



भारत का राजदूतावास, पेय्चिङ्ग

Embassy of India, Beijing
Trade & Commerce Wing

Pek/Com/208/1/2011

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Second Secretary (T&C)

Subject: Advisory for Indian small and medium enterprises (SMEs) doing/interested in doing business with Chinese companies

[Note: The Advisory has been issued to protect the interests of Indian small and medium enterprises (SMEs). It is intended to enhance the commercial cooperation between India and China by addressing some of the risks faced by Indian SMEs.]

Ref. the 'Trade Advisory' issued by the Embassy of India, Beijing vide letters no. Pek/Com/208/2/2010 and Pek/Com/208/1/2011 dt. Dec 21, 2010 and Sep 7, 2011 respectively on the subject 'Increasing instances of trade disputes between Indian and Chinese companies and actions proposed.'

2. The Mission had issued the 'Trade Advisories' in response to the rising instances of trade disputes between Indian and Chinese companies. It has been noticed that under the jurisdiction of the Embassy of India, maximum cases of trade dispute have originated from the province of Hebei and the municipality of Tianjin. The amount involved under these cases of trade dispute was US\$ 29,35,016 in 2012, USD 48,31,273 in 2011, USD 54,01,914 in 2010 and US\$ 78,43,000 in 2009. Region-wise distribution of the trade dispute cases as reported to the Embassy in 2012 is as follows:

S.N	Regions in China	Number of complaints received by the Mission in 2012
1	Hebei	24
2	Tianjin	16
3	Shandong	9
4	Hubei	9
5	Shaanxi	8
6	Liaoning	6
7	Beijing	4

8	Henan	3
9	Dalian	3
10	Chongqing	2
11	Gansu	1
12	Anhui	1
TOTAL		86

3. It has been found that even after issuing multiple advisories, there are still a number of Indian SMEs not adhering to the DOs and DON'Ts as mentioned in the 'Trade Advisory' and placing orders with unverified Chinese companies listed on B-2-B sites like Alibaba, tradeb2b.net, etc., sending advance payments to the bank accounts of unverified Chinese companies and not conducting physical inspection of the goods at the point of loading.

4. Based upon the complaints received from the Indian companies, the disputes can be broadly categorized in to seven categories. Details under these categories and the modus operandi adopted by the Chinese companies are elaborated at **Annexure-1**.

5 In view of such rising instances of trade disputes between Indian and Chinese companies, following course of action is proposed to the Indian companies doing business/interested in doing business with Chinese companies:

- i. The Indian company must run a complete credential check on the prospective Chinese partner before entering into an agreement with a Chinese company. The Embassy could provide services for preliminary credit check on the Chinese companies. There are also a number of business service companies in India and China which conduct credentials checks and provide reports on the health and reliability of the Chinese companies. The Indian company must insist on having the registration document and other agreements signed with the Chinese company **attested by the Embassy of India or the relevant Consulate**. This process of attestation of documents by the Embassy/Consulate involves both the local sub-council of China Council for Promotion of International Trade (CCPIT) as well as the Chinese Ministry of Foreign Affairs and thus, weeds out fake companies in most of the cases.
- ii. The Indian company must not trust any B2B site for list of importers/exporters from China. It has been found that most of the cases of trade dispute have emerged from such B2B sites. The Indian company should

refer their trade queries to the Embassy of India and the Consulate General of India in Shanghai, Guangzhou and Hong Kong for a detailed list of importers/exporters. The Embassy/Consulate provides answers to the queries within 4-5 working days. Mails to this effect can be sent to the commercial wing of Embassy/Consulate. Details can be obtained on the websites (Embassy of India, Beijing- www.indianembassy.org.cn, Consulate General of India, Shanghai- <http://www.indianconsulate.org.cn/site/>, Consulate General of India, Guangzhou- <http://www.cgiguangzhou.org.cn/>, Consulate General of India, Hong Kong- <http://www.indianconsulate.org.hk/>)

- iii. **The Indian company must not make an advance payment.** If at all there is a need for advance payment, both the parties should operate through an 'Escrow account' or 'Bank guarantee' route. The Indian company must insist on guarantee before making advance payment to its Chinese partner.
- iv. **The Indian company must not release LC without inspecting the actual product in the consignment after arrival in India.** A provision must be incorporated in the agreement that provides releasing LC only after the Indian company is satisfied with the quality of the product in the consignment.
- v. Bank details conveyed through emails should not be trusted. Payments to the Chinese company must be made based upon the confirmation of bank account only through fax/courier duly stamped and signed by the Chinese company and verified by the original contact point in the Chinese company.

6. The Embassy has brought out a list of DOs and DON'Ts recommended for Indian companies interested in doing business with Chinese companies. The list of DOs and DON'Ts is attached herewith as **Annexure- 2**.

7. It is requested that information about the trade disputes between Indian and Chinese companies may kindly be circulated among your members and business chambers/organizations under your jurisdiction so that due diligence is conducted by the Indian companies before they enter into any business transaction with a Chinese company. **The banks are requested to circulate this advisory among all their branches with a request to flag this advisory to their customers whenever there is an instruction to transfer advance payment to a bank account in China.**

8. A list of Chinese companies involved in cases of trade dispute with Indian companies may also be found enclosed herewith as **Annexure- 3**. It is requested to circulate this list among your members and advise them **not** to enter into any business

transaction with any of the companies as mentioned in annexure-3 till the settlement of all the outstanding issues.

9. The trade advisory along with the do's and don'ts for the Indian company and the updated list of Chinese companies involved in dispute with Indian companies can also be accessed on the Embassy website at <http://www.indianembassy.org.cn/tradeandcommerce.aspx>. Relevant companies and business chambers may be instructed to check with the information on the Embassy website before going ahead with any transaction with a Chinese company.

Yours sincerely,

(Abhishek Shukla)

Details of the modus operandi adopted by the Chinese companies

- i. An Indian company is contacted by the Chinese company for business. After several rounds of emails and phone calls, the Chinese company invites the Indian company to visit their facility in China and meet the executives of the Chinese company and senior officials of the local Government, projecting this as an apparent exercise at confidence building. The Indian company agrees to visit China. Just before the departure of their executives, the Indian company receives a request from the Chinese company to bring cash for arrangements and gifts for the senior executives and other local officials, citing Chinese cultural values. The Indian company agrees to get cash and gifts and visits the facilities and meets the executives of the Chinese company. The Indian company is promised of excellent cooperation by the Chinese company. After the Indian company is back to India, the Chinese company goes silent and stops replying to the communications of the Indian company. The Indian company ends up losing cost on transportation, accommodation and the amount incurred for expenditure towards arrangements and gifts.
- ii. The Indian company, wishing to import products from China, finds a Chinese exporter from B2B portals and other online sources. The Indian company contacts the Chinese company. Thereafter, the Chinese company insists that the Indian company should send a percentage of the total amount as advance. The Indian company, unaware of the credentials of the Chinese company, makes the advance payment. The Chinese company receives the payment and thereafter, breaks all the communications with the Indian company, let alone sending the consignment to the Indian company. The Indian company ends up losing the advance payment.
- iii. The Indian company contacts/is contacted by a Chinese company through various online sources. After the deal is finalized between the two parties, the Indian company requests for a sample of products from the Chinese company. The Chinese company duly sends the samples which are found to match the desired standards. Thereafter, the Indian company places further orders with the Chinese company and transfers a percentage as advance payment. It is agreed between the two parties that the Indian company will release LC after the consignment is received at the designated Indian port. The consignment reaches the Indian port and after inspecting the bill of lading, Indian company releases the LC. Till this time, the Indian company has not seen the actual product. The Indian company gets to see the actual product after the consignment is released by Custom. After the consignment is delivered to

the Indian company, it is found that the product is sub-standard or totally different than what was agreed upon in the agreement between the two companies. The Indian company complains to the Chinese company about the spurious quality of the consignment to which, the Chinese company puts the blame on the storage conditions and refuses to accept that it had sent spurious products. The Indian company ends up losing the advance and the amount towards LC.

- iv. The Indian company, wishing to import machines from China, finds a Chinese company from online sources. After the deal is finalized between the two parties, the Indian company makes the full payment and receives the machines. The machine is installed as per the instructions of the Chinese company but it fails to operate. The Chinese company promises to send engineers to India and train the Indian company on using the machines. However, it requests the Indian company to bear the cost towards air tickets and accommodation. The Indian company makes payment for air tickets and accommodation. The Chinese company goes cold after this. The Indian company ends up losing the entire money.
- v. The Indian company contacts/is contacted by a Chinese company through various online sources. After several rounds of emails/phone calls both the parties conclude an agreement whereby the buyer (the Indian company) has to make an advance payment after which, the Chinese company will send the consignment to India. After the Indian company makes a percentage of the total amount as advance payment, the Chinese company goes slow on communication with the Indian company and after repeated requests by the Indian company, asks the Indian company to process the remaining payment. The Chinese company cites excuses such as failure by the Indian company to process advance payment on time, increase in raw material cost, issues on the supplier side, etc. The Indian company risks losing the advance payment if it does not make the full payment and losing entire amount in case they make the full amount and the Chinese company refuses to supply the goods.
- vi. The Chinese company, before or after finalization of the deal, insists on '**Notarization of the Agreement**', cost of which has to be shared equally between both the parties. The Indian company duly pays up its share. After their return to India, the Indian company is informed that they need to pay extra since the notarization fee has increased. The Indian company risks losing its share of notarization fees if it does not pay the extra fee and total amount if it pays up the extra fee.

- vii. Right before finalization of the negotiations between the Indian and the Chinese companies, the Indian company receives an instruction by an employee of the Chinese company to transfer the advance/full amount in some other bank account, instead of the bank account of the Chinese company as specified earlier during the negotiations. Following the instructions, the Indian company transfers the advance/full payment to the new bank account. The employee goes silent after the Indian company transfers the amount. Later, when the Chinese company is contacted about the whereabouts of the consignment as promised, the Chinese company responds that the bank account as given by their employee was not the company's account or that the employee has already left the company and has cheated the Indian company without the knowledge of the Chinese company. The Indian company ends up losing the entire amount transferred to the bank account of the Chinese company.
- viii. The Indian company contacts/is contacted by a Chinese company through various online sources. After several communications by emails, the Indian company requests the sample of products from the Chinese company. The Chinese company agrees to the request and asks the Indian company to pay the freight fee for sending the consignment to India. Once the Indian company sends the freight fee, the Chinese company goes completely untraceable. The Indian company ends up losing the amount towards payment of freight fee.
- ix. The Indian company, wishing to import products from China, finds a Chinese company from various online sources. After the deal is finalized between the two parties, the Indian company transfers the advance payment to the Chinese company after which, the Chinese company ships the goods. Thereafter, the Indian company transfers the balance payment against the B/L sent by the Chinese company. However, when the consignments sent by the Chinese company arrive at India, the Indian company finds that the B/L sent by the Chinese company is not authentic due to which, the Indian company is unable to get it cleared from Customs.
- x. Some instances of hacking of mail boxes have also been noticed whereby a foreign importer is purportedly sent an email with bank details by an Indian exporter. The foreign company transfers the amount to the bank account as per the email. However, the money does not reach the original bank account of the Indian exporter. Further investigations reveal that the Indian company's mailbox was hacked to send an email to the foreign company to transfer amount to another bank based in China.

It is also observed that many a times, similarly spelt email ids are created to fraud the companies involved.

DOs and DON'Ts for Indian companies interested in doing business with Chinese companies

DOs

- i. Indian companies should run a preliminary internet check on the credibility of the Chinese company. Many a time complaints have been registered online against such fraud companies by other affected parties.
- ii. Indian companies are requested to check the credibility of the Chinese company on which they are placing import orders.
- iii. Indian companies should insist on the copies of the passport/national identity card (issued by the Chinese Government) of the representatives of the Chinese company with whom the Indian company is interacting. This would help to track down the offender in case they go absconding.
- iv. Contracts entered with Chinese companies need to have arbitration clause and proof of existence (company registration document) should be certified by Embassy of India, Beijing or the relevant Consulate.
- v. Quality / Quantity of any product to be imported from China to be physically certified by the Indian company either by visiting China or by appointing an agency. Embassy can be approached for list of such agencies operating in China.
- vi. Physical inspection of the goods to be carried out by the importing company at the point of loading in China.
- vii. Refer your trade queries to the Embassy of India or the Consulate Generals of India instead of B2B companies.
- viii. Release the balance payment only after checking the quality of the consignment received in India
- ix. Check the e-mail id of the dealing foreign company, whether China-based or third country-based, every time a correspondence is made. For fund transfer, Indian company must ensure that its bank account is properly communicated to the Chinese/foreign company through different modes of communications (fax, courier) and not through e-mail only.

DON'Ts

- i. Indian companies must desist from placing orders on Chinese companies listed on B2B sites in India and China.

- ii. Never trust a Chinese B2B site which is just in English and has no Chinese version. Every website in China is inevitably in Chinese and sometimes, has an English version. A site only in English with no Chinese version is fraud in all likelihood.
- iii. Advance payment through bank transfer is discouraged; unless the credibility of the Chinese company is proved beyond doubt.
- iv. Never trust email communications while confirming bank details. Always supplement it with communication through faxes/courier.
- v. Do not release LC if not sure of the quality and quantity of the product.
- vi. Do not fall for offers of cheap products from the Chinese companies.

List of Chinese Companies involved in trade dispute with Indian companies in 2012

TIANJIN

1. M/s. Tianjin Sikeda Chemicals Co. Ltd
2. M/s. Tianjin Jinsheng Hongxiang Chemicals Co. Ltd
3. M/s. Tianjin Zhongshangda Import & Export Co. Ltd.
4. M/s. China Wongs Chemical Group Ltd
5. M/s. Tianjin Huimeitong Import & Export Co. Ltd
6. M/s. Tianjin Jiuxiang Chemical Co., Ltd
7. M/s. Tianjin MeiYadoa Chemical Co. Ltd.
8. M/s. Tianjin Hexion Chemicals Co. Ltd.
9. M/s. Tianjin Siterui Chemicals Co. Ltd
10. M/s. Tianjin Lonl Ykey Chemicals Company Limited
11. M/s. Tianjin Ruilin Chemicals Co. Ltd
12. M/s. Tianjin Guangjing Weiye Import & Export Co. Ltd
13. M/s. Tianjin Eternal Grand International Trading Co. Ltd
14. M/s. Tianjin Weikete Import & Export Co. Ltd.
15. M/s China Sosul Group Ltd.
16. M/s Tianjin Whzw Chemicals Co.

HEBEI

1. M/s. Shijiazhuang Tianen Chemical Co. Ltd
2. M/s Xing Rui Na Chemical Co. Ltd

3. M/s Shijiazhuang Major Copper Imp. and Exp. Co. Ltd.
4. M/s. Shijiazhuang Kaoxin Chemical Co. Ltd
5. M/s. Shijiazhuang Hongtuo Chemical Co. Ltd
6. M/s Industrial Zone of Development District
7. M/s. Nanjing Sikaili Chemicals
8. M/s. Shijiazhuang Jiuguan Chemicals Co. Ltd
9. M/s. Qinhuangdao Yagang Chemicals Co. Ltd
10. M/s. Xingtai Basifu Chemical Co. Ltd
11. M/s. Shijiazhuang General Standard Metal Products Co. Ltd
12. M/s. M/s. Shijiazhuang Paiwei Chemical Import & Export Co. Ltd
13. M/s. Shenzhou City Yuxin Metal Products Co. Ltd.
14. M/s. Hebei Xingshi Chemicals Co. Ltd.
15. M/s. Hebei Huagao Import & Export Co. Ltd
16. M/s. Hebei Suhaote Chemicals Co. Ltd.
17. M/s. Kaiyun Industry Co., Ltd.
18. M/s. Qingdao Guanhuiyuan Commercial Co. Ltd.
19. M/s. M/s. Beijing Hengjin Shun International Trading Co. Ltd.
20. M/s. China Yuetai Industrial Co. Ltd.
21. M/s. Shijiazhuang Northern Jinhong Trade Co. Ltd.
22. M/s. Xingtai City Huitai Bicycle Import & Export Trade Co.
23. M/s. Hebei Feikenie International Co. Ltd.
24. M/s Handen Zhangyuan Chemical Co.Ltd.

25. M/s Hebei Sanlong Plastics Co.Ltd.

SHANXI

1. M/s Shan Xi Zhong Li Chemical Industry Co. Ltd
2. M/s Shanxi Beiteer Chemicals Co. Ltd.
3. M/s Shanxi Saiqiang Chemicals Co. Ltd.
4. M/s Shanxi Dikai Lun Chemical Company Limited
5. M/s Shanxi Jieyuan Chemical Industry Co. Ltd.
6. M/s Shanxi Huitongda Chemicals Co. Ltd.
7. M/s Shanxi Termei Chemicals Co. Ltd.
8. M/s Shanxi Xinshilin Chemicals Co. Ltd.
9. M/s Shanxi Teermei Chemicals Co. Ltd.

SHANGDONG

1. M/s. Yantai Longsail Chemical Co. Ltd.
2. M/s. Jinan Wacker Chemical Co. Ltd.
3. M/s. Dili Industry Co. Ltd.
4. M/s Qingdao Aokai Chemical Co. Ltd.
5. M/s Qingzhou Gongle Electric Fan Co. Ltd.
6. M/s Qingdao Isally Chemicals Company Limited
7. M/s Jinxiang Shenglong Trade Co. Ltd.

HUBEI

1. M/s. Angel Yeast Co. Ltd.
2. M/s. Wuhan Erelu Import & Export Co. Ltd.

3. M/s Zhongxiang Jinhanjiang Refined Cotton Co. Ltd.
4. M/s Huanggang Ager Harware Co. Ltd.
5. M/s Wuhan He Da Yun Trading Co. Ltd.
6. M/s Jingzhou Arondyes Chemical Co.

LIAONING

1. M/s Dalian Zhongteng Trade Co. Ltd.
2. M/s Shenyang Kankailong Chemicals Co. Ltd.
3. M/s Shenyang Yuanmei Chemical Industry Co. Ltd.
4. M/s Dalian Wanfuya Chemicals Co. Ltd.
5. M/s Shengyang Longlongchang Xintai Import & Export Trading
6. M/s Shenyang Mingkexiinyuan Import & Export Co.

OTHERS

1. M/s Gun Su Jinbei Chemicals Co. Ltd., Gun Su
2. M/s Zhengzhou P&B Chemical Co. Ltd., Henan
3. M/s Hongkong Paloma Chemicals Co. Ltd., Beijing
4. M/s Longcom Enterprises Ltd., Anhui
5. M/s Chongqing Tongsheng Electrical & Mechanical Research Institute, Chongqing
6. M/s Henan Allrich Chemical Co. Ltd., Henan
7. M/s Boruifu International Chemicals (Beijing) Co. Ltd., Beijing
8. M/s Anhui Friand Imp. & Exp. Co. Ltd., Anhui

List of Chinese Companies involved in trade dispute with Indian companies in 2011

TIANJIN

1. M/s. Tianjin First Chemical Co. Ltd

4. Hebei Jiniu Import and Export Co. Ltd
5. Xingtai Tianen Chemical Product Imp. & Exp. Co. Ltd
6. Shijiazhuang Boxing Chemicals Co. Ltd
7. M/s. Shijiazhuang Yijinhang Chemicals Co. Ltd
8. M/s. China Hebei Shijiazhuang Huanqiu Chemicals Co. Ltd
9. M/s. Shijiazhuang Tianlei Chemicals Import and Export Co. Ltd
10. M/s. Hebei Jiniu Import and Export Co. Ltd
11. M/s. Hebei Bofate Chemicals Co. Ltd
12. M/s. Hebei Yongchi Bicycle Co. LTD
13. M/s. China Hebei Natural Chemicals Co. Ltd
14. M/s. Xingtai Yuetai Trading Co. Ltd.
15. M/s. Cangzhou Zhenghua Chemical Products Co. Ltd
16. M/s. Shijiazhuang Xingchuang Chemicals Company Limited
17. M/s. Hebei Lizhen IMP & EXP Co., Ltd.
18. M/s. Shijiazhuang Tianlei Chemical Import and Export Co. Ltd.
19. M/s. Anping Henglida Hardware Wire Mesh Co., Ltd.
20. M/s. Shijiazhuang Tianen Chemicals Co. Ltd.
21. M/s. Hebei Yuejiang Import & Export Co. Ltd.
22. M/s. Yangquan Yatailongjiang Chemical Import & Export Co. Ltd
23. M/s. China Yajiu Co. Ltd.

SHAANXI

1. Xi'an Bosheng Biological Technology Co. Ltd

List of Chinese Companies involved in trade dispute with Indian companies in 2010

- M/s Zhengzhou Goldstar Chemical Co. Ltd (3)
- M/s Hebei Yagang Import & Export Co. Ltd.
- M/s Puyang Yifeng Maerial Import & Export Co. Ltd.
- M/s Mgenn Group Shandong Litong Bio technology Limited Company Limited
- M/s Shendong Tianxing Railway Engg. Co. Ltd.
- M/s Zaozhuang World Chemicals Co. Ltd.
- M/s Hainhlu Yuan Agar Agr. Industry & Training Company Limited, Hainan
- M/s Shijiazhuang Tianen Chemicals Co. Ltd
- Hebei Yagang Imp. Exp. Co. Ltd.
- Hebei Yonghue Chemicals Industries Import & Export Co. Ltd
- Hebei Jinsen Chemicals Imp. Exp. Co. Ltd
- Hongxinweiyue (Tianjin) Chemicals Co. Limited
- M/s Henan Premtech Enterprise Corporation, Zhengzhou, Henan
- M/s Hebei Yuijiang Imp. & Exp Company Limited
- M/s Wuhan Lan Sun Technology Co. Limited, Wuhan, Hebei
- M/s Tianjin Minte Chemical Import and Export Co.. Ltd, Tinjin
- M/s Sichuan Neijing Songlin Silk Company Limited, Sichuan
- M/s Xian Moatong Import & Export Company Ltd. Shanxi Province
- M/s Qingdao Doublestone Industrial Co. Ltd, City Qingdao
- M/s Shijiazhuang Lingyua Chemical Co. Ltd., China
- M/s China Shijiazhuang Tuofa Import & Export Company, Hebei
- M/s Luohe Chemtee Products Company Limited, Henan (2)
- M/s Beijing DHP Chemicals Eng. Co. Ltd, Jinma
- Cosder International Group Limited Hong Kong
- ShiJiaZhuang Huanqui Chemicals Co. Ltd
- M/s Lantian Auto Wheel Factory, Lianyungang, Jiangsu Province

SHANDONG

1. M/s. Qingdao Laminate Machinery Co. Ltd.
2. M/s. SINOCHEM QINGDAO CO., LTD.
3. M/s. Dezhou Global Chemical Co. Ltd.

HEILONGJIANG

1. M/s. Hailun City Guangyuan Beans Co. Ltd
2. M/s. DaXingAnLing Lingonberry Organic Foodstuffs Co. Ltd