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## PRESS RELEASE

### WORKER RIGHTS NOTED AT SHUTTERED FOREIGN-OWNED FACTORIES

**(China Daily) – February 18, 2009** –Workers at abandoned foreign-owned factories who are owed wages do have rights to file suit under existing laws and regulations in China, according to Jerry Wong, a specialist in labor law at the Shenzhen office of Lehman, Lee and Xu, one of the nation’s top law firms.

“With the current global financial downturn increasingly impacting exports, there have been cases of improper divestment by foreign companies operating in the Pearl River Delta,” Wong said. “Such sudden evacuation leaving behind factories, equipment, debt and wages in arrears without liquidation and bankruptcy is clearly illegal.”

He noted that the Ministry of Commerce, the Ministry of Foreign Affairs, the Ministry of Public Security and the Ministry of Justice have together issued an important notice establishing guidelines in how to file grievances against fleeing foreign owners.

“The notice says that once the improper divestment happens, Chinese parties should promptly file a case with the People's Court or Public Security Bureau,” Wong said. “Even though the foreign party has fled abroad, authorities can move to extradite them or implement a civil judgment pursuant to the judicial support agreements signed between China and foreign countries.”

“With this recent notice, we do have a strong opinion that once the improper divestment happens, damaged parties should immediately file a case with the authorities in order to at least decrease their losses.”

He added that while China’s Labor Contract Law requires foreign-invested enterprises (FIEs) to pay into the social security system, the law does not otherwise increase labor costs.

“Some FIEs that fled have said the law increases their labor costs, but that is not the case,” Wong said. “Their problem is that they have been unable to adapt to changes in the industrial structure and markets.”

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He added that “FIEs who only purchase cheap labor at low environmental costs” were having problems before the onset of the global economic crisis.

“Of course now they are even more affected,” he said.

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm has been recognized as one of the top trademark firms in China by several intellectual property magazines and is managed by Mr. Edward Lehman, a leading expert on corporate law with 20 years of practice experience in Mainland China.

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