



# AP Enterprise: US Buyers Must Beware in China

**AP Enterprise: Cadmium tainted jewelry is latest reminder US buyers must beware in China**

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*The Associated Press*

**GUANGZHOU, China**

David Smith pushed a cart piled high with boxes of beads and other jewelry through a maze of shops at a wholesale market in southern China.

The American shop owner said he would screen the trinkets for lead before they hit the shelves of his Arizona stores. But he was unaware of the recent discovery of hazardous levels of cadmium in Chinese-made children's jewelry.

It's small U.S. buyers like Smith who are playing a key role in importing untested products from Chinese factories that ignore safety standards and cut corners to earn a bit more profit.

They often fly into China for a whirlwind buying trip and don't have the time or resources to properly assess their suppliers. Many don't bother to perform quality checks as the goods are being made. Blind faith is a key element in the business deal.

Dressed in jeans, a brown plaid shirt and running shoes, Smith looked like he was ready to go hiking Friday as he maneuvered his cart full of boxes with "Tucson" written on them in black marker. He has been coming to China for 15 years, he said, and was confident he has developed a good eye for jewelry that might contain lead.

"I've learned that you make bad decisions when you're tired, and don't buy at the first place you see," said Smith, whose two stores in Tucson are called A Beaucoup Conge.

China's latest quality controversy erupted this week after an investigation by The Associated Press found that 12 of 103 pieces of Chinese-made children's jewelry bought in U.S. stores contained at least 10 percent cadmium, some in the 80-90 percent range. Two others were found to have less than 10 percent in laboratory tests and the rest had none.

Cadmium, like lead, can hinder brain development in young children, according to recent research. It also causes cancer.

American businessman Rick Goodwin, who has worked in China for 20 years, said the country has plenty of unscrupulous factories. But he said a major problem was foreign buyers who, because of greed, naivete or ignorance, approach China like it's just a discount shopping center.

The country is really a developing nation, where buyers need to be highly selective about the factories they use, Goodwin said.

"You just can't fly into China, get off the airplane and say, 'Can you take me to the jewelry department please?'" said Goodwin, chairman of Concept Holdings, a company based in the southern city of Dongguan. The firm deals with goods as varied as T-shirts, hunting knives, ceramics and lapel pins.

Goodwin said jewelry dealers should only buy from factories that use XRF sensors — a handheld gun that tests for cadmium, lead and several other toxic metals. He said his company bought its own XRF gun, which costs between \$35,000 to \$50,000, so it can do its own tests.

"If the factory can't afford to buy that gun, they shouldn't be making your product," he said.

A man at the Gems & Jewelry Trade Association of China said representatives had gone to meet with officials from the General Administration of Quality Supervision, Inspection and Quarantine, China's chief quality watchdog, to discuss the problem.

"We're paying great attention to the situation," said the man, who would not give his name or provide further details because he was not authorized to talk to the media.

A woman at the news office of the quality watchdog said they still had no response to faxed questions from the AP.

Paul Midler, author of the new book "Poorly Made in China," agreed that buyers have to be diligent. But he didn't blame them for the cadmium controversy.

It's too difficult for buyers to stay on top of all the possible contaminants that might be going into products, he said. Jewelry dealers might have asked to have lead-free products, but might have not thought to ban cadmium too.

"You cannot blame the buyers, who are in no position to guess what new trick has been introduced in their supply chain," said Midler, whose book is based on his experiences working as a sourcing agent helping Western importers find Chinese factories to make their goods in southern China.

Midler added that testing doesn't always work so well.

"The problem with relying on third-party testing is that you need to know what you are looking for," he said. "You can't give a sample to the laboratory and say, 'Tell me if there's any bad stuff in this product.' They charge for each screen that they run, and so you have to tell them what to look for. It's the case of unknown unknowns."

Midler, who worked for an American company that was making shampoo and skin lotion at a Chinese factory, describes in his book how the factory was caught changing the formula for products without consulting the U.S. company. Its Chinese partner also unilaterally decided to use thinner plastic bottles to save money.

For many buyers, the relationship with their suppliers begins on the factory's Web site, an exchange of e-mails or a meeting at a trade show booth. Often the factory has a sample that catches the buyer's eye and an order is placed. Other buyers have a product they want to make in China, and they award the bid to factories that can produce their product at the lowest price.

One thing that frequently happens in China is that factory owners will bid extremely low — even to the point where they have no profit — just to win an order. Once they've got the business, they search for ways to cut corners so they can widen their profit margin and recover what they lost with their lowball bid. They might switch to cheaper lead paint or buy inexpensive metal containing cadmium. This is called "quality fade."

To avoid misunderstandings and deviations, many buyers will create an elaborate "bill of materials" — a document that specifies what kind of materials must be used in the product. A furniture maker might specify the type of foam used in a chair's padding and what size nail will be used. The more experienced buyers will create an elaborate, highly technical bill of materials that is signed by both sides.

But the document doesn't have much teeth if buyers don't hire their own quality control staff to supervise the making of their products. Factories are notorious for making subtle, cost-saving changes to the product.

Christopher Devereux, managing director of the Guangzhou-based consulting firm Chinasavvy HK Ltd., said that in China's business environment, even suppliers that have had a long and reliable relationship with you can't always be trusted.

"You get a supplier and you think, 'Oh well, I checked it all out and this supplier is great,'" said Devereux. "Those are the ones you really need to watch because once they think they have our confidence, that's when they start slipping little things in, little by little. And every single batch has to be checked."

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