

provided that the chairman of a board of directors could be nominated by the foreign partner, whereas previously the chairman could only be nominated by the Chinese partner.

Major issues that must be addressed by a Canadian company considering a joint venture are numerous. First and foremost is the selection of a suitable Chinese partner. The Chinese partner can play a vital role in obtaining raw material supplies, arranging labour and dealing with local government agencies. The parties must trust each other and have a common view of the goals of the joint venture. A foreign company wishing to start a joint venture may apply for assistance in finding a partner to the Ministry for Foreign Trade and Economic Cooperation (MOFTEC), the China International Trust and Investment Corporation (CITIC), or their provincial counterparts, or enter into discussions with a Chinese entity with whom it has had previous business dealings.

A foreign company wishing to establish a joint venture with the primary aim of selling in the Chinese market for Renminbi rather than exporting for foreign exchange must determine how it will repatriate profits. Depending upon the location of the joint venture, the availability of raw materials can be an issue, and skilled labour may be in short supply. Joint venture labour rates are invariably higher than those paid by local companies, and foreign companies may discover unexpected obligations for social welfare, such as clinics and schools. It is important to have the right to hire and fire workers. Otherwise, the joint venture may be subject to the whims of local state-controlled labour unions, whose role is highly ambiguous under current joint venture regulations. Realistic assessments must be made of the Chinese contribution, including the value of land rights or the suitability of an offered factory building, especially where no market comparisons are available. Factors external to the control of the Chinese partner, such as the supply of electricity, or availability of a port with capacity to move cargo, may also determine the success of a joint venture.