

To: Our Clients and Friends

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Yearlong Crackdown on Economic Crimes in China's Guangdong Province Underscores Need for Corporate Compliance

Chinese media sources report that more than 1,000 officials across Guangdong province in southern China have been investigated for corruption as part of a yearlong crackdown on economic crimes, including commercial bribery.

In Shenzhen, across the border from Hong Kong, authorities have arrested 146 party officials and civil servants since February for corrupt activities involving RMB 150 million (more than US\$30 million).

The campaign has extended to other second-tier cities within the province as well. The South China Morning Post reported that eight government officials in Shantou were arrested in recent months on corruption charges.

Wang Yang, the Communist Party chief of Guangdong province, launched the campaign in early February, hoping to crack down on economic crimes including monopolization, counterfeiting and commercial bribery.

Wang told Xinhua News that “monopolizing, counterfeiting and commercial bribery are the ‘cancer’ of the economy.” He later added that such criminal activity damages social stability, threatens people’s lives and property, and is hated by the public.

Wang is purportedly vying, before the country’s leadership transition in November later this year, for a position on the Politburo Standing Committee (“PSC”), the most powerful organization in China. The success of a high-profile campaign like the current crackdown would likely burnish Wang’s standing in the eyes of the Party and help secure his appointment to the PSC.

Given the high-profile nature of the crackdown and the political forces driving it, foreign companies with operations in Guangdong province should check their compliance programs to ensure that their operations comply with both Chinese anti-bribery laws and the United States’ Foreign Corrupt Practices Act in this heightened regulatory environment. Although the current drive appears to target government officials, it is easy for private parties making corrupt payments to be caught up in the same snare that is being set for the government officials to whom they are making payments.

Prepared by: Evan Chuck
310.576.2126
evan.chuck@bryancave.com

Clif Burns
202.508.6067
clif.burns@bryancave.com

Joseph Drury
212.541.2000
joseph.drury@bryancave.com

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Bryan Cave LLP International Trade Client Service Group

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*Non-legal professionals

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