not have the benefit of the capital contributions and local influence, knowledge and contacts of a strong Chinese partner; on the other hand, he or she will have free control of the business (subject to government regulation) and will enjoy all of the profits of the enterprise.

Joint Ventures

Joint ventures, under Chinese regulations, fall into two categories: equity joint ventures, and cooperative joint ventures. Equity joint ventures are governed by the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment," which was promulgated in 1979 and amended in 1990, and by implementing regulations issued thereunder. Equity joint ventures are established as limited liability companies, with profit distributions determined in proportion to the equity contributions of the various parties. The foreign partners commonly provide equipment, technology, parts and training, while the Chinese side often supplies land-use rights and factories. Either or both sides may provide cash. Equity joint ventures are managed by their boards of directors, which is made up of representatives from each investor, usually in proportion to their relative contributions of capital.

Cooperative joint ventures are governed by the "Law of the People's Republic of China on Chinese—Foreign Contractual Joint Ventures" of 1988. For certain cases, liability may be unlimited for the partners involved. The foreign partner may be paid in cash, product or raw material, and profit share is based upon a formula mutually agreed upon by both parties, not necessarily in proportion to the amount of capital invested.

Both types of joint ventures are usually established for a set duration which may be as long as 50 years, and certain ventures may be eligible for open-ended terms. This was made possible by amendments passed in 1990 in response to foreign criticisms. These amendments included provisions intended to reassure foreign investors that their property will not be nationalized. They also