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CHINESE REGULATORS AND LAW ENFORCEMENT OFFICIALS EXPAND OVERSIGHT OF FOREIGN COMPANIES AND PERSONNEL

Recent investigations reflect that Chinese regulators and law enforcement officials are expanding their oversight of foreign companies doing business in China.

On July 5, 2013, The New York Times reported that Chinese regulators are investigating the Swiss food packaging company Tetra Pak for “abusing its market dominance” in China. This followed a report days earlier that Chinese officials are conducting an antitrust investigation of international producers of infant milk formula sold in China. Recently, Chinese enforcement officials also announced that they have launched a large-scale investigation regarding the production and import costs of international pharmaceutical companies operating in China.

Perhaps most significant were last week’s reports that Chinese law enforcement officials raided three Chinese offices of British pharmaceutical company GlaxoSmithKline, detaining personnel and seizing documents, on suspicion of “economic crimes.” According to The Wall Street Journal, this investigation stems from a whistleblower report to the company’s board of directors claiming that GlaxoSmithKline staff engaged in “widespread bribery of doctors to prescribe drugs.”

Enforcement initiatives arising from suspected international crimes, including bribery and antitrust violations, appear to have increased since President Xi Jinping took office last November. While overall Chinese anti-corruption enforcement has increased in recent years – the former head of China’s Food and Drug Administration was executed in 2007 after being convicted of taking bribes to approve dangerous medications – large-scale probes of foreign companies are a recent development.

All companies doing business in China should ensure that their compliance programs and training are sufficient and should promptly conduct internal investigations of any allegation of misconduct.

Questions or Assistance?

If you have any questions regarding this alert, please contact Ross Garber at (202) 469-7750, (860) 251-5901 or rgarber@goodwin.com.

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