Exiting your Overseas Business: Reducing time, money and ambiguity on the way out.

Alex Claypool
Lancaster Management Consulting (Shanghai) Co., Ltd
Foster Swift Business & Corporate News
January 15, 2018

PRACTICE AREAS
International Business & Trade
International Taxation

The current prolonged downturn of the Chinese economy is the worst experienced by any of today's Chinese business managers. The legal and banking sectors have been caught off-guard, and mangers in every industry are ill-prepared to deal with the situation after decades of growth. It is not surprising, therefore, that these days we hear more about companies leaving, than coming to China. When leaving China, companies are finding themselves faced with drawn-out timelines, additional costs, and a great deal of ambiguity.

We worked with a US based industrial distributor client on the winding down of their China operations that was estimated to cost approximately $3M USD. Another Midwest manufacturer is closing their China operations at a cost of $1.5M USD. These exits take approximately 1 to 1.5 years to complete, and can drag on given the ambiguity associated with approval from the local tax authorities and labor lawsuits.

As a company is dedicated to helping foreign firms succeed in Asia, and when the decision has been made to leave and the cost and time involved in dissolution is not acceptable to our clients we get creative. Sometimes sale of the business is an option. In some cases, Lancaster has acquired the China (or Asia) business entity. For example, the following are some of the benefits:

1. **US Jurisdiction:** A US jurisdiction transaction (for example, the Lancaster US entity would be the buying entity) that gives you the comfort of knowing that US law would prevail in case there were a disagreement.
2. **Speed:** A speedy transaction could take place in the US without any lengthy Chinese government approval process.
3. **Certainty:** Your timeline would be quick, and have a definite end date, as opposed to the ambiguity associated with the closing or dissolving of a Chinese entity.

If you have made the strategic decision to exit your Asia overseas manufacturing business, we can help analyze options and may be able to provide some faster, lower cost and less ambiguous options.

Lancaster Management Consulting was founded to give on-the-ground support in Asia to small and medium-sized foreign enterprises that are: newly entering the market, in need of more resources and support, or that are in a distressed/turnaround situation. The author of this article, Alex Claypool, is the Managing Director and has started-up, turned around and grown businesses in the US, China, India, Japan, Singapore and Belgium for US Fortune 500 corporations and US private equity firm portfolio companies.