



भारत का राजदूतावास

पेकिंग

EMBASSY OF INDIA

BEIJING

FAX/ EMAIL

To:	Shri G.P. Upadhyaya, Secretary-General, FIEO	From:	Abhishek Shukla Third Secretary (E&C)
Fax:	+91-11-26148194, 26150066, 26150077		Tel No: +86 10 6532 0482 Fax No: +86 10 6532 5148 E-mail: sscom@indianembassy.org.cn
Cc:	Shri Gautam Bambawale, JS (EA), Ministry of External Affairs Fax: +91 11 2379 2124 Shri J S Deepak, JS (FT-NEA), Department of Commerce Fax No: +91 11 2306 3418 Smt. Riva Ganguly Das, CG, Shanghai Fax No: 021-62758881 Shri I.M. Pandey, CG, Gaungzhou Fax No: 020-85501510 Shri Gaddam Dharmendra, CG, Hong Kong Fax No: 00-852-28664124	No.	Pek/Com/208/2/2010
		Dated	Dec 21, 2010
		Pages	2+5
Subject	Increasing instances of trade disputes between Indian and Chinese companies and actions proposed		

Dear Sir,

The Embassy has noticed a surge in cases of trade disputes between Indian and Chinese companies in the last few months. It has been noticed that under the jurisdiction of the Embassy of India, the maximum cases of trade dispute are originating from the provinces of Henan and Hebei and the municipality of Tianjin. The amount involved under these cases of trade dispute was in excess of USD 78,430,00 in 2009 and USD 54,341,62 in 2010 (Jan-Nov).

2. These disputes primarily fall under five categories. The details under these categories and the modus operandi adopted by the Chinese companies are elaborated at Annexure-1.

3. 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 provides services in this regard. 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

Add: 1, Ritan Dong Lu, Beijing 100600 Tel No. 0086 10 65321908/ 6532 0482; Fax: 0086 10 65324684

Web: www.indianembassy.org.cn

we need to share this with all trade bodies commodity boards US (foc)

22/12

on file ml
ml
23/12

FD-40637/10

SSCAR - or foc

SSC/BEJ

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.

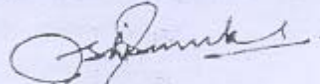
- ii. The **Indian company must not trust any B2B site** for list of importers/exporters from China. It has been found that most of the cases of trade dispute have emerged from such B2B sites. The Indian company should refer their trade queries to the Embassy of India and the Consulate General of India in Shanghai, Guangzhou and Hong Kong for a detailed and reliable list of importers/exporters. The Embassy/Consulate provides answers to the queries within 2-5 working days. Mails to this effect can be sent to the commercial wing of Embassy/Consulate. Details can be obtained on the websites.
- 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. 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.

4. 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**.

5. It is requested that information about the trade disputes between Indian and Chinese companies may kindly be circulated among your members so that due diligence is conducted by the Indian companies before they enter into any business transaction with a Chinese company. The Embassy is also writing to various Export Promotion Councils (EPCs) for information and necessary action at their end.

6. 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.

Regards ,


Abhishek Shukla