



सत्यमेव जयते

भारत का राजदूत
पेयचिंग
Ambassador of India
Beijing

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PEK/COM/208/3/2016

12th July 2016

Sub: 4th Advisory for Indian Small and Medium Enterprises (SMEs) doing/
interested in doing business with Chinese companies

Dear Shri. Sharma,

India's trade relations with China have been growing and are very important to us.

2. However, along with the growth in bilateral trade relations, there has been an increase in the number of trade disputes that have been brought to our attention.

3. This trade advisory is intended to caution our small and medium enterprises (SMEs) and to enable them to protect their interests better while doing business with Chinese companies.

Yours sincerely,

(Vijay Gokhale)

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No. Pek/Com/208/3/2016

Embassy of India

Trade & Commerce Wing

Beijing

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

Reference trade advisories issued by the Embassy of India, Beijing vide letters No. Pek/Com/208/2/2010 dtd. December 21, 2010, Pek/Com/208/1/2011 dtd. September 7, 2011; and Pek/Com/208/1/2011 dtd. April 10, 2013.

2. This is an updated trade advisory issued in the interests of Indian small and medium enterprises (SMEs) that intend to or are doing trade with Chinese entities in China. It is intended to enhance the commercial cooperation between India and China by drawing attention to some of the risks faced by Indian SMEs to take preventive and/or mitigating action.

3. The information contained in this advisory is based on trade-related problems that are periodically brought to the Embassy's attention for information, facilitation and assistance. It is meant to serve as broad guidance cataloguing some major checkpoints that should be observed by Indian companies in trade transactions with Chinese companies to prevent possibility of problems or disputes. It does not substitute in any way the Company's own actions or responsibility in this regard.

4. Typically, the trade-related problems brought to the Embassy's attention cover the following issues.

For Export of items by Chinese Companies:

- Supply of sub-standard goods, inferior quality;

- Supply of sand, stones, salt, bricks, mud etc. in place of chemicals, Silicon Carbide, Aluminium and Zinc ingots, shellac, plastics, polymers etc.;
- Refusal to send consignments on receipt of payment;
- Quantity dispute;
- Stopping communications on receipt of advance payment;
- Dispatch of defective machinery;
- Diversion of payment into unassociated bank accounts by third fraudulent parties by hacking into email IDs;
- Taking money for sample dispatch and then stopping all correspondences.

For Import of Items by Chinese Companies from Indian Companies:

- Refusal to make payment after taking control of consignment exported from India on some pretext;
- Refusal to take delivery of the consignment when the market value of the imported item has gone down from the value fixed in agreement;
- Non-release of Pre-Shipment Inspection Reports/Certificates in due time after departure of shipment from the Indian port entailing demurrage on arrival at port in China;

A descriptive account of typical modus operandi of Chinese offenders is enclosed at Annexure 1.

5. Accordingly, Indian companies are advised to take due precaution while engaging in business transactions, particularly when dealing with new or unfamiliar companies. A recommended list of check-points is placed below. It is not an exhaustive list of measures or options.

- i. Run the credentials check of the Chinese Company, including through the Embassy or the Consulates in China which may respond with basic information;
- ii. In case of large transactions, consult a business service company which can provide a report on the business transparency, financial health, reputation, reliability and credential of the company;
- iii. Avoid transacting with any company from a B2B platform. Some B2B sites offer products at much lower rates than the market value. Those websites should be shunned;

- iv. Exporters or importers for a particular commodity or service can also be accessed by sending trade queries to the Embassy of India and the Consulate General of India in Shanghai, Guangzhou and Hong Kong. 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> , Consulate General of India, Guangzhou-<http://www.cgiguangzhou.gov.in>, Consulate General of India, Hong Kong-<http://www.cgihk.gov.in>).
- v. Copies of the passport/national identity card issued by Chinese Government, of the representatives of the Chinese company with whom the Indian Company is negotiating, should be obtained by the Indian company;
- vi. Check the list of "Chinese Companies involved in trade disputes with Indian companies from 2013 to 2015" which is attached herewith at **Annexure 2**.
- vii. Before signing a contract, gather a copy of the business license and enquire about the Company from local Industrial and Commercial Bureau(ICB);
- viii. Site visits may be considered for large transactions. Take photos of the company and the factory during such visit;
- ix. Check whether products are produced by the company and whether the packages belong to the target company;
- x. It is advised to sign a contract of a small amount in the beginning and gradually increase the volume of business once credibility of the Company has been established.
- xi. Payment with Letter of Credit (L/C) is recommended when the contract object is of a high value; alternatively, both the parties should operate through an 'Escrow account' or 'Bank guarantee' route;
- xii. If payment with Letter of Credit (L/C) or 'Bank guarantee' route is not adopted, it is advised to appoint a professional third-party to inspect the products in order to determine whether the products comply with the agreed standard (quality and quantity) or not;

- xiii. Balance amount should be released only after checking the quality and quantity of the consignment received in India. Letter of Credit should be opened with the provision of honouring it on inspection of in-bound cargo at the Indian port and not on placement of Bill of Lading only. If B/L placement is the norm, presence of a Company representative from Chinese Company may be insisted upon at the time of inspection of the cargo at the Indian port, especially, if the bulk or value of the consignment is large.
- xiv. For export of any product from India, the Indian exporter must ensure that all the procedural formalities as per Chinese rules and regulations are carried out. If any **Pre- Shipment Inspection (PSI)** is required to be carried out by any Chinese Government-authorized agency and the relevant certificate needs to be submitted for clearance of the cargo at any Chinese port that must be obtained before the vessel leaves Indian port. Otherwise the ship may be stuck at the Chinese port and the Indian exporter may accumulate demurrage.
- xv. The Indian company should insist on having the registered documents and other agreements as 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

6. All the trade-related queries/complaints/grievances may be addressed to the **Second Secretary (Trade & Commerce), Embassy of India, Beijing** at sscom@indianembassy.org.cn or to the Consul (Commerce) in CGI Guangzhou/CGI Shanghai/CGI Hong Kong. Names of provinces/regions under the respective jurisdiction is available on our website www.indianembassy.org.cn
