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GREETINGS...

Welcome to the first newsletter for Schechter + Chou! We hope to provide useful information and understanding of how to do business in China and the U.S., including some of the less obvious fine points. We hope to make it an interactive experience, so if you have a topic you are interested in, please contact us at info@splusc.com. We also welcome your input, thoughts, comments, and suggestions.

We will be returning to China in March-April. We wish all our friends a Happy Chinese New Year!

Aaron and Frances

HOT TOPICS...

Lenovo And IBM Team Up

Lenovo, China's largest computer maker, purchased the personal computer unit of IBM for \$1.25 billion in cash and stock. Stephen Ward, who headed the personal computer operation inside IBM, will now be the Chief Executive of Lenovo. He plans to keep IBM's personal computer groups 10,000 employees, including the 2,200 in the U.S. Also, most of the top executives in IBM's personal computer operation will join Lenovo. Lenovo C.F.O. Mary Ma will stay on with the new combined unit and will be among the few operating executives from the current Lenovo with a top position in the combined company. Does this signal a trend for more Chinese companies in the future? What other American companies are out there that might be targets for mainland Chinese companies in the future?



The End of Textile Quota Era? Not Quite.

The textile quota imposed under the Uruguay Round Agreement on Clothing and Textiles ("ACT") ended in December of 2004. Does that mean that there is no more restriction on importing textile merchandise into the U.S. from overseas, especially from China? Not quite. Just to name a few, the interagency Committee for the Implementation of Textile Agreements (CITA) has agreed to consider the threat-based petition against Chinese-origin imports of synthetic filament fabrics other than polyester and the safeguard petition on men's and boys' wool trousers. A coalition of US textile industry associations submitted various petitions in December of 2004 to reapply the China textile safeguard on knitted fabric, cotton and manmade fiber brassieres and other supporting garments and cotton and manmade fiber robes and dressing gowns. On the other hand, a complaint was filed by the US Association of Importers of Textiles and Apparel at the US Court of International Trade in New York, requesting a declaratory and injunctive relief against CITA to stop CITA to impose certain safeguard restraints on apparel from China. The war on imposition of textile quotas is not quite over yet.

LEARN THE ROPES...

Our Recent Trip to China...

We found significant differences in the way business is done in China and the U.S. Without a full understanding of the market and culture in the other's country, people will be spinning their wheels just to get a sense of what is going on - not to mention actually doing business there and making money. There is a strong interest on parties in both countries to do business, and there are a lot of opportunities. It is obvious that you need to find the right people to navigate the system, in either country, in order to save a lot of unnecessary effort, time, energy, and expense.

UPCOMING TALKS...

Frances Chou and Aaron Schechter will be guest lecturers at U.S.C. in February. They will be speaking on the topic, "Doing Business in China"- addressing cross-cultural and legal issues, to graduate students and professors in the course on International Real Estate at the School of Policy, Planning and Development. In our next newsletter, we will give you feedback from the attendees.

In April, Aaron Schechter and Frances Chou will be speaking at UCLA regarding "Doing Business in China", and details to follow in our next newsletter.

LEGALLY SPEAKING...

The following is provided by Y.F. Chou, Prof. Corp. If you have any questions, please contact info@yfchou.com.

Employers Beware: New Mandatory Sexual Harassment Prevention Training in California

By January 1, 2006, all businesses in California with more than 50 employees are required to have provided at least 2 hours of training on prevention and resolution of sexual harassment to each of their supervisory employees, and thereafter, at least 2 hours of such training every two years. When determining if a business has more than 50 employees, all employees, including those located outside California, and all individuals who regularly provide services pursuant to contracts, will be included in the calculation. The definition of the "supervisory employees" seems to include any employee who has authority to hire, fire, provide substantial input into hiring or firing, review performance of employees, administer discipline or give day-to-day directions. Each "supervisory employee" in the company on July 1, 2005 shall receive 2 hours of interactive training in 2005, except those who have received 2 hour training after January 1, 2003. Any business, who fails to provide such training, may have greater exposure to claims for sexual harassment. Thus, employers beware - it is time to line up such trainings for your supervisory employees.

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