

Unilever Faces Shanghai Customs Fraud Trial

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A multinational manufacturer was caught by Shanghai Customs for evading tariffs. A court verdict is pending.

By staff reporter Chen Zhongxiaolu

(*Caijing.com.cn*) Unilever, a multinational manufacturer of food and personal care products, went to trial on Oct. 29 in Shanghai, for suspected customs fraud.

When importing lanosterol as a raw material from Oct. 2002 to Feb. 2008, the purchasing department of Unilever in China deliberately declared it as sterol, to obtain tariff reductions totaling 3.17 million yuan, according to Shanghai's No. 1 Intermediate People's Court.

Aside from the purchasing department of Unilever (China) and its chemicals purchasing assistant manager Fan Jun, defendants also included Unilever's import agent, Bronson and Jacobs (Shanghai) International Trading Co., Ltd. and the commercial agent manager Zhang Hao.

Early in 2008, the Shanghai Customs found that Bronson and Jacobs had used the wrong HS code in the declaration of lanosterol since 2002. The HS code or Harmonized Commodity Description and Coding System, is an international classification system for traded products. As Unilever's import agent, Bronson and Jacobs declared lanosterol in the name of sterol. While their chemical composition is similar, the tariff of lanosterol stands at 27% while sterol is 5.5%.

Unilever's chemicals purchasing assistant manager, Fan Jun, stated that under pressure to reduce costs, he replaced the code for lanosterol with sterol in 2002. The switch of codes was not entirely Fan's decision but was sanctioned by his superior, Yang Shuqing, director of the Unilever purchasing department. Fan said if he failed to cut purchasing costs, he would have been fired.

In response to the charge, Unilever briefly stated that the company continues to cooperate closely with the proceedings of the case.

Previously, the well-known multinational corporation Fuji-Xerox was involved in customs fraud of copier machines in 2003. The first Anti-Smuggling Seminar in Guangzhou was convened in 2004 to provide information on the growth of illegal activities and customs issues surrounding foreign-invested enterprises in China.

However, a source engaged in the multinational import and export business stated that the Shanghai Customs should also take responsibility for opaque regulatory structure.

A verdict is pending, with the corporate defendants liable for fines and the individuals facing imprisonment. China prescribes sentences of up to three years, three to ten years and more than ten years in smuggling cases, depending on the degree of the offense.

1 yuan = 14 U.S. cents

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