



# Doing Business in China - Negotiating Management Agreements in China

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# China Hotel Deals in the News

- ▶ Marriott Opens 3,000th Hotel in China
- ▶ Pre-Olympics Hotel Boom Is Dizzying
- ▶ China – the biggest growth area for IHG's Asia/Pacific Development
- ▶ Taj Group China JV plan goes stale



# Negotiating in China

- ▶ Pre-negotiation
  - ▶ lobbying
  - ▶ presentation
  - ▶ informal discussion
  - ▶ trust building



# Negotiating in China

- ▶ Formal negotiation
  - ▶ exchange of information
  - ▶ persuasion
  - ▶ concessions
  - ▶ agreement
- ▶ Post-negotiation
  - ▶ implementation
  - ▶ new rounds of negotiation



# Management Agreement Issues

- ▶ Applicable law
- ▶ Language of Management Agreement
- ▶ Owner control
- ▶ Bank accounts
- ▶ Intellectual Property protection
- ▶ Dispute Resolution – choice of forum



# Management Agreement Issues

- ▶ Financing arrangements – non-disturbance agreements
- ▶ Land title issues
- ▶ Employment
- ▶ General Manager
- ▶ Owner's representative



# Considerations

## ▶ Patience

- ▶ negotiations often take time because different organisations and different departments are involved
- ▶ building the relationship takes time
- ▶ Chinese will not rush into discussions with someone they don't know/trust



# Considerations

## ▶ People

- ▶ Chinese do business with people
- ▶ People-orientated to approach to negotiations is the way to go
- ▶ Relationship driven
- ▶ Face
- ▶ Legal team





# Conclusion

But all this is changing as China changes !