

Sample essay on legal issues in china

[Business](#), [Customers](#)



Law governs many different areas of business. The study of business law also involves acquainting oneself in ethics applied in decision making. Moral minimum is standard for ethical business behaviour and means compliance with the stipulated law. The law does not evolve simultaneously with global advancement and for these reasons; we have grey areas in the law. This area is when the law is quiet on the legality of an action. Many diverse laws affect a single business transaction. Organizations and service providers owe a set of ethical duties to shareholders, suppliers, community, employees and most importantly its customers. When these duties are not met, conflict and ethical dilemmas arise (Keenan and Riches 21). Recently legal issues have increased in terms of fraud and other forms of unethical business practises. Some of these cases can be attributed to countries integration with internet and non-existence of cyber laws governing the online forms of exchanges/trade. Some of the legal issues observed involving China are shared below to offer lessons in future transaction in popular trade websites. The first case, it involved a transaction involving HDMI cables products from a Chinese supplier named Changzhou Best international Co., Ltd and a UK buyer. The buyer engaged the supplier in China on all the trade terms and conditions in China and later reached an agreement dispatching more than \$2000 to the Chinese company on Oct, 2006, as a down payment for the cables made in China (China Business Newsweekly 12). The UK buyer being serious about this venture employed a native Chinese national to offer a basic verification of this supplier in China before he made the payment of the rest of the money. He established from the local officials that the supplier was not operational due to low creditworthiness and deficiency in his ability

to perform. When contacted the supplier did not want to meet the buyer's demand, and no shipment was done. He pledged to offer a refund to the purchaser on claiming his payment back. Later the supplier disregarded calls and messages from the buyer. Neither shipment of the goods nor refund was given to the client. In business law, if a party fails to execute any of its responsibility in an agreement, then the other party has good grounds to conclude that a fundamental breach of contract has occurred. In this case a breach was apparent as the supplier failed to hand over the goods to the buyer as agreed. This took place even though the buyer held the document that entitled him to obtain them.

In this fraud case, the buyer can employ some countermeasures. These measures may include, employing a local Chinese media to report the supplier's bad credit to local government agencies. He may bring forth an official claim against the supplier by collecting enough evidence ranging from formal sales documentation or purchase contract, confirmation of the order report to payment receipts. To avoid such a scenario in future, any payment ought to be remitted only after validation of the supplier and shipment inspection in china.

The second case involved supply of Auto parts products by a Chinese supplier, Zhuji Hongxing International Trade Co., Ltd. The supplier was supposedly a “ verified” member of another famous platform in China. A USA buyer---Mr. Smith got their information online and contacted the company's CEO called Tony Lin through emails. They exchanged a number of pleasant communications and Tony assured him he was a real manufacturer in China and from the talk; he seemed a professional in that field. Mr. Smith bought a

number of samples from Tony devoid of any due diligence work in China in April, 2007. When the sample arrived, it was quite good in terms of quality, reasonable prices. Also, the good communication exhibited by Tony and the promise of fast delivery was surprising in a good way and bought Smith's trust. In May, 2007, Mr. Smith requested an OEM service from Tony's manufacturing company and placed a huge order and reaching a satisfactory agreement concerning every trade terms and conditions. Smith remitted to Tony US \$120000 as a deposit after arriving at an agreement to get the production started. The deficit amounting to \$200000 was to be paid after the completion of production. A while later Mr. Smith contacted a local business service agency to pay a visitation to Tony's factory in China to check how the production process was going along. Tony explained he had travelled abroad and was in no position to meet the representative at the time, only for him to become unreachable a week later and disappeared in thin air. The local auditor went to the manufacturing plant without any notice only to find the company was non-existent. The addresses given were for another completely different company. The scammer had lied using another company's information. In the end Mr. Smith lost \$120000, and it seemed the scammer had just bought the samples from another manufacturer to deceive and earn his trust. From the case, the offer became effective when it reached the person who was offering and in this case the company offered to provide the goods and Mr Smith accepted. The silence of the seller and not rendering the services meant he had declared contract avoided which was unethical considering the buyer had paid the price and had not failed to perform his obligation under the agreement (Khan and Amman 13). So this

was a fundamental breach of the contract.

Countermeasures in this case would be signing a formal and admissible contract with any of your contractors to guard your interest. Another step would be satisfying a basic verification on a service provider to make sure he not a fraudster and subscribes to ethical behaviours to warrant a partnership in China. Additionally, fulfilling a thorough audit in terms of production inspection and pre-shipment inspections are paramount in case you want to place a large order.

In the third case, products related to human hair products commonly known as wigs. They were to be supplied by a Chinese company known as China Better Hair Co., Ltd. Details of the case indicated a buyer of Portuguese origin got information online about the wigs and contacted Mr. Guo –the international trade manager at Better Hair in May, 2007. After they had communicated successfully, Mr. C placed a trial order to the Chinese company amounting to \$5000. Mr. C insisted that he required 100% of human hair products and the company’s point man confirmed that was exactly what they dealt in. When the consignment arrived, its destined customers termed the products as fake, and this resulted in Mr. C suffering losses owing to disputed quality matter. The existing business laws states that the seller must deliver goods that are of the quantity, quality and description required by the contract and which are contained or packaged in the manner required by the contract. Exceptions are where the parties have agreed otherwise. Therefore in this case the seller was liable as the goods delivered lacked conformity with the quality of the goods sort at the time of the contract. The best way to avert such eventualities is to perform a Pre-

shipment inspection and to sign an enforceable contract stating what is required of the suppliers. It is also good to deal with the company as a whole as opposed to an individual it is much easier to control the quality if you deal with a manufacturer directly.

In another case, buyer reached out to a seller to purchase a 42 inch television offered at a price of \$200. However, after the seller had paid the agreed price, the seller shortchanged the buyer by refusing to send the product demanding extra money. The facts of the matter were that the offered price for the television –that normally goes for US\$800, was unbelievably low. It was, therefore, unreasonable and unrealistic to think you can get the product for that price. Some unethical sellers will present exceptionally low prices to prey of naïve and unsuspecting buyers only to raise the price or demand the purchaser to place a larger order after receiving the payment. Whether it was a marketing scheme or a calculated dishonesty, it was unethical commerce practice. A fundamental breach of contract committed as one of the parties' actions resulted in detriment to the other party as this substantially deprived him of what he was entitled to expect under the agreement (MacIntyre 30). Protective measures would be to look for find secure payment method when exchanging in online transactions that effectively protects your payment until your goods are safely received. It is also important to be wary and research on the market prices of the product one is seeking and a deal with a price less than 30 percent of the market price should be reconsidered (Shachtman 34). The next case involves brand name electronics fraud. This type of fraud frequently happens with offerings of well-known electronics products like

Apple, Samsung, and Canon, etc. Chinese suppliers claimed that they could offer low prices for these products produced in China, but this was not the case. The research on the products indicated these brands had price controls globally so no Chinese supplier could probably present unique prices. In case one wants to know the market prices of a brand name product, it is advisable to look at the official company websites. Also in the event when one is not sure about the transaction, using a secure payment method is important. Escrow, for instance, allows payment to be withheld if an order does not arrive. It is important to be mindful of prices that are too good to be true. Another common reported fraud in China was USB Flash Device Fraud. This unethical behavior occurred in two situations. First, these devices were shipped having their chip digitally altered and reprogrammed to deceive to an operating system about their actual storage capability and speed. Later the devices malfunctioned when they were tested to their indicated limit. This is unethical in business law and punishable as the customers ordered and paid for high speed flash drives only to get those far from what they wanted without their knowledge. To curb this deception you can take the necessary legal steps or employ protective measures. The security tips would be to use a secure mode of payment like Escrow. This will enable you to double check the product prior to confirming delivery. There exist standard tools to check the authenticity of electronic devices online. This case covers on the quality of the product the buyer expects delivered. When the product delivered falls short of the quality expected, it is unethical and contravenes the existing commercial laws. These Legal issues are not unique to only China. Most online transactions are widely unchecked and prone to

mischievous. Therefore, there is a need to develop universal stringent cyber laws to guard these exchanges and online trade –that have the potential to grow exponentially.

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