

China Insights

A PUBLICATION OF BENESCH FRIEDLANDER COPLAN & ARONOFF LLP

Welcome to our new *China Insights*!

Well, it is actually only the “look” that is new. We have not changed our goal of providing you with insight into the latest China-related legal, governmental, and business issues.

As our *China Insights* newsletter enters its third year of publication, we hope you agree that it is more helpful than ever. As always, we welcome your feedback and suggestions for topics you think we should cover. We hope you enjoy this issue and look forward to future issues.



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2005 Report on China's WTO Compliance

Introduction

This issue of *China Insights* marks our third annual review and summary of the Report to Congress on China's World Trade Organization (“WTO”) Compliance by the United States Trade Representative (the “USTR”). The 2005 report (the “Report”) is the fourth such report since China's accession to the WTO on December 11, 2001, and, as was the case with its predecessor reports, it notes the achievements made by China in implementing its WTO commitments as well as underscores certain failures of China's implementation efforts and reports on areas of trade concerns raised by U.S. stakeholders that merit attention within the WTO context.

When it joined the WTO, China agreed, in general, to reduce import tariffs, eliminate state subsidies for farmers and state-owned farms, drop many restrictions on foreign investment, and abide by WTO standards for protection of intellectual property. In 2005, expectations for significant WTO implementation progress by China were high, given the success of the U.S.-China Joint Commission on Commerce and Trade meeting held in 2004. While significant progress has been achieved, old problems like ineffective

enforcement of intellectual property rights (“IPR”) persist and new problems in areas like distribution services have emerged.

Whenever the 2005 Report's own language concisely and clearly describes a particular point, we borrowed from that language directly. In other instances, we paraphrased the 2005 Report. Space limitations preclude us from covering all sections of the Report. In the following articles, our China

While significant progress has been achieved, old problems...persist and new problems...have emerged.

Group attorneys cover trade and distribution, IPR, finance and banking, and China's legal environment.

The interests and activities in China of our clients and friends continue to expand, as do the scope, depth and interdependency of their U.S.-China trade and business relationships. Our own China practice is keeping pace. It is with this in mind that we, along with you, observe with great interest this annual December 11 “report card” on China's commercial behavior.

For more information, contact Allan Goldner at agoldner@bfca.com or 216.363.4623 or Peter Shelton at pshelton@bfca.com or 216.363.4169.

Commercial Trading Practices

Trading Rights and Distribution Services

Trading Rights. Trading rights refer to the right to freely import goods into China and the right to export goods from China without having to use an intermediary. By mid-2004, China implemented its commitment to substantially liberalize trading rights and current law allows domestic and foreign entities and individuals to register for automatic trading rights. U.S. companies have reported few problems with the new trading rights registration process, however, China has not yet implemented its trading rights commitment as it relates to the importation of books, newspapers, magazines, or pharmaceuticals. The U.S. continues to press China on these areas of noncompliance.

Distribution Services. China committed to eliminate national treatment (i.e., affording less favorable treatment to foreign companies than is afforded to domestic companies) and market access restriction on foreign enterprises providing distribution services through a local presence by December 11, 2004. In April 2004, China issued regulations to implement this commitment. Although China's Ministry of Commerce ("MOFCOM") has been slow to implement distribution-related regulation, during 2005 it took a number of positive steps and made China's distribution licensing and approval process more workable for foreign businesses. For example, in September 2005, MOFCOM issued guidelines which clarify many aspects of the application and approval process. However, uncertainty remains, in part because the regulations and guidelines allow local approving authorities to withhold wholesale and retail distribution license approvals when, as is

the case in most cities, urban commercial network plans have not been formulated. For additional information on this subject, please refer to the March-April 2004 and July-August 2005 issues of *China Insights*.

In addition, while China committed to lift market access and national treatment restrictions in the area of sales away from a fixed location, i.e., direct selling, by December 11, 2004, the September 2005 MOFCOM guidelines contain several problematic provisions. For example, one provision would prohibit practices that are widely accepted in other WTO

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member countries by refusing to allow direct selling enterprises to pay compensation based on team sales, where upstream personnel are compensated based on

downstream sales. The U.S. has pointed out that China should revise this provision to permit team-based compensation.

Import Regulation

Tariffs. The 2005 tariff schedule reductions implemented by China increased market access for U.S. exports in a range of industries such as motor vehicle parts, large appliances, furniture, and chemicals. Such market access rose approximately 17 percent from January through September 2005, when compared to the same period in 2004.

China continues to eliminate tariffs on computers, semiconductors, and other information technology products. U.S. exports of such goods were projected to exceed \$5 billion by the end of 2005. China also continued the timely implementation of its WTO chemical tariff harmonization commitments. U.S. chemical exports increased by 36 percent from January through September 2005, with a projected year-end total exceeding \$5.8 billion.

Customs and Trade Administration. In January 2002, China issued regulations designed to standardize the methodology of customs valuation. Subsequently, China issued related rules that became effective in July 2003 and were intended to clarify the January 2002 measures. China has not, however, implemented these regulations and rules uniformly. U.S. exporters continue to encounter valuation problems at many ports. For example, the 2002 regulations provide that imported goods should be valued on the basis of their transaction price, i.e., the price the importer actually paid. However, customs officials are still improperly using "reference pricing," which usually results in a higher dutiable value. Furthermore, officials are still automatically adding royalties and license fees to the dutiable value of software, a practice that conflicts with the 2002 regulations.

Rules of Origin. Without circulating a draft for public comment, China issued regulations intended to bring its rules of origin into conformity with WTO rules for import and export purposes in September 2004. The regulations took effect on January 1, 2005, however, necessary implementing rules are still being drafted.

Import Licensing. China committed not to condition the issuance of import licenses on performance requirements of any kind, such as local content, export performance, offsets, technology transfer or research and development, or on whether competing domestic suppliers exist. Despite its commitment, in May 2005, the Chinese government began imposing new import licensing procedures for iron ore without prior WTO negotiation. China has restricted licenses to 48 traders and 70 steel producers and has not disclosed the qualifying criteria used. The U.S. continues to urge China to provide greater clarity regarding the operation of its import licensing procedures.

Non-Tariff Measures (“NTMs”). China has committed to eliminate numerous NTMs, including import quotas, licenses, and tendering requirements covering hundreds of products. China has adhered to the agreed schedule for the elimination of all of its import quotas as well as all of its other NTMs and, in some cases, it eliminated its NTMs ahead of schedule. However, because of lack of transparency, China’s import quotas system was beset with problems, the biggest of which relates to the auto import quota systems, resulting at times in significant disruption of wholesale and retail operations for imported automobiles.

Tariff-Rate Quotas (“TRQs”) on Industrial Products. China agreed to implement a system of TRQs designed to provide significant market access for three industrial products, including fertilizer, a major U.S. export. Under the TRQ system, a set quantity of imports is allowed at a low tariff rate, while imports above that level are subject to a higher tariff rate. In 2005, MOFCOM’s administration of the fertilizer TRQ system had not noticeably improved. The USTR continues to monitor China’s compliance with its commitment to administer its TRQ system in a transparent and fair manner.

Antidumping (“AD”) and Countervailing Duties. Since its accession to the WTO, China has become a leading user of AD measures, with a total of 69 AD measures covering 19 countries currently in place and 38 new AD investigations in progress. According to U.S. antidumping experts, the greatest shortcomings to date in China’s antidumping practices relate to transparency and fair procedures. Lack of disclosure and information severely impairs the ability of U.S. companies to mount an effective defense against China’s antidumping investigations. Though there is guidance concerning judicial review of administrative agency decisions affecting international trade, including those in the AD area, no parties in an antidumping

investigation have sought judicial review and, accordingly, antidumping judicial review rules have never been tested. China has not initiated a countervailing duties investigation since it was admitted to the WTO.

Safeguards. While China’s regulations and procedural rules generally track WTO safeguard requirements, certain omissions and ambiguities remain. To date, China has conducted only one safeguard proceeding. In May 2002, MOFTEC (as MOFCOM was then known) initiated an investigation addressing imports of certain steel products from various countries, including the U.S. Immediately following its investigation, China imposed provisional measures in the form of tariff-rate quotas on nine categories of products and, six months later, it rendered a final determination maintaining those measures in place. This safeguard measure was terminated in December 2003.

Export Regulation

WTO members are prohibited from maintaining export restrictions (other than duties, taxes, or other charges), although certain limited exceptions are allowed. However, China has continued to impose restrictions on exports of a few raw materials and intermediate goods, some of which the U.S. considers to be improper export regulations – including certain duties imposed on exports of blast furnace coke, a key steel input. In 2005, the U.S. continued to press China for complete elimination of the annual export quota on coke. In May 2005, China stated publicly that it would eliminate the coke export quota system as of January 1, 2006. However, in November 2005, China stated that it had not yet made any decision on the elimination of the export quotas on

coke. The U.S. continues to monitor developments in this area.

Internal Policies Affecting Trade

Non-discrimination. China has agreed to certain core principles on Most-Favored Nation (“MFN”) and national treatment. The MFN rules attempt to put the goods of all importing WTO members’ trading partners on equal terms with one another by requiring the same treatment to be applied to goods of any origin. It provides that if a WTO member grants another country’s goods a

benefit or advantage, it must immediately and unconditionally grant the same treatment to like goods imported from all WTO members. The

national treatment rule complements the MFN rule by putting the goods of an importing WTO member’s trading partners on equal terms with the importing member’s goods by requiring, among other things, that a WTO member accord no less favorable treatment of imported goods than it does for like domestic goods.

China has not observed MFN and national treatment requirements in all areas. For example, in 2005, China continued to apply the value-added tax (“VAT”) in a manner that unfairly discriminated between imported and domestic goods. Also, China has applied sanitary and phytosanitary measures in a discriminatory manner. The U.S. continues to pursue these issues with China.

Taxation. Certain aspects of China’s VAT system have raised serious national treatment concerns. The discriminatory rates that were being applied to imported versus domestically-produced semiconductors provides a case study of this concern.

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Commercial Trading Practices

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To stimulate China's developing domestic integrated circuit industry, China provided for the rebate of a substantial portion of the 17 percent VAT paid by domestic manufacturers on their locally-produced integrated circuits. A similar VAT rebate was available to imported integrated circuits, but only if they had been designed in China. China charged the full 17 percent VAT on all other imported integrated circuits.

After extensive negotiations between U.S. and Chinese officials, the U.S. initiated a dispute settlement in March 2004 by requesting formal consultations with China regarding its differential tax

treatment of imported integrated circuits. In July 2004, a settlement was reached. China agreed to immediately cease adding Chinese integrated circuits manufacturers to the list of entities eligible for the VAT rebate and to issue regulations to eliminate the VAT rebate entirely by November 1, 2004, effective no later than April 1, 2005. In 2005, China followed through on each of these agreed steps in a timely manner and the dispute has been satisfactorily resolved.

Still, several U.S. industries have complained about the unfair operation of China's VAT system, pointing to Chinese producers who are able to avoid payment of the VAT as a result of poor collection procedures, special deals, or fraud.

China's consumption tax regulations, which apply to products such as alcoholic beverages, cosmetics, rubber, motorcycles, and automobiles, also raise national treatment concerns. China uses different tax bases to compute consumption taxes for domestic and imported products, with the result that the effective consumption tax rate for imported products is

substantially higher than for domestic products. The U.S. continues to seek revision of these regulations.

Subsidies. WTO commitments require a member to provide notification to other WTO members regarding its subsidy program. Such notification satisfies the rights of other WTO members to know and understand the range and operation of a member's subsidy program and to be assured that the member is not

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maintaining any prohibited subsidies. Although China has reiterated its commitment to submit such notification by the end of 2005, as of early December 2005, it had not done so.

In July 2005, China issued a new steel industry policy to encourage restructuring of the domestic industry, which is now the world's largest, accounting for 30 percent of global steel production. However, this policy includes several troubling aspects, including provisions that encourage the use of Chinese (rather than imported) equipment and technology and provisions that call for a variety of government financial supports for China's steel mills. The USTR continues to investigate and analyze Chinese subsidy programs and practices.

Price Controls. China agreed that it would not use price controls to restrict the level of imports of goods or services except for a limited list of products and services. In 2005, China continued to maintain price controls on several products and services covering both state-owned enterprises and private enterprises. These price controls may be in the form of absolute mandated prices or specific pricing policy guidelines as directed by the government. Products such as pharmaceuticals, natural gas,

transportation (including freight transportation), and tobacco are subject to the price controls. The U.S. continues to monitor China's progress in eliminating price controls.

Standards, Technical Regulations, and Conformity Assessment Procedures.

China assumed WTO obligations relating to its establishment of rules and procedures regarding the development, adoption and application of voluntary product standards, mandatory technical regulations, and the procedures used to determine whether a particular product meets such standards or regulations. These rules and procedures require China to distinguish legitimate standards and technical regulations from protectionist measures.

Despite having made some significant progress in the areas of standard and technical regulations, concerns have grown over the past few years because China is actively pursuing the development of unique requirements, despite the existence of well-established international standards. China is currently developing a set of unique requirements for products such as automobiles, telecommunications equipment, wireless local area networks, and fertilizer, despite the existence of international standards for these products.

In 2005, as in prior years, U.S. companies continued to complain about China's Compulsory Product Certification System. Under the system, one safety mark called the "China Compulsory Certification" or "CCC" mark is issued to both Chinese and foreign products, replacing the old system that required two different marks. However, China is applying the CCC mark requirements inconsistently and many domestic products which require the mark are being sold without it.

To date, China has granted more than 100 Chinese enterprises accreditation to test and certify for purposes of the CCC mark.

Despite commitments to allow for other conformity assessment bodies, China has not granted accreditation to any foreign-invested enterprises. As a result, exporters to China are often required to submit their products to Chinese laboratories for tests that have already been performed abroad, resulting in greater expense and a longer time to market.

Internal Policies for Government

Procurement. China has agreed that all of its central and local government entities

would conduct their procurements in a transparent manner and that if a particular procurement was opened to foreign suppliers, all foreign suppliers would be provided an equal opportunity to participate in the bidding process. Foreign participation in China's software market, which in 2004 totaled \$7.5 billion and was projected to grow by more than 50 percent annually, is still problematic however. Central and local governments are the largest purchasers of software in

China, and the Chinese government has drafted rules requiring government software to be developed in China to the extent possible. In 2005, China took note of the U.S.' strong concerns about these rules and indicated that it would indefinitely suspend their drafting.

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Intellectual Property Enforcement in China

There is no question that trade with China is increasing. In 2004, U.S. exports to China were up 113.6% from 2001, and U.S. imports from China were up 96.6% from 2001. Since more than one-fifth of the world's population (1.3 billion people) lives in China, the opening of the Chinese market has created a huge potential outlet for products from the United States. However, weak protection of IPR in China presents a potential roadblock to the entry of American products into the Chinese economy. In fact, the USTR has concluded that the "appropriation of intellectual property in China has occurred on such a massive scale that it has impacted international prices, disrupted supply chains, changed business models, and probably permanently altered the balance between tangible and intangible values contained within commercial products."

The Report highlights the many shortcomings of IPR protection in China and details China's efforts to improve IPR protection. When it joined the WTO, China agreed to abide by WTO standards for protection of intellectual property. Accordingly, China has overhauled its laws and regulations to

comply with the WTO's Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS"). TRIPS sets minimum standards of protection for copyrights and neighboring rights, trademarks, geographical indications, industrial designs, patents, integrated circuit layout designs, and undisclosed information. According to the Report, overall, China made major improvements in its intellectual property laws, moving in line with international norms in most key substantive areas.

Even though China has adapted its laws and regulations to comply with TRIPS, it has not been successful in IPR enforcement. China's State Council's Development Research Center released figures in July 2003 which showed that the market value of counterfeit and pirated goods in China was between \$19 billion and \$24 billion in 2001. U.S. businesses have reported no significant reduction in IPR infringement levels in 2005. The USTR reports that "[c]ounterfeiting and piracy in China remain at epidemic levels and cause serious economic harm to U.S. businesses in virtually every sector of the economy." The Report attributes weak IPR enforcement in China to "local

protectionism and corruption, institutional deficiencies, weak administrative enforcement, high thresholds for criminal prosecution, lack of training and weak punishments." In the meantime, U.S. Customs seizures of Chinese goods reached an all-time high in 2005, and the number of U.S. International Trade Commission proceedings (Section 337 actions) instituted to enforce intellectual property rights and to prevent imports of infringing goods from China is also up substantially.

China enforces IPR through administrative fines, criminal prosecution, and civil lawsuits. According to the Report, however, the administrative enforcement actions are not having a deterrent effect. The fines are typically low and even commercial-scale counterfeiting cases are rarely forwarded to the Ministry of Public Security for criminal investigation. For example, in 2004 only 96 out of 51,851 administrative trademark cases and 101 out of 9,691 administrative copyright cases were transferred for criminal prosecution. The Report stated that "infringers continue to consider the seizures and fines simply to be a cost of doing business, and they are usually able to resume their operations without much

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Intellectual Property Enforcement in China

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difficulty.” With respect to criminal enforcement, a core WTO obligation, China is also having difficulty. U.S. companies continue to complain that, in most regions of China, the police are either not interested in pursuing counterfeiting and piracy or simply lack the resources and training required to investigate. In the civil arena there has been an increase in the number of copyright actions being brought for monetary damages or injunctive relief. However, U.S. companies still complain of local protectionism, judges’ lack of technical training, and vague and ineffective court rules with regard to evidence, expert testimony, and protection of confidential information.

China’s IPR enforcement has failed to even put an end to flagrant IPR infringement at trade fairs, retail markets and wholesale markets throughout China; although recent measures adopted by the Chinese government (occurring after publication of the Report) appear to be directed at addressing these specific concerns. On January 11, 2006, the International Association of Exhibition Management and the China Council for the Promotion of International Trade signed an agreement to strengthen intellectual property protection at trade shows in China. The “Joint Declaration for the Protection of Intellectual Property at

Exhibitions” declares that intellectual property violations at exhibitions in China will not be tolerated and commits that Chinese authorities will investigate complaints about such violations.

In 2005, the U.S. took several steps to improve IPR enforcement in China. It conducted an out-of-cycle review of China’s entire IPR enforcement regime. In addition, it elevated China to its “Priority Watch” list. Finally, the USTR made a request in conjunction with Japan and Switzerland seeking detailed information from China on its IPR enforcement efforts over the last four years. China’s response to the information request is expected in early 2006.

After being put on the “Priority Watch” list, China agreed to: (1) increase criminal prosecutions for IPR violations, (2) reduce exports of infringing goods, (3) improve national police coordination, (4) enhance cooperation on law enforcement matters with the U.S., (5) expand an ongoing initiative to counter piracy of movies and audio-visual products, (6) ensure that only licensed software is used by all central, provincial and local governments by the end of 2005 and extend this program to enterprises in 2006, (7) fight software end-user piracy, (8) establish an IPR ombudsman in the Chinese embassy in Washington to assist U.S. companies experiencing IPR problems, (9) develop

measures to rid trade fairs of fake goods, (10) join the World Intellectual Property Organization Internet-related treaties in 2006, and (11) make clear that its criminal thresholds apply to sound recordings and that exporters are subject to independent criminal liability.

If the U.S. and other WTO nations are going to reap the benefits of the opening of the Chinese market to foreign products, the U.S. and others must ensure that China follows through on its commitments to increase IPR protection. The USTR acknowledges the “need for sustained efforts from the U.S. and other WTO members, along with the devotion of considerable resources and political will to IPR enforcement by the Chinese government, if significant improvements are to be achieved” in IPR enforcement. In conclusion, the Report states that “[i]n 2006, the Administration will continue its relentless efforts to ensure China’s full compliance with its WTO commitments, with particular emphasis on reducing IPR infringement levels in China, and on pressing China to make greater efforts to institutionalize market mechanisms and make its trade regime more predictable and transparent.”

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Banking Sector

As part of the WTO accession agreement, China agreed to a five-year staged plan for full banking services by foreign banks. This was to include (1) foreign currency transactions, (2) domestic RMB transactions, (3) foreign branch banking, and (4) foreign ownership of joint foreign-domestic banks. While some additional

restrictions have been established (and, to an extent, removed) so far during this five-year period, China remains committed to meeting the original plan of full services by December 2006.

In the area of foreign currency transactions, before WTO accession, foreign banks were allowed to participate

in such transactions in only a few selected cities. At the time of the accession agreement, China said it was prepared to allow immediate participation, without limits on access, locations, or customers. In the area of domestic currency transactions, before WTO accession, foreign banks were limited to transactions for foreign customers only and only in two cities. At the time of the accession agreement, China was prepared to allow immediate

participation of foreign customers, subject to some geographic limits, and a phase in of Chinese customers.

However, in 2002, the first set of regulations issued by the People's Bank of China contained provisions for additional limitations on foreign banks, such as limits on headquarters and branches (only one new branch per 12 months) and high minimum working capital requirements, effectively slowing the originally anticipated growth of foreign banking. Over the next several years, foreign governments raised concerns during various formal and informal meetings and progress was made, reducing or eliminating some of the limitations which differed between domestic banks and foreign banks. For

example, in 2003 and 2004, the excessive working capital requirements for foreign banks were reduced, and in July 2004, the limit on the number of new foreign branch banks per year was eliminated.

Progress continued, with the expansion of the number of permitted cities for domestic currency transactions by foreign banks actually accelerating beyond the original timetable. As of December 2005, a total of 25 cities were open to foreign banks for domestic currency transactions.

Interest in the China market remains strong among foreign banks, as evidenced by the 173 foreign banks with branches or offices in China, even in the face of high capital requirements imposed by China. By October 2005, total assets of

foreign banks in China were more than \$84 billion, representing only about 2% of total banking assets in China.

In some areas, China continues to protect its domestic banks. There are limits imposed on bank product innovation by foreign banks and limits on foreign equity ownership of Chinese-foreign joint banks (no more than 20% by any individual foreign investor, and a total limit on foreign investment of 25%).

Still, China has stated that it is committed to full phase-in of banking services by foreign banks by December 2006.

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China's Legal Framework

China continues to make slow progress in complying with its WTO obligations to reform its judicial and regulatory systems, including even some of the most non-controversial aspects of its commitments, such as translating its trade-related laws and regulations into English, French and Spanish. Moreover, China has yet to designate official journals for its laws and regulations, making it very difficult to confirm the status of applicable law and pending legislation. By way of example, China's trade-related laws are published in a variety of places, including different journals and web sites. Despite these and other shortcomings, China has generally been making its laws and regulations much more available.

Although China has repealed, revised and created many new trade-related laws at the national level since 2001, it has not followed through on its obligation to

provide public comment periods before the new laws become effective. Instead, Chinese ministries and agencies generally have sought input from selected sources, which included, at times, foreign companies, and more often, their sister ministries or agencies. The Report notes that in the area of IPR, several ministries and agencies circulated proposed measures for public comment during 2005.

Another positive change noted in the Report is that China's trade-related ministries and agencies appear to have increased their willingness to respond to inquiries from U.S. and other foreign companies. China now has a central WTO Inquiry and Notification Center, and several ministries and agencies now provide answers to frequently asked questions as well as the ability to make direct inquiries through their websites.

According to the Report, China also appears to have made progress in reforming its judicial system as it pertains to trade-related disputes. As an example, beginning in 1999, the Supreme People's Court has required new judges to be appointed on merit rather than politics; however, this action did not apply to existing judges that were grandfathered in. Accordingly, uneven enforcement of Chinese law continues to be a significant issue for businesses undertaking commercial transaction in China. Indeed, during 2005, U.S. companies reported that many non-legally trained judges are still deciding their cases based on politics and pressure from domestic companies. Uneven enforcement of Chinese law remains particularly acute outside of the major metropolitan areas.

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Other News

Benesch Web Site Now Featuring Podcasts



Benesch has recently launched podcasts, known as “The Benesch Beat.” The podcasts feature wide-ranging legal issues addressed by the firm’s attorneys. The podcasts will be sent directly to individuals who subscribe to the free service, and are also posted on Benesch’s website, www.bfca.com. You can go to the website and listen to a specific program, or you can download it onto your MP3 player and listen to it at your convenience.

Check out the eight podcasts that are currently online, including “**Doing Business in China**,” which features Allan Goldner, Peter Shelton, and Megan Mehalko. New podcasts will be published at least once a month and whenever breaking legal decisions and issues of interest arise.

Events

On February 3, Bryan Schwartz and Yanping Wang spoke at the **Training Program for China Experienced Executives** put on by Tri-C Corporate College. The seminar featured professionals with various areas of expertise in Chinese business and legal matters.

On February 27, Peter Shelton will speak on **Surviving and Thriving in the Global Economy**, as part of the Weatherhead School of Management Breakfast Series.

On March 2, Allan Goldner, Peter Shelton, and Yanping Wang will participate in Benesch’s annual **Transportation and Logistics Conference** in Columbus, addressing current logistics issues in China.

At the Plastics News 2006 Executive Forum on March 8, Megan Mehalko and Rob Marchant will present on **The Impact of Contract Terms and Conditions**.

How We Work With Clients

We help U.S. companies: (1) establish China-related strategic alliances and joint ventures for manufacturing and distribution; (2) establish wholly owned manufacturing or other business operations in China; (3) acquire the shares or assets of China-based companies; (4) deal with governmental and operationally-related legal issues in China; (5) source components or products from China, and deal with related logistics issues; and (6) develop U.S.-based solutions to competition from China.

We help clients structure, negotiate and document China-related transactions, and provide counsel with respect to capital structure, operating control, governance, due diligence and other issues.

In the area of intellectual property, we are experienced in working with our China-based colleagues and governmental officials to maximize the protection of our clients’ valuable patents, trademarks, know-how, trade secrets and other intellectual property rights.

Our established network of highly competent, experienced and reliable U.S. and China-based service providers enable us to help produce complete China business/legal solutions. Together we provide U.S., China and other international legal, tax, governmental relations, import/export, construction, operational and other solutions for our clients in a cost effective manner.

For more information or to discuss any aspect of your China strategy, contact any member of our China Group:

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