

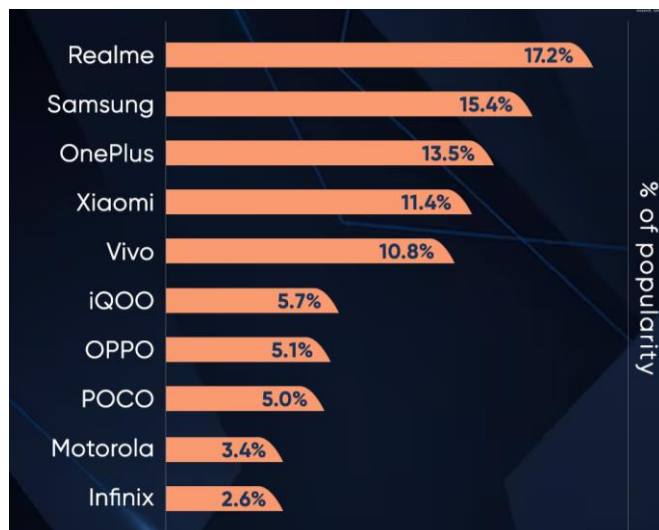
Vivo Money Laundering Case

Why In News

- It was reported by India media that the **Indian authorities recently arrested** three employees of the Indian branch of the **Chinese mobile phone manufacturer, vivo**, in the name of so-called combating financial crimes. Vivo stated it was "deeply shocked." This is at least the third time since October of this year that Indian authorities have made a **harsh move against vivo**.



Share Of Smartphone Companies In Market



What Is The Case

- The ED has, so far, taken into custody **two Chinese nationals**, in connection with charges of **money laundering** against the Indian subsidiary of the Chinese phone manufacturer, Vivo.
- The interim **chief executive officer** of Vivo India, Chinese national **Hong Xuquan alias Terry**, its chief financial officer **Harinder Dahiya** and consultant **Hemant Munjal** were taken into custody under the provisions of the **Prevention of Money Laundering Act (PMLA)**.



- ED submitted in court that the accused conducted **illegal activities** that enabled Vivo India to make **wrongful gains up to the tune of ₹1 lakh crore**, which the company remitted abroad between 2014 to 2021.
- The agency also added that the illegal operations of Vivo India were detrimental to the **economic sovereignty of India**.
- Two months earlier, the ED had arrested the **Lava International managing director Hari Om Rai**, Chinese national Guangwen alias **Andrew Kuang**, and chartered accountants Nitin Garg and Rajan Malik in connection with the same case.



- In recent years, Chinese smartphone manufacturers have been the **harder-hit targets of selective enforcement** and targeted interference in India.
- From "**recovering evaded taxes**," conducting office raids, to seizing 4.8 billion yuan (\$670 million) of **Xiaomi's Indian funds**, and then arresting vivo executives, these actions constitute a stark contrast to the welcoming attitude they initially received upon entering the Indian market.



- The biggest change in this decade is that with the **localization of these Chinese smartphone manufacturers** in India, the Indian smartphone industry chain has taken shape.
- The challenges Chinese companies face in the Indian market today are to a large extent related to this change.
- Some analysts believe that in order to further promote the development of **India's local smartphone industry chain**, New Delhi has not hesitated to exert judicial investigations and other politicized means to attempt to intimidate and force Chinese companies to retreat.



China's Statement

- China's foreign ministry said that the **country will provide "consular protection"** to Chinese citizens arrested in India and hopes that New Delhi fully recognizes the **mutually beneficial nature** of the business cooperation between our two countries.
- **Mao Ning** added that China expects a fair, just, transparent, and non-discriminatory business environment from India.



- "The Chinese government firmly supports Chinese businesses in safeguarding their lawful rights and interests.
- India has stepped up moves assaulting Chinese companies since 2020, such as **banning more than 200 Chinese apps**, launching so-called tax and anti-money laundering investigations into Chinese companies and heightening scrutiny of Chinese investments, Dai Yonghong, director of the Institute of Area and International Communication of Shenzhen University.



- The **Playing geopolitical games with China** is not affordable for India, Dai said, noting that unscrupulous crackdowns on Chinese companies will have sweeping **negative impact on India's industries** including electronics and information technology, component manufacturing, pharmaceuticals and even infrastructure.



- **India's unilateral and protectionist** moves will also have a profound impact on China-India economic and trade ties, Dai said. **"Although bilateral trade** is still on the rise, the trend may not continue given India's 'small yard, high fence' approach, following in the steps of the US. Besides, **Chinese companies have low confidence** in investing in India and many hold a wait-and-see attitude about returning to India due to potential risks," Dai noted.



- **"Amid China-US tensions,** India seeks closer ties with the US to attract more foreign capital to develop its manufacturing sector and compete with China in various aspects including industrial development and global governance," Lou said.