

Importing from China, legal advice for UK companies



If your business is already importing from China 中国, or considering Chinese imports, 中国进口, you will want to ensure the process, and the relationship with your Chinese suppliers, goes smoothly right from the beginning.

Stories of lost sales and key promotions unfulfilled due to a slip up at the Chinese factory are common and can make companies cautious of taking the first step.

Here are some key tips and useful practices to adopt with your Chinese suppliers, to ensure that your goods arrive as expected, on time, and in the right quantity, consistently. We've included some front line advice on what to do if problems do arise. These tips we presented to UKTI's China market experts last year, and we are sharing the knowledge.

Before you begin: Check the validity of the Chinese factory & Company. Do your supplier research; supplier research includes:

Speaking to other customers of the factory to confirm the quality your potential supplier's goods.

Visiting the factory of your potential supplier at an agreed date.

Double checking by arriving "on spec" unannounced at the factory a second time.

Be assured, this won't jeopardise your relationship with the potential supplier. Ask to see the factory/process/goods that you have ordered whilst you are there. Arrange to stay for a few days so that if there is no one to meet with you straight away, you can always return in the following days. Ask the same questions of different people at the factory to check for consistent answers. Ensure you are buying directly from the Chinese factory and not via an agent of the factory.

Setting up a Letter of Credit to show payment will be made and goods will be shipped. Your bank should know how to do this, or contact The Legal Partners, details below.

To ensure goods purchased from a Chinese Factory are of **required quality:**

Send your agent, or better still go yourself to the factory to check quality before it is shipped.

Request that one batch out of the first shipment is sent by air rather than sea, then check the quality of this batch when it arrives.

To avoid the situation where goods ordered from a Chinese Factory do not arrive:

Agree small orders first, over a period of time, so trust is established.

Pay in stages with an amount withheld until delivery.

Ask for goods to be delivered to a warehouse in your country. Once delivered you then pay for the goods as they are released.

Protecting your Intellectual Property.

If your Chinese factory is involved in assembling your innovative product, or has exposure to your I.P or knowledge in the factory process, this will be a key concern and you will need to be even more vigilant. This is a whole topic in itself, a hugely important one, which we cover in another article on this site.

If things do go wrong:

The best ways to approach disagreements and difficult issues with Chinese business people is to talk, meet face to face and go to dinner together.

If you are in a position to talk the issue out over a meal, be ready to discuss your burning issue only at the end of it. This is the Chinese way and you will get better results for your patience.

If you can't get out to the factory, use Skype as the next best alternative, or speak by phone rather than email. Email will be less effective unless you've had a face to face conversation already. When managing a negotiation process with your Chinese supplier:

Allow time for any decision to go up through the Chinese decision making tree

Ask how long it will take for an answer to come back from above, so you know time scales you are working with.

Get to "yes" at each stage of the negotiation process, follow up what's been agreed at a meeting in writing and ask for confirmation from your Chinese supplier that this is what both you and they agreed to during the meeting.

Avoid the silence vacuum. Silence from a Chinese supplier means "no".

Recognise that "yes" in Chinese is ambiguous, it can mean "yes, I've heard what you are saying" not necessarily "yes I agree".

You must have a trusted interpreter/translator, to establish credibility and show you are serious in negotiations.

There are many ways of limiting the damage if things do go wrong in the first months or even after years of dealing with your Chinese factory and Chinese Suppliers.

The Legal Partners are expert commercial negotiators as well as lawyers with experience of how to do business and negotiate with Chinese companies.

Our MD Richard Mullett has negotiated for many UK companies with Chinese giants such as ZTE. Our China Partner Iris Cai helps UK and Chinese companies understand each others way of thinking and operating, facilitating good long term relations. Both are highly experienced in guiding UK businesses to success when dealing with Chinese companies.

We can help you lay firm foundations with your Chinese Factory, negotiate the best deal with your chosen Chinese suppliers and help you get with them back on track if things don't go to plan. Contact us

below if you need help.

In conclusion:

3 Key things to remember when buying goods from a Chinese factory:

1. CHECK YOUR GOODS **BEFORE** THEY LEAVE CHINA-
(by visiting the factory). DO NOT RELY ON CHECKING GOODS ONLY WHEN THEY ARRIVE IN THE UK.

2. KNOW YOUR SUPPLIER - MEET WITH THEM 3 TIMES IDEALLY BEFORE YOU ORDER!

3. GET A GOOD FREIGHT FORWARDER AND ORGANISE TO COLLECT GOODS SWIFTLY FROM THE WAREHOUSE TO AVOID PENALTIES FOR LATE COLLECTION (DEMURRAGE CHARGES). CONTACT THE LEGAL PARTNERS IF YOU NEED AN INTRODUCTION.

This advice was put together for UKTI Foreign Office Managers, front line staff and China Market experts by Richard Mullett and Iris Cai.

For advice on these and other issues outlined above and for help negotiating successfully in China please contact:

Richard Mullett at Richard.mullett@thelegalpartners.com

Skype: richard.mullett

mobile: 00 44 (0)7802 666378

Iris Cai at Iris.cai@thelegalpartners.com

Skype: Hongbing Iris Cai

Mobile: 00 44 (0)7780 672369