

DAILY REPORT

ALM A SMART READ FOR SMART READERS

Chinese lawyer brings China business to Ga.

GUANMING FANG hopes that the trickle of Chinese companies coming to the U.S. will become a flood

MEREDITH HOBBS

On the Record

WHEN GUANMING FANG arrived in the United States from China at age 24, she did not think culture shock would be a problem. She'd majored in English literature at Zhongshan University in Guangzhou, her hometown, and had covered the United States and Europe as a journalist in Beijing.

"I was so wrong," she told me with a laugh over bottled water at Womble Carlyle Sandridge & Rice, where, at 43, she is now an M&A lawyer carving out a niche with Chinese companies setting up shop in the United States.

Fang moved with her husband to Tallahassee, Fla., in 1989 so he could do graduate work in public administration at Florida State University. She discovered that the language and accent on the Florida panhandle were completely different from those of her Canadian, English and Australian professors in college. At first, she could understand only about half of what people said to her. Drive-through restaurants were a particular challenge. "The fast food line was very difficult," she said. "But that was 18 years ago."

When she started practicing law in 1998, she had no idea that China would become so hot—or that she would one day be working with Chinese companies trying to get established in the Southeast. "China was a very different place when we left it," she said, noting that travel abroad was prohibited and the economic situation was very different. "I did not think then that Chinese companies would come here." U.S. companies have invested in China for years, but it's only been

in about the last four years that China has encouraged Chinese businesses to invest in the U.S., she said.

Chinese investment in the U.S. is still in the early stage, Fang said. There is nowhere close to the influx of Chinese companies here as of U.S. companies to China—but "they're making trips over and checking it out."

China cautiously started opening up to foreign investment in the early 1980s, recognizing that foreign capital and technology were essential to its development push. The government liberalized investment restrictions on foreigners as part of its admission into the World Trade Organization in 2001. WTO membership has prompted China to update its banking, bankruptcy, tax and property laws, Fang said, which are now closer to international standards. It is gradually relaxing restrictions on foreign investment in China as well as investment abroad by Chinese companies and individuals. Over the past few years, Fang said, the central government has issued new policies encouraging mature Chinese businesses to expand overseas.

From foreign to familiar

She is well-positioned to guide Chinese companies through the American system that was once so foreign to her. "There is a much better opportunity for people like me who understand Chinese businessmen and can provide hand-holding for exploiting this market," Fang said, adding that she believes she is the only Chinese transactional attorney at her level in Atlanta, although there might



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Guanming Fang: "If you think networking is an integral part of practicing law here—it's a necessity [in China]."

be some younger associates. There are other Chinese attorneys at Morris, Manning & Martin; Sutherland Asbill & Brennan; Carlton Fields; and other firms, she said, but they do intellectual property work, not deals.

"No matter how successful or confident [business people] are in China, doing business in a foreign country thousands of miles away can be scary," she said, because they don't know how the government or the legal system works. "I can explain it to them in language they understand."

Speaking Chinese is only part of it, she told me. Understanding the culture is much

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more important because relationships are paramount in Chinese business deals. “If you think networking is an integral part of practicing law here—it’s a necessity over there. Effectively helping clients depends on having certain relationships with government officials,” she said, explaining that in China, the legal system is still weak and government officials, not carefully negotiated contracts, determine the success of business deals.

“China at the end of the day is still communist, and the government is still very involved in business,” she said. “Here the government can help you within certain legal boundaries—such as economic incentives—but they can’t just hand you whatever they want to hand you. In China, the government can do whatever it wants.

“It is very difficult for Chinese to understand the difference,” she said. There is a lot less red tape to establishing a business here, but it’s hard for Chinese to understand that they need relationships beyond those with government officials for their business to prosper.

“If you help a client negotiate a deal here, the focus is on what the business parties want. I have to understand the bottom line of the client’s business to know what I should ask for and what I should insist on,” Fang said. In China, in addition to a good working relationship with the client, a lawyer also “needs relationships and good will with the other side, the other side’s attorneys and government officials—and they are subtle relationships,” she said.

“You have to know where they’re coming from with that request or that rejection.” Since politeness is so highly valued in Chinese culture, that may not be as apparent to a non-Chinese.

Fang said that sometimes in cross-border deals, she will listen to a conversation between Chinese and U.S. businesspeople and realize that “they are talking apples and oranges without even knowing it.” She can clarify the misunderstandings.

Law in real life

Fang and her husband had no plans to stay in the U.S. when they arrived in Tallahassee in 1989. “We came as very young people looking for opportunities. We had no idea

what would happen,” she said.

The protests in Tiananmen Square later that year changed things for them. In response, President George H.W. Bush’s administration liberalized Chinese student visas, and Fang and her husband had the option of staying in the U.S. after he finished his degree. By 1990, Fang said, things were very tense in China and they hesitated to return, since they’d publicly supported the student democracy movement.

In China, Fang had been a reporter, then editor, at the Beijing bureau of Xinhua, the country’s official news agency. After graduating from college in 1985, she reported on the student movement bubbling up in Beijing that erupted into the Tiananmen Square crackdown of June 1989, even spending a week undercover in a dorm to find out what students were up to.

But, she abandoned journalism in the U.S. “I was not confident that I knew the history, political system and culture well enough here—and I did not have the relationships [to get a job].”

After a variety of jobs, she became a legal secretary for a Tallahassee law firm, Huey Guilday & Tucker, where she worked on a huge construction litigation case. She loved the work and the people. “We won for the client. It was \$12 million—I still remember that,” she said.

That led to work for the lawyers on the Florida Senate’s reapportionment committee—a lesson in American politics, she said—and then Landers & Parsons, an environmental boutique. “Watching how the law plays out in real life was intriguing,” she said.

It had never occurred to her to become a lawyer while growing up. “China did not have anything like a legal system and law was not thought of as a noble profession. Parents did not encourage their kids to grow up to be lawyers,” she said.

Several of the lawyers she worked with in Florida did encourage her to go to law school, but she lacked confidence in her English. After six years as a legal secretary, she finally decided to give law school a try, and after receiving her law degree from FSU in 1998, she landed a job with Arnall Golden Gregory in Atlanta.

Fang said Arnall did not do any China work but encouraged her interest in developing a practice. With the firm’s support, she got involved in local Chinese community organizations and, in 2004, co-founded the Georgia China Alliance to promote business relationships with China. Her decision last

year to leave for Womble, where she is of counsel, after eight years at Arnall was “gut wrenching,” she said. “It was harder than the decision to move from China to the United States.”

“Arnall Golden Gregory made me who I am today,” she said. But she wanted to take the China practice she’d been nurturing to the next stage and was attracted by Womble’s push to expand its own China practice.

China business in Georgia

Georgia is stepping up its efforts to attract Chinese business, Fang pointed out, so the timing is right. Atlanta Mayor Shirley Franklin led a trade mission to China last September and Georgia will open its first economic development office there in October, in Beijing. Fang joined the mission, along with lawyers from Jones Day, Troutman Sanders, Sutherland and Reece & Associates. She was invited because of her relationship with the trip’s sponsor, the Metro Atlanta Chamber of Commerce.

In May, China reciprocated with a trade mission to Atlanta as part of a 24-city sweep by Ministry of Commerce officials and executives from 200 Chinese companies. The Chinese visit bore fruit: a \$30 million electronics factory in Barnesville to be built by General Protecht Group. The deal came about from Morris Manning partner Tingkang “Tim” Xia’s relationship with the company’s owner. Xia started representing the company in patent litigation in 2004 and then some of his corporate partners helped bring the plant to Georgia.

Other Atlanta firms also are developing relationships with Chinese companies and working on Chinese deals here. For example, last month Kilpatrick Stockton, along with Kennesaw State University, hosted a delegation of Chinese executives and officials from the executive MBA program at Nankai University. Troutman Sanders opened a Shanghai office in February to augment its decade-old Hong Kong office. Jones Day; Paul, Hastings Janofsky & Walker; Hunton & Williams; and Holland & Knight also have China offices. And most of the big firms in town, including Kilpatrick, Sutherland, King & Spalding and Alston & Bird do work in China, as do numerous smaller firms and intellectual property boutiques.

China mission

Womble has no plans to open a China office—yet—Fang said, but the firm is putting a lot of effort into developing relationships there. In March, she and eight other Womble

lawyers spent 10 days in China on a trade mission, meeting with government officials, Chinese business people and local lawyers in seven cities. It was a great education for the Womble lawyers who went, she noted, because several had done work for Chinese companies but had not been to China.

Womble's James B. Hunt Jr., a four-term governor of North Carolina, spearheaded the March trip. As governor, Hunt lured more than 100 Japanese companies to North Carolina. "Now Japan is kind of yesterday and the focus is China," Fang said. "He called me last fall and said 'Hey Guanming, we need to go to China.'"

The trip was a huge investment of non-billable time as the firm's partners drew on their own relationships and those of clients to set up meetings with Chinese business people and government officials. Former Maryland Gov. Robert L. Ehrlich Jr., who joined Womble in February, had helpful contacts with Maryland's economic development offices in Shanghai and Beijing, Fang said, adding that Maryland got into China much earlier than Georgia, opening the Shanghai office in 1998. Clients such as PC giant Lenovo and GlaxoSmithKline have China operations, which led to other contacts.

Fang was the only native Chinese person among the Womble lawyers making the trip—and the only woman. I asked her if being a woman was an impediment in her

dealings with the mostly male Chinese business people and government officials.

She smiled and said she insisted that her group hire a professional translator instead of relying exclusively on her services. "I did not want to be perceived as an assistant. I wanted to be seen as a member of the group, not the translator."

Fang said the status of women in China is complicated and that her American colleagues often ask her about it. "Honestly, I don't quite understand it myself," she added. "Usually in China men—and women—don't take women seriously. They look at them as an unequal species. ... But on the other hand, I've met a lot of very successful women entrepreneurs." If women manage to become successful in business or politics, they are treated with great respect, she said.

The Chinese businessmen treated her as a colleague, she said. "Once they understood that I was not an interpreter but was actually a lawyer and a member of the delegation, they talked to me about their plans and about the issues they had come across."

Fang said she netted two new clients from the trip, both manufacturing companies planning to open facilities in Georgia and South Carolina. Other prospects are scheduled to visit the firm.

I asked her why Chinese manufacturers would open plants here, since labor is cheap in China and the dollar is expensive

compared to the yuan.

"They see a huge market," she replied, explaining that tariffs limit how much Chinese manufacturers can export to the U.S. "They see \$1 million and all they can supply right now is \$100,000. They're drooling over the opportunity."

Chinese executives are also telling Fang they want to come here "because of intangible assets such as American ways of thinking, management style and business processes."

Since joining Womble, Fang's China-related work has come to make up about half her practice. "My horizons have really broadened," she said enthusiastically.

But she said she doesn't want to work exclusively with Chinese clients, because to stay on the cutting edge of what's happening in M&A deals, she needs to do more complex work for larger, more mature entities. That will change, she predicted, as Chinese operations in the U.S. develop.

She also has no interest in practicing law in China. "It's not as much fun as in the United States," she said, because it's still who you know, not legal know-how and skillful negotiations, that drives the deals in China.

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