



An inspector calls

How does a factory manager react when auditors come to inspect their place of work?
 Are the norms such as REACH actually new EU trade barriers for 'Made In China' goods?
 All these questions and more answered by Sebastien Breteau, CEO of AsiaInspection.

AsiaInspection performs on-site quality control and audits. How are your inspectors welcomed by the factory management? They can't be too happy when they see AsiaInspection coming?

We definitely have factories that keep trying to postpone, or in some cases even try to fool our inspectors. I remember a factory that tried to get our inspector lost in Dongguan, China, by giving him the wrong address. In the end, we did get the right address from the client who had ordered this inspection and, when we arrived on-site, we noticed that the flat screens "ready to be shipped" were missing cables and frames.

But these situations are relatively rare: factories working with worldwide importers are now used to being controlled by third parties. Most Chinese suppliers are no different than their European counterparts – they want to satisfy their clients and make a profit. Generally, factories management shows goodwill, even if they dispute the inspection results. In those cases, the final word belongs to the client, who decides what is acceptable or not.

Since China joined the WTO and the European Union and the United States reduced import duties, can we say that

increased quality regulations, such as RoHS or REACH in the EU or CPSIA in the US, are in fact the new trade barriers against imports from China?

We cannot say these regulations are intended to slow down or block Chinese imports . . . but that's what actually is happening! They have been set by EU and US organizations to protect consumers and to avoid safety issues such as those faced by Mattel in 2007. However, if a standard is set arbitrarily, it could be used as an excuse for protectionism and become an obstacle to trade. In 2009, India imposed a six-month ban on imports of Chinese toys due to

"safety concerns" only to allow such imports once certified by global safety agencies.

The WTO's Technical Barriers to Trade Agreement tries to avoid misuse of regulations with a code of good practice for both governments and non-governmental organizations to prepare, adopt and apply voluntary standards. In light of this development, the Chinese government has followed the smart path: their regulations and standards have improved dramatically since 2007. For instance, the General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ) is even

Eight Tips for Safe Sourcing

1. Look in the Right Places

Location is everything: Southern China's products are generally of higher quality, but more expensive to produce, while Northern China's newer factories are known for lower-quality products produced more cheaply. Regardless of location, start your search by using trusted B2B websites such as GlobalSources.com, Alibaba.com and HKTDC.com to help ensure proven suppliers, or better still, attend a sourcing fair and meet suppliers in person.

2. Do Your Homework

Once you have selected a potential supplier, perform a factory audit to ensure they are a real and legal factory, and can meet your specific production needs and delivery deadlines. Always over-communicate your specifications to the factory in writing, photos and drawings – especially if you don't speak their language.

3. Request a Reference Sample

Request a reference sample of your product to be sent to you, made to your exact requirements, for your approval before you give the OK to start production.

4. Specify Clearly and in Detail

It is key that you make sure the factory understands all your requirements. It is important to give clear specifications in the form of technical drawings and photos of all aspects of your production, including all labeling, packing and quality standards of your product's destination market.

5. Test Your Samples

A supplier is only as safe as their materials. With strict and ever-changing government regulations such as REACH, EN71 and CPSIA, it's important to work with a third party that knows the regulations and can ensure your product complies with your markets and clients' standards. During your IPC, have your inspector collect an actual manufactured product from your production (this is much more reliable than using an "approved sample" chosen by the factory) and send to a third-party laboratory to ensure your product conforms to your destination country's regulations.

6. Keep an Eye on Things

After you place your order, no matter how clear your specifications, your product quality is still at risk. An unsupervised supplier can commit serious production errors unintentionally, or by cutting costs. Performing a production check when at least 20% of your order has been completed, or production monitoring throughout your production, allows you to react quickly to any changes or inconsistencies in production and lets your supplier know you're working with them.

7. A Last Look

The end of a production run can be especially risky: your supplier may rush through your final units, or run out of materials and finish your order using a low-quality substitute. When 80% of your product has been completed and packed, perform a pre-shipment inspection to ensure that you don't ship any last-minute nonconforming product.

8. Ship it Safely

You can't sell damaged or missing product. As your order is being loaded for transport, perform a container loading check to ensure the finished order quantity is correct, packed safely and loaded properly for transit to port.



cooperating with RAPEX (European Union rapid alert system for dangerous consumer products) through “RAPEX-CHINA”, an on-line system for regular and rapid transmission of data between the EU and China Product Safety Administration.

For Europe and the US, these measures are a way to protect consumers, and for the Chinese a way to protect their “Made in China” brand. Chinese brands like Lenovo, Haier and Galanz perfectly understand this and have raised the stakes to protect their reputation and brand. We have seen a real increase in sophistication in their products over the past five years and Galanz is now even setting the standard for microwave ovens.

That being said, these new regulations and laws are definitely challenges for importers and Chinese exporters. They are evolving quickly, and keeping track of these evolutions is a real task. To handle this job systematically, importers should be advised by and work with third-party laboratory testing services or have dedicated resources of their own.

As the ‘Eyes in the Factory’ of your Western clients, have you witnessed changes in the Chinese manufacturing sector? There has been a lot of talk about rising labour costs and production being moved to other countries . . .

From our own business, we have seen “in-shoring” happening from the South to the North and from coastal areas to the inland areas of China. However, we have also noticed manufacturing moving out of the country, including an increase of 180% from Q4 2009 for ordered inspections in Bangladesh. In response to rising export prices from China, driven by escalating labour costs and an expected strengthening of the Yuan in 2011, it is clear that some importers are willing to take the risk to move to new manufacturing regions.

We did an analysis on all data collected during our social and factory audits performed in 2010, comparing the basic expenses of a typical factory in Southern China with similar plants operating in Southeast India. We found spending on salaries, benefits and rent were up to seven times more expensive in China than India.

The same was true in Vietnam where apparel prices were found to be 30% cheaper, with salaries there around three-fifths of those in China. An assembly-line worker in Vietnam, for instance, earns around US\$100 per month, 52+% lower than in China.

With this kind of benefit, India and Vietnam will definitely attract their share of buyers. However, importing from these emerging manufacturing centres can also have its drawbacks. In India, most export manufacturing industries do not have a mature supply chain backed by a solid infrastructure. Blackouts, for instance, are common there, with outages disrupting production for up to 12 hours a day. In Vietnam, workers are said to need twice as much time to finish one task as their Chinese counterparts and delivery lead times are longer. What would normally take two months in China can extend to six months in Vietnam, and from AsiaInspection’s experience, quality is much more consistent in China. More importantly to our clients, our findings show that inspections in India and Bangladesh are 23% more likely to be failed than in China. **E**