



* EXPORTER ALERT *

CHINA BUSINESS SCAMS

EXPORTERS REPORTING INCREASE IN SOLICITATIONS FROM FRAUDULENT CHINESE ENTITIES

U.S. Commercial Service clients have reported a recent increase in the number of unsolicited buyer requests from China. This article offers guidance to help firms avoid falling prey to these scams. Review the following checklist to see if some of these common themes* apply to your situation.

- The Chinese company contacted you, unsolicited, via the web
- The Chinese company has "Import - Export" in their name
- They want to purchase an unusually large volume of goods
- They insist that your senior executive travel to China to sign the contract
- They request money prior to signing the contract to pay for a reception or for contract administrative fees.
- They have been in business for less than one year and/ or have very young ownership
- They can provide no verifiable references

If one or more of these characteristics look familiar, be suspicious and conduct due diligence on the Chinese entity. Your company should immediately be suspicious of requests by a Chinese entity to outlay any cash or payment in advance of reaching an agreement. Requests for sharing notarization fees or other contract administration costs, gifts, hosting of banquets are just some of the ways in which fees are solicited.

Regarding self initiated due diligence, companies are advised to ask for trade references, including the names and contact information of American companies with which the Chinese company has successfully partnered in the past. The U.S. company is strongly urged to follow up on those references. If the Chinese entity has never successfully partnered with an American company, it is obviously more risky. If the Chinese company cannot provide trade references, then it also involves more risk.

Additionally, ask for a copy of the Chinese company's current and valid business license (issuing authority: Administration of Industry and Commerce). This is a public document that is available for inspection at the local government authority. The Chinese entity must have a copy on file at their offices, and it should be straightforward for them to fax a copy in very little turnaround time. The Chinese company should provide this in Chinese and English. If the Chinese entity is hesitant to provide its business license, then it is suspicious. The following information should be confirmed: 1) all information on the business license matches the information that the Chinese company has provided up to that point; 2) the scope of business permitted by the business license matches the type of business in which it is trying to engage; 3) the American company should ensure they have been in contact with the legal representative of the Chinese company that is listed on the business license; and 4) confirm that the physical location from the Chinese entity's communications/proposed contract matches the location indicated on the business license.

In addition to trade references, an easy way to determine if other companies have had a similar encounter is to use an internet search engine with the combined terms "fraud 'Chinese company name'." Although this will not capture every fraudulent company, it does identify the most notorious offenders.

If the firm is not providing information requested, nor acknowledging your questions, seriously consider discontinuing communication.

If your company believes you have credible export opportunities in China and elsewhere, you can order a due diligence report on prospective buyers and distributors through the Commercial Service. Details on the International Company Profile Report can be found at: <http://www.buyusa.gov/china/en/icp.html> or contact your nearest [US Department of Commerce Export Assistance Center](#).

* Common scam themes provided in consult with China ICP contractor Globis Inc. (www.glo-bis.com)