GLOBAL PROBLEM SOLVING
from COVINGTON

CASE STUDY

Addressing Possible Misconduct by a Local Joint Venture Partner in Securing Chinese Government Approvals for a Major Project

Overview

Foreign investors in China are often unaware of interactions their local joint venture partners have with regulators, creating potential compliance challenges and reporting obligations under both Chinese and foreign law. We helped a foreign company facing such a scenario, navigating the intricate government and legal landscape.

Problem

- A foreign company became aware of possible misrepresentations made by its Chinese joint venture partner, a major State-owned enterprise, in securing relevant central and local government approvals for a major industrial project that was now built and in operation.

Covington Team

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As a former Assistant U.S. Trade Representative, Mr. Stratford is the most senior former U.S. trade official working as a member of the U.S. business community in China and has been active in the country for more than three decades.

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Having lived in China for more than a dozen years, Mr. Carlson has deep experience leading highly sensitive anti-corruption/FCPA investigations in China and other jurisdictions in Asia, including investigations presenting complex legal, political, and reputational risks.

Strategy

- We worked in consultation with a Chinese law firm to map out the complex central and local government approval requirements for the specific type of project, and assessed whether representations made by the local joint venture partner were materially misleading at the time made and at the present time in light of subsequent changes in project parameters and approval requirements.
- We helped the client determine whether applicable laws and the company's own policies required that the previous actions of the partner required reporting to government authorities or other remedial action.

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Results

- The company was able to resolve satisfactorily all outstanding questions without disrupting its relationships with the Chinese government and its local joint venture partner.