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CHINA BUSINESS GUIDE:

This guide is a useful tool for Lebanese traders and manufacturers buying goods or manufacturing goods in China.

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PART I: FINDING POTENTIAL CHINESE SUPPLIERS.

Select a few potential suppliers to communicate with. When contacting suppliers, provide information about your company. The good suppliers already have more business than they can handle - you want to market yourself so that they want to do business with you.

When qualifying suppliers, you can ask them how long they've been in business, which trade shows they attend, how long they've been attending these trade shows and which companies they manufacture for.

Narrow down to the supplier that you really want to work with. Discuss the price and trade relationship. Obtain product samples and review them (and their packaging, instructions, and any other collateral) for quality - you may have to pay a nominal fee. Discuss shipping and payment terms. Gather all necessary information to prepare for placing a trial order. When placing the purchase order, include as many details as you can think of.

Understand trade terms and use them. Before placing any order, you need to understand and confirm with your suppliers about shipment terms. Most popular are "fob" and "cif". These are closely related to your landing cost calculation and risk assessment. You can consult a freight forwarder (like LET) for detail break-down on the costs and risks. The easiest way to import from the Far East is using FOB shipping terms. This means that your supplier will get your goods to the nearest port and clear them through local customs. FOB is a globally standardized term; everyone knows where they are with FOB shipping terms. This removes the problems that can arise from charges that your supplier should know about. Ask your supplier to give you an FOB quote for your goods.

If your supplier doesn't offer FOB shipping terms make sure they have a valid export license as these can cost USD 100 or more

As the Importer of record, you (not the supplier) are legally responsible for making sure that goods brought into the country meet all regulatory requirements. Goods that don't meet requirements can be stopped at the border or can result in future legal suits. Don't just take a supplier's word that requirements are being met. Do your homework on compliance issues and make sure you know requirements are being met. You need to understand the relevant import compliance regulations beforehand. Besides the Lebanese Customs (www.customs.gov.lb), other government authorities like the Ministry of Health, the Ministry of Agriculture or the Industrial Research Institute (www.iri.gov.lb) also regulate the importation. It is highly recommended to consult a good freight forwarder before placing any order.

Appoint an inspection company to check your goods on site in the factory, and give you a detailed report. It is very helpful to provide the inspection company details about what to check. Without such details, the inspection company may think products are okay even though you won't. You may also consider having inspections done of components that are going into assembly early in the process. This can help avoid last minute quality problems. This is usually done a few days before the expected shipment, so you can address any issues that would be raised. This will allow you to avoid receiving defective or non-conforming goods.

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Part II: Verifying Chinese Suppliers

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One difficult task to do when sourcing in China is trying to verify the suppliers. For small and medium sized buyers, many of them can't come to China to visit the supplier on the ground and face to face, so they could either use a third party verification service (such as SGS or Veritas) or do the verification themselves, using the following simple tips:

Check the bank account

If your suppliers have a foreign currency company account to accept your payment, and the bank account is opened in one of the state-run banks (Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of Communications and China Construction Bank), this is positive. As we know, only companies with an import and export license can apply for a foreign currency company account in the state-run banks.

If your supplier doesn't have an import and export license, they won't have a foreign currency company account. But they should have an RMB company account in a Chinese bank. As foreign buyers, you can't send RMB to China, but you could ask your agent in China to send a sample fee to their bank account to test if their RMB company account is real.

Be cautious of shell companies

When you see Hong Kong companies on Alibaba, with contact information in Shenzhen or Guangdong province (the address is in Shenzhen and/or the phone number start with 0755, not 852), that is a shell company. Be cautious.

Secrets in the company name

If you see a company with "trading" or "trade" in its name, then it is obviously a trading company, not a factory. If a company has "group" in its name, then it is a big corporate.

According to Chinese law, all Chinese companies should add the geographical location in the

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company name. The geographical location is related with registered capital. In our province (Zhejiang), for registered capital less than 2 million RMB, you can't use the prefecture-level cities in your name (for example, if a factory is in Ninghai county, Ningbo city, Zhejiang province, China).

Judging by the company name, you can tell the company size (or at least the registered capital):

- China Mobile Limited (huge size)
- Jiaoguang Group (big corporate)
- Zhejiang XXX Co., Ltd. (big company but smaller than group company)
- Ningbo XXX Co., Ltd. (decent company)
- Ninghai XXX Co., Ltd. (ordinary or small size)

Check the email address and email usage

You can use email address and email usage as a supplementary method to screen suppliers or business partners when sourcing in China.

If you have choices, choose suppliers that have a company email address over suppliers that use a free public email account to communicate with us, such as steven@163.com, steven@sohu.com, steven@hotmail.com.

Email service providers like sohu, 163 and sina have paid services as well, so you can find some suppliers will use email address like steven@vip.sina.com. That is better than a free email account but still not as professional as steven@chinawhy.net

You can generally tell the suppliers size and experience judging by the email address they use.

Suppliers with many years export experience normally care very much about their company image, so they will use an email account associated with their website domain. Small and new factories normally use free email accounts. Factory owners normally don't have high education background, so at the beginning of their startup stages, they normally don't recognize the importance of email address and usage.

Some suppliers in China use email addresses like steven@mail.hz.zj.cn. This suggests the company has been around for a long time. In this case, hz stand for Hangzhou city, ZJ stand for Zhejiang province, CN stand for China. So if your supplier is from Shandong, Qingdao, they may use steven@mail.qd.sd.cn. Established companies will use email addresses like this in China.

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Check the company address

You can often use the company address to tell if a supplier is a factory or a trading company. 99% of factories are located either in rural areas or in the development zone, so if their addresses have village, Town, Development Zone, these are all good signs. However, if it says building in the address only, then they are trading companies.

We have stressed the risk dealing with Hongkong offshore companies. If a company is registered in Hongkong, but their operation address is in mainland China only, such as Shenzhen, Guangzhou, then it is an offshore company.

Call the phone number

The phone number also reveals hidden information about a supplier. For example, big companies will have a lot of extensions, so for small buyers, maybe it would be easier to deal with a supplier of your size.

Some companies use same the phone number and fax number. We would suggest buyers stay away from them, as they are not even willing to set up 2 lines, one for telephone and one for fax. In extreme case, some “companies” only use mobile phone as contact information, no landline, no fax. In both cases, you often find the “companies” are not companies at all, but individuals.

If you have the phone numbers of your suppliers, try to call the number a few times to see if you can find your contact there. Many scammers use fake phone numbers and they assume you won't call them.

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Part III: Dealing with Chinese Factories

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Receiving painless service from a Chinese manufacturing partner is a massive task, and is far more difficult to achieve when carried out remotely and with pressing time constraints.

Starting to manufacture in China can be made a much smoother experience by remembering to think about the following points:

You get what you pay for. Factories will sometimes go the extra mile with the promise of a large order and provide samples and lots of initial project work without payment. Some factories do not. Expect to pay cost for samples.

Come to China with your own approved product technical drawings, samples (if you have them) dimensions, colours, surface finishes, tolerances, weights, materials, QC criteria all decided upon.

Put in the time. Working with a company in another time zone will always add an element of difficulty and delay thanks to short working hour overlapping windows. Working with a non-native English language country can magnify this issue.

Chinese factories will generally ignore all but the most recent email and will not take in the bulk of a long one. Be concise and use as simple English as possible.

Pressuring factories with hundreds of angry emails is rarely helpful. Trying to understand the issues at hand and working to solve them without apportioning blame or emotions will result in a faster project completion.

Repeat all important points, then repeat them again and send QC and QA to inspect that your words have been put into correct action. You will be amazed how project critical points can be ignored, forgotten or confused.

Many factories are run by illiterate bosses with a good head for business. This is not intended to be defamatory, but should serve as a reminder that dealing with many Chinese factories is dealing with people who have no formal management training, and little schooling. Be warned – appropriate time should be reserved for a ‘meeting-of-minds’ on important issues.

Direct communication with the people in charge of the Chinese factory will be very rare. For the above reason, an English speaking sales team will be a factories main/sole point of contact with overseas clients. Make sure your words are getting translated properly and through to the people who need to hear them.

Be prepared to double your expected delivery date. Set backs will occur, whether they are

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made during the communication process, sampling, production or shipment. Adding a few days contingency is not enough. Do not expect miracles and fast delivery times, especially if you are working with a new manufacturer on a new product.

Visit the manufacturer or send someone you trust to visit them before any substantial funds leave your bank account. The importance of this step cannot be stressed enough. When visiting a potential supplier, take an interpreter you can trust. Chinese interpreters can sometimes be unwilling to communicate strong sentiments and can weaken in the face of an intimidating factory boss/team.

Have a company in China you can trust to follow production and keep the factory following your instructions. It would be great if one short client visit was enough to ensure commitment and eternal understanding. Unfortunately, if communication breaks down, mistakes in sampling/production can occur and the whole project can very quickly turn into a rescue operation. More face-time with the manufacturer will be the best way to resolve issues, but would mean another costly trip to China.

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Important Links

Lebanon Government Authorities and Bodies

www.customs.gov.lb	Lebanese Customs
www.portdebeyrouth.com	Port of Beirut
www.agriculture.gov.lb	Ministry of Agriculture
www.economy.gov.lb	Ministry of Economy and Trade
www.ccib.org.lb	Chamber of Commerce and Industry
www.iri.org.lb	Industrial Research Institute

Embassies

http://embassy.goabroad.com/embassies-of/lebanon	Lebanese Embassy in China
http://www.fmprc.gov.cn/eng/wjb/zwjg/2490/2492/t14397.htm	Chinese Embassy in Lebanon

China Government Authorities and Bodies

http://english.customs.gov.cn	China Customs
http://english.mofcom.gov.cn	Ministry of Commerce
http://en.ndrc.gov.cn	National Development and Reform Commission
http://english.agri.gov.cn	Ministry of Agriculture
http://en.cnta.gov.cn	National Tourism Administration
http://english.gov.cn/links.htm	Chinese Government

Fairs

http://en.chinafairs.org	Yiwu Fair in Yiwu
www.cantonfair.org	Canton Fair in Guangzhou
http://www.fdi.gov.cn/pub/FDI_EN/default.htm	Invest in China

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