

Who should you be doing business with in China?

A Business Registration Report/ Company Profile is the absolute minimum you should do to check the registration and ownership of the company. A freshly created Business Credit Report (around \$200) is the next step, and will show you the registration information, ownership, litigation record, last three year's financial data, Trademarks/Patents, and a comparison of that company to others in its industry in China. The International Company Profile (\$600 from the US Department of Commerce) includes all the previous information, plus indication of the firm's reputation, their suppliers, clients, recent news reports or developments relevant to the company, and more. If you don't want the company to know you're looking into them, confirm with the researchers before you place the order, because some companies are not too discreet.

The most thorough method of checking the background of a potential business partner in China is to have an unbiased service conduct an in-depth due diligence examination of the company. The cost of such an examination ranges from around \$2,000 – \$20,000, depending on how deep you would like to go. Chinese

companies tend not to be very forthcoming with information sharing, and it may harm your future relationship with them if they think you are 'poking your nose into their business.' Hiring an outside service or a law firm to conduct the investigation for you offers you a chance to 'save face' with your potential partner in China – you can just blame the nosiness of the outside service for their insistence the company open their doors and books to inspection. Depending on the level of investigation, it may be necessary for the Chinese company to be aware that you are having their background checked.

China is developing rapidly and there are three main types of business partners you may find: the old style State Owned Enterprise which will tend to follow a slower negotiating track and may not be as interested in their bottom line; the newly privatized SOE, where the company leadership is under the gun to make a profit or go under - they may not necessarily know how to best be successful, but they want to succeed; and the entrepreneurial firm, which will tend to move faster than most American companies. Recognizing what type of

company you are dealing with (which should be revealed in even the most basic due diligence report you order on them) will help you decipher the most appropriate method for interacting with your Chinese partner.

The bottom line: there is quality, affordable information on Chinese companies, and getting it can help your chances of success in China. We had a customer learn from one of our reports that the Chinese company which had sent them an unsolicited email for an order of nearly US\$500,000 worth of specialty machinery had a stellar rating. Our client was able to finalize the agreement within weeks, without a trip to China, was paid on time, and already has follow-on orders. In another case, we were able to stop a client from making a contract signing trip to China by revealing that the company he intended to meet was a scamming company. Business can be tough anywhere in the world. Make it easier on yourself by learning the facts about your potential business partners before you waste any time or money establishing a relationship with them.