



Dear Betty Sue,

We sell industrial sewing machines and replacement parts for older machines. We recently received an inquiry from Lesotho (where the heck is Lesotho?). Almost immediately we received a very large order (for us). Are we lucky or is this too good to be true?

*Signed,
Eager but Skeptical*

Dear Eager but Skeptical,

Congratulations on entering the exciting world of exporting, however you are wise to always check 'em out first! Some people out there are as crooked as a barrel of fish hooks.

Lesotho is a small country surrounded and locked in by South Africa. Their major industry is textile manufacturing so the request for sewing machine parts could be legit.

*Let's do our due diligence and just maybe you will have a legitimate order and a long term client. Check out *The Riddle of the Exporter™* Step 1 for some Dos and Don'ts to be aware of potential scams. The #1 Do – Call your local USEAC for a “check em out” report, an IPS (International Partner Search).*

See below for the Top 5 current scams from David Murray.

*Once you have completed the credit check, the next line of defense is to structure your payment process to reduce risk. Check out *The Riddle of the Exporter™* Step #7 -Payments & Finance.*

*Good luck and Happy Exporting
Betty Sue*



#1 The fake freight forwarder company scam.

The fraudulent forwarders pose as legitimate companies with spare cargo capacity. Their truck arrives on-time to collect the freight and then disappears, never again to be seen.

The Scoop:

Here is how it works: Once a signed and sealed agency agreement is in place between both parties and business starts, all appears to be normal. This is until the cargo arrives at the port and no-one has received the original bill of lading from the forwarder in China. When contacted, the forwarder demands a large ransom for the release of the original bill of lading. Companies which refuse to pay find themselves on an expensive rollercoaster ride of meetings with customers, lawyers, insurers and shipping lines in order to obtain the original bill of lading so the cargo can be released. By spreading shipments around a number of shipping lines, fraudulent forwarders can make this recovery process even more onerous. These forwarders may be real companies who are just out for the quick kill, or fraudulent companies that are not registered in China at all as a freight forwarder, making it more difficult to take any recourse.

#2 The “Close The Deal Meal” Scam

A big deal is closed and the middle man encourages you to come to China (usually meeting clients in person is good advice) but while there suggests a celebratory meal for you and gift for your new customer.

The Scoop:

There is no deal and, in fact, there is no Chinese company either. The big lure of this scam is that nobody wants to fly all the way to China, have a great meal at someone else's expense, and then be too cheap to spend USD\$3,000 to \$8,000 more to seal the deal.

#3 . The new bank account to pay us scam.

This scam is usually employed against a foreign company that has been making purchases from a Chinese company for an extended period. The foreign company has been making its payments pursuant to purchase orders that specify the company bank account to which payment should be made. Suddenly, the “Chinese company” (note the quote marks here) sends an email to the foreign company requesting funds for outstanding POs be made to a new bank account. Often, the name on the bank account is not the same.

The Scoop:

What is the scheme here? It is always possible that the Chinese company has changed its bank account, but you had better be quite certain of this. In the old days, the scheme was either that the Chinese company had hit hard times or an employee at the Chinese company was seeking to get your payment instead of the company. The Chinese company would get the money in Hong Kong and then claim that you had never paid and still owed them money because it was your fault for having made the payment to someone other than to them.

Last year this scam became even more sophisticated when computer hackers started hacking into Chinese companies' computers and sending out invoices that purported to be on behalf of the Chinese company. This means that you can NEVER trust an email communication from a Chinese company. Email is inherently insecure in China and you never know with whom you are really dealing when engaging in electronic communication.

Chinese companies tend to be very loyal to their banks and so you should view with extreme suspicion any request to make a change in the payment bank. You should not even consider following such a request unless the request is made in writing on a revised purchase order stamped with the company seal. Even in that case, it is important to contact someone you know in the company with supervisory authority to ensure that the request is valid.

#4 The IP registration scam

This is a tried and true favorite and it comes back in new forms every year. A favorite is the fake law firm or fake trademark/copyright/patent agent scam. Under that scam, a website proclaims really cheap trademark, copyright and patent registrations in China. The foreign company sends money and nothing ever gets filed.

The Scoop:

There are two variations on this one, one much more sophisticated and harmful than the other. The first and more simple version is for the fake China law firm or China IP agent to get a one-time payment and then do absolutely nothing further. Under this scenario, this foreign company quickly realizes it has been scammed and, more importantly knows it must still legitimately register its IP in China.

Under the more sophisticated version, however, the fake Chinese law firm or IP agent keeps updating the foreign company and keeps requesting more money along the way. Many (probably even most) legitimate law firms and IP agents charge for registrations in stages so even savvy foreign companies see nothing wrong in this. The smartest of these sophisticated scammers even eventually send the foreign company a fake trademark registration certificate or copyright registration certificate (I am personally not aware of this having gone so far with a patent registration, but I would not doubt that it has). The foreign company then thinks it is covered for its China IP registrations and does not learn for many years later that it is not.

#5 The fake company scam. Even the Alibaba Gold Vendor ones!

This is why you use the U.S. Commercial Services IPS service (official name is International Partner Search, Betty Sue calls it the "*International Check 'Em Out Service*")

The Scoop:

The old familiar, just a plain old fake company or posing as part of a real company or the newer version where criminal organizations buy failing operators and continue to trade under their name in a state of virtual insolvency. They are able to identify and accept cargo which is subsequently stolen in transit.