

Substandard Foreign Goods in China

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The Western media inform us on a regular basis about cheap products sent to the world from China, and about the substandard and even dangerous content of some of them. Lead in paint, melamine in dog food, chemicals in drywall, glycol in toothpaste. We can be forgiven for thinking this is a one-way street, but the story has another side which the Western media cover with a blanket of silence. **China is the victim of far more defective and toxic products, or prohibited goods, from the West, particularly the US, than it sends outward.** Westerners may find this difficult to believe because this news is almost always censored in the US.

Modern Chinese consumers had initially developed trust in foreign goods from sophisticated marketing that implied Western brands and products were well-made and of high quality, and were expensive for a reason. That trust proved itself startlingly unjustified. Sales in China of foreign products had been growing at high rates until the revelations that many foreign companies and brands

had so many severe quality problems that foreign goods were normally substandard. So many foreign firms have been repeatedly caught and charged, and fined, for transgressions, but their profits had been high enough to continue their illegal practices. It was an astonishingly short-sighted policy since, for an increasing number of American firms, 50% or more of their operating profits were originating in China. In several recent years, 50% of the operating profits of US-based Yum Brands' came from mainland China, as opposed to 32% from the US, and I've noted elsewhere that **General Motors and a number of other US companies would be bankrupt if not for their China sales. Even many US educational institutions are surviving only because of new money from Chinese students.** Yet they all approached China with what appeared to be a fatally-short time horizon and stupidly decided to milk Chinese consumers as hard and fast as possible, and in every way possible. It didn't seem to occur to any of them that their short-sightedness, coupled with an uninhibited greed, might one day be fatal.

Given the high profits originating in China, one would assume these firms would treat their Chinese customers with some consideration - if not respect - but the opposite is normally the case. **Most foreign firms resident in China treat the country as a third-rate market,** reserving their substandard goods for the China market and charging much higher prices in China than in the West for the same goods - which are mostly manufactured in China and should cost much less. **Foreign firms had for years been treated leniently and even gently by the Chinese government, given substantial tax breaks and preferential treatment, yet they proceeded to break every manner of domestic law and generally treated China and their Chinese consumers with arrogance and open contempt.** In China, many of these firms act with an almost complete lawlessness. Some firms that were forced to remove toxic or substandard consumer products from the US or Europe, would ship them to China for sale here. Sony, Toshiba, P & G, Volkswagen, and other multinationals have been accused of just such practices. The extent of substandard clothing imported by foreign multinationals has become an epidemic with at least 20%, and often 60%, of shipments failing to meet minimum standards. Chinese Customs now inspect every shipment and destroy all substandard goods.

Clothing manufacturers, wholesalers and retailers everywhere have problems with returned items or stock that is unattractive, dated, perhaps soiled from customer try-ons, left-overs from last year's fashions, and just items that nobody wanted to buy. All firms try to take advantage of multiple locations to deal with these problems, and to escape their mistakes. Stock that doesn't sell in one location might sell in another district or another city. But now Western firms have a new option: send it all to China - the world's new dumping ground.

In Shanghai we have a huge shopping center known as an "Outlet Mall", a high-class center consisting of many attractive low-rise buildings covering a large area, with shops carrying only major foreign brands, virtually every foreign brand you've ever heard of, and some you probably don't know. It is presented to the public as a "50% discount mall", but disappointingly is no such thing. In almost every store, **the stock consisted of items that were dated, unattractive, out of fashion, or simply simply rejected in North America or Europe, in large part goods that were several fashion years old.** It was only too apparent the executives of these brands had gathered their left-over fashion trash from the US, Europe and Japan, and dumped it all into China. And even at "50% off", the stock was still priced two or three times higher than it would have been in the US or Europe. As one example I saw a pair of blue jeans of an expensive 'luxury' brand that appeared to have been either sold or tried on dozens of times and that I could document as a style from three years prior, priced at more than 1,000 RMB, twice the original new price. Following this trend, **Nike advertised plans to open up to 50 new "self-supporting factory stores" in China to "dispose of inventory" and "clear stock", stores that will most assuredly be used to dump Nike's left-over worldwide junk into China.**

On a daily basis, products manufactured in the US or other Western countries for sale in the West are discovered to have major defects or to be substandard or even toxic. Often, when that discovery is made and those products cannot be sold in the West due to government regulations or excessive warranty claims, they are gathered up and shipped to China for sale in the China market. Some years ago, Toshiba produced some lines of new products that had major flaws, and in the end had to pay out more than \$1 billion in settlements to its US customers. **Instead of repairing (or destroying) all those defective products, Toshiba shipped them to China for sale there. Sony did the same;** after discovering manufacturing defects in millions of Japanese-made cameras on sale in the US and Europe, Sony withdrew the goods and shipped them to China for sale in the China market.

As well, many Western companies, including **Apple, Sony, Panasonic, and many of the so-called "luxury brands" like Louis Vuitton, have been frequently accused of selling reconditioned or repaired items in China as new stock.** An employee of one luxury brand acknowledged it is a routine practice for their stores in China to put repaired goods back on the shelves. "The shopkeepers are told to deliberately change the serial code of a returned item and make it look new." **In 2012, a lawsuit was filed in Beijing court on behalf of customers who bought "new" iphones for RMB 5,000 (\$780) each at the Apple retail store in Beijing's Xidan Street. On examination, the iphones proved to have been refurbished used items.** Often, foreign firms in China simply refuse to deal with their defective products. Unlike their 'customer first' behavior in the West, these same firms in China either

flatly refuse to provide replacement or compensation, or make the process impossibly difficult. They deny the existence of a defect or their responsibility for it, often flatly refuse refunds or replacements, and otherwise prolong warranty claims for months or even years until the customers lose hope and abandon the process. In Beijing, Ricky Zhang was furious when the locks broke on her **LV luggage**, since she'd spent 20,000 yuan (\$3,200) on the item only a month before. Zhang wanted the bag replaced, but was told the shop was responsible only for sales. After a month's wait, she was told the item could be repaired in three months, and that insisting on a replacement would require a difficult and time-consuming application to the Chinese government's Quality Supervision Authorities for "an official review". Even with media exposure, the brand defended its procedures and claimed it was providing "a standardized service".

Shanghai's port receives more than 30,000 shipments of imported clothes every year, the value of which accounts for more than 40 percent of the country's total clothing imports. During the past ten years in Shanghai alone, at least 20% of all foreign clothing shipped to China, or placed on sale in Chinese shops, has failed government testing and discovered to be substandard or defective. In many cases, 60% of an entire shipment was substandard and had to be returned or destroyed, or withdrawn from sale, often repeatedly shipped by the same foreign brands. Clothes imported from some of the world top luxury brands, such as **Hermes** and **Versace**, have routinely proven to be substandard in quality control tests. **The so-called 'luxury brands' are often the worst at shipping their substandard goods, those contaminated or failing quality control tests, to China.** At one point, authorities collected samples from department stores and boutiques in many cities, and found such a high proportion of defective foreign "luxury products" that retailers were fined, and ordered to withdraw all foreign goods from their shelves. Many of these companies are such frequent offenders they are placed on the government's 'black list', where no products will pass customs without a full examination at their expense, a severe restriction to be sure, but one that appears to produce no meaningful change. These companies are all recidivist; they are no sooner removed from the black list than they revert to their former practices and find themselves on the black list again.

The problem has become endemic of foreign firms shipping their substandard clothing to China from the US or Europe, or manufacturing in China and exporting the good products while reserving the substandard goods for sale in China, that local authorities now examine every shipment of so-called luxury goods entering the country. Market regulators in China have consistently reported numerous quality problems with high-end clothes of the more expensive brands including **Burberry, Armani, Chanel and Dior, Hermes and Versace, Dolce & Gabbana, Paul & Shark, Trussardi, Hugo Boss, Ralph Lauren, Fendi, and Lacoste** Garments by all these well-known brand names have proven on examination to be substandard. Brands including **Louis Vuitton, Hugo Boss and Dolce & Gabbana** have more than once

been caught selling substandard shoes in China, and authorities in Zhejiang have destroyed thousands of pairs of expensive shoes because of serious quality problems. **Many Western luxury products on sale in China are labeled by the companies as being made overseas, while they are actually produced in China, then sent to an overseas destination (or even just a Chinese export zone) for final adjustment or packaging, a practice clearly intended only to deceive the consumer.** With these products then wearing foreign-made labels, Chinese consumers are unable to discern the origin or real quality of the product.

The lower-cost popular brands are not better in any respect, brands such as **Zara, Disney, Folli Follie, Anna Sui, The North Face, Nike, Puma, Adidas, Marks & Spencer, Diesel,** have all experienced quality recalls. And it isn't as if these are low-cost or discounted goods. Even the most basic foreign-branded items are expensive in China, with a simple \$10 cotton T-shirt priced at \$50, leading one to expect a high-quality product which is almost never offered. **One of the worst offenders is Nike,** who, in a long string of fraudulent activities, was recently fined almost US\$1 million for fraudulent promotion and false advertising, selling an inferior product as a premium one. Large numbers of other Nike products, including men's and women's shoes, have been discovered to be substandard and were removed from sale. Often the distributors and retailers are fined, but American companies often subcontract their manufacturing and so cleverly craft their legal entities as virtual shell corporations, that the actual corporation has no legal existence in the country, and few or no assets.

The quality faults are substantial in number and kind, including color fastness, dangerous and illegal dyes, excessive formaldehyde, high pH index, improper labeling, and toxic coatings. The chemical flaws are perhaps the most serious, much foreign clothing commonly containing hormone-disrupting toxins which interfere with human sexual development by simulating estrogen and which can be lethal. **These man-made chemicals are so stable that they are difficult to remove from the environment, and tend to concentrate in drinking water and the higher levels of the food chain, and ultimately in human blood and breast milk, making them exceedingly dangerous for pregnant women and young mothers.**

Flaws due to substandard manufacturing are a constant headache, largely due to the firms' quality control scams, reserving goods with defects for sale in China. The flaws are not always immediately obvious and these products appear to present no danger, so are often overlooked by government investigators and thus remain on the shelves for purchase by trusting customers. As mentioned above, these can often be returned or repaired items that are sold as new, but most often simply contain manufacturing defects, goods that would normally be sold at high discounts in the

West. But the problems are greater than this, with at least some foreign luxury brands manufacturing entirely different levels of goods. At a **Coach** store in Shanghai, a friend recently purchased an expensive leather handbag that, on cursory examination, proved to be made of plastic. She was of course horrified, but the shop persisted in its claim of leather. Another friend purchased an expensive **Cartier** watch, only to be later charged 600 yuan (\$120) for a replacement battery on the grounds that a non-Cartier battery would destroy her new watch. Having no recourse, she paid, but both ladies, and many of their friends, are done with Coach and Cartier forever.

On the subject of fake goods, Jack Ma of Alibaba made an exceedingly important point in an interview in June of 2016 when he stated that often the so-called 'fake goods' are of equal or higher quality than the originals. He was telling the truth, but the Western media did their best to trash him and discredit his comments to protect their own high-priced channels. It often occurs that a factory in China will fill an order for 100,000 pairs of high-brand blue jeans or some such, but will necessarily over-produce to provide for the flaws. But sometimes there are no flaws and the brand will not pay for the excess production, so the factory will resell these goods through their own channels rather than absorb the loss. I'm not sure I can fault them. The factory often has no choice but to over-produce since shortages can incur a penalty, but has no recourse on the other side. Further, many of these factories are able to produce the highest level of goods to satisfy even the most critical purchaser, and take advantage of those skills to manufacture their own products, some of which will be very similar to the OEM goods they make on contract. Typically, the quality of these items is equal to, and sometimes even superior to, that of any luxury brand, a situation the foreign brands find distressing and try to kill. This is the source of most of the attacks on Alibaba by foreign brands, not that they are 'fakes' in any sense of the meaning of that word, but are in fact genuine and often of higher quality. The real issue is an intent to intimidate, if not terrify, all and sundry to stay far away from the international brands so as to limit any competition. It is true there are some firms who make copies of branded products to sell as genuine, but this is a rapidly-disappearing trade and should of course be stamped out.

Another consistent fault uncovered by local authorities is deceptive labeling by most foreign brands, with innumerable cases of false or misleading fiber content. Almost all of the well-known international brands are regularly discovered to contain less fiber content than claimed on their product labels in China, often claiming an 80% content of cotton or wool when testing reveals the actual content to be perhaps half that. There is no possibility these are errors; every company knows precisely the fiber content of its fabrics.

In one case, **Hermes** executives stated, "It is undeniable that we have made some mistakes in labeling ..." No. There are no labeling mistakes here. Every company knows precisely what it produces and no famous brand has quality-control managers who mistakenly affix a label stating '100% silk' on a product that is 50% acetate. **All such events are deliberate frauds.**

This problem had become so widespread and serious, the Chinese government passed a new series of laws stipulating substantial fines, and providing for compensation to consumers, for any retailers knowingly (and it's almost all knowingly) selling defective products. These penalties are severe if the products cause health problems. The Chairman of a commercial association in Wenzhou, a major manufacturing area, supported the stiffer punishments, stating that, "Despite repeated bans [black lists], safety incidents caused by intentional contamination ... did not stop. An increased penalty will work as a warning sign and is essential." The regulations will also place an onus on distributors to accept responsibility for their products, forcing them to return substandard items to their suppliers, and celebrities will also be held liable for endorsing substandard products or participating in false advertising. This will also apply to firms like advertising agencies who craft the many misleading promotions, since the law stipulates that any "social group, organisation or individual" who endorses substandard products will share the responsibility. Celebrity endorsements are peculiarly American pathology that has been unfortunately transferred to China, a powerful one, since many consumers will purchase a product solely on the apparent testimony of a celebrity, creating a clear causal relationship.

Japanese Electronics

For many years, **Toshiba** had held a prized first place in China's laptop computer market, an enviable position the company managed to destroy in less than a year. Toshiba had produced a laptop, primarily for the US market, one with serious design flaws which the company persisted in denying, leading to massive lawsuits and a settlement that totaled well over US\$ 1 billion. Media reports were that **Toshiba apparently sent these recalled defects for sale in China where the company refused any compensation** beyond software patches. Countless thousands of incensed Chinese customers returned their defective computers, demanding full refunds, and the company's sales collapsed nationwide, never to recover. **Toshiba has virtually disappeared from the Chinese market.** Incredibly, the company then issued a statement claiming it considered China "a crucial market" and remained committed to expanding in China.

In 2014, **Nikon** issued a new camera model, the D600, which was defective in its fundamental design and which the company was forced to scrap and replace with a new D610. In the US and Japan, Nikon immediately offered all customers a refund or free upgrade to the new model, but **in China Nikon denied its product had a problem, with one factory shop blaming customers for carelessness** in changing lenses. Chinese law stipulates a refund or replacement after two unsuccessful repair attempts, but Nikon refused even after five attempts, claiming its repairs did not really constitute 'repairs'. **In China, Nikon refused both refunds and upgrades**, until CCTV got wind of the issue and featured Nikon in their annual Consumer Rights program. It was then the quality authorities took note of the matter, soon revealing that tens of thousands of customers shared the same problem. After 'a few rounds of talks' with officials, Nikon was ordered to remove the defective model from sale in China and to provide a free replacement. Online users expressed gratitude for CCTV's intervention, stating "If Nikon insists on double standards for China and the US, it will be abandoned by Chinese users." My information indicates Nikon, like Toshiba, has indeed been virtually abandoned by Chinese users. Nikon's public response: "The company provides Chinese customers with high quality, standardized global service".

A few years back, many digital camera and camcorder manufacturers experienced a crisis involving most digital camera models, camcorders and PDAs that suffered CCD (image sensor) failures, with cameras capturing either badly distorted images or no image at all. Since **Sony** was the CCD manufacturer for all other firms, it wasn't a surprise that Sony had by far the greatest number of affected products. Commercial authorities in China discovered that 13 models of Sony cameras were more or less massively defective in terms of imaging quality and balance, white balance, automatic exposure and LCD screen brightness. In Western countries, Sony published advisory information on the defective models, with advice on how to obtain repairs or refunds, but **media reports claimed that after the problems had been identified in the US and Europe, Sony quietly recalled those defective products and shipped them to China where they were on sale everywhere.**

Many public complaints arose with Sony's defective products in China, even more with the company's refusal to deal properly with repair or replacement. For almost one year, Sony simply ignored the increasing complaints, the problem only reaching the public media when a Chinese news reporter finally put the pieces together in a story. At first Sony simply denied the existence of product flaws, then claimed the flaws related to only a few thousand out of millions sold in China, a claim quickly proved to be a lie. After a full year, Sony finally agreed to repair or replace the cameras, but they didn't. Back into the media for another blast, after which Sony still defiantly refused to issue refunds but agreed to replace the defective cameras with new ones. But they didn't. **Customers discovered Sony were replacing defective products with**

reconditioned units from other countries. The Western media totally censored the matter, so no one outside China was aware of it. **Incredibly, when news of the vast range of defects became public, and Chinese authorities attempted to contact the company to discuss the problems, they were refused admittance! A staff member said, "Before the announcement, we tried to contact the Sony branch, but were refused".** The government immediately made a public announcement, requesting all these models be removed from public sale.

Xinhua reported that following the announcement, **Sony conducted a widespread campaign to squelch public awareness of its defective products, with many media and reporters receiving anonymous calls asking them not to make public the information. One editor reported, "We were asked not to report and promised a huge subscription to our newspaper.** He (the anonymous caller) also said that all other newspapers had decided not to report it." The callers also claimed the government's commerce department had "adopted biased measures" in their investigation. After all this hit the media, reports were that Sony agreed to repair only two of the defective models, and at a substantial fee even though all products were covered by a full warranty. In other cases, where Sony was unable to repair a product in the first attempt, the company charged a substantial fee for a second attempt. Sony did pull its defective cameras from the market but at first defiantly refused to issue a recall. Chinese Customers also experienced problems with one of Sony's laptops, with essentially the same service results.

Chinese consumers were naturally angry, claiming they purchased Sony products because they trusted big brands, but received only poor service and denials of problems. The immediate result was a 20% plunge in Sony's total revenue, a loss of 100 billion Yen that year and more than 220 billion the following year, and a severe drop in its China sales. Sony blamed its troubles on a worldwide economic downturn, apparently unable to contemplate its own suicidal destruction of its brand and reputation partly by incompetent manufacturing but primarily from the company's defiant contempt of its customers. As I discuss below, **Japanese auto firms are sharing precisely these same experiences,** including enormous loss of market share, all of Japanese manufacturing apparently determined to simultaneously commit hara-kiri.

Samsung, a Korean company, did something similar with its exploding Series 7 mobile phones, quickly recalling millions of them in the US, Canada and Europe, but ignoring its products in China. At first, the company claimed the batteries for the Chinese market were sourced from a different manufacturer but, when phones began exploding in China as well, **Samsung made the bizarre claim that the Chinese phones had been incinerated 'externally', suggesting the owners**

torched their own phones. It was due only to increasing problems and pressure from regulatory authorities that Samsung finally made a recall in China. **The double standard is absolutely alive and well in China** and, as you will read below, applies to most foreign consumer products, including clothing, electronics, make-up, and even automobiles, which are consistently recalled in Western countries for safety hazards, but seldom in China without media exposure or government pressure.

And Worse

Many of the items listed above such as substandard clothing, dated fashions, defective consumer goods, are of course a nuisance and do constitute fraud. As well, many of these goods, including the medical waste discussed above, present varying degrees of danger to human health. **Treating China as the world's garbage bin has become almost an art form**, but in some cases these product shipments cross the line to the point where they seriously endanger human life, are criminally reckless at best, and murderous at worst.

For background, the industrial facilities of many countries, including most Western nations, purchase shipments of various categories of waste materials for recycling, normally limited to items like scrap iron and other metals, pop cans, PET bottles and other plastics, glass and waste paper. This is a legitimate commercial business of considerable scale, but **some countries, notably the US, engage in what Chinese authorities call the "widescale smuggling of foreign garbage", concealing in their shipments of legitimate recyclable materials large percentages of unusable and hazardous waste** such as slag, used tires, scrap batteries and electronic waste, and a wide range of hazardous medical waste. In the first six months of one recent year, China discovered almost 200 cases involving immense tonnage of such smuggled toxic garbage. My information was that almost all of this originated in the US.

The Japanese attempt such practices as well, though with more lethal materials. **Soon after Japan's 2011 Fukushima reactor meltdown, Chinese customs officials were repeatedly intercepting "scrap metal" shipments from Japan, each of which contained 10,000 tonnes or more of highly radioactive refuse from Fukushima.** The reactor meltdown contaminated large numbers of automobiles and various categories of steel products totaling more than 4 million tons and, rather than deal with this problem domestically, Japan slips portions of this lethal material into waste shipments to other countries, especially to China, though Italy has also intercepted containers of scrap from Japan that were highly radioactive. **It is not**

possible to claim these firms were unaware of what they were shipping to China, and of course metal recycling and re-melting plants are not equipped to test scrap metal for radioactivity. Direct exposure to such highly radioactive material, even if brief, can be almost immediately fatal or lead to life-threatening illness later. There is no way to know whether, or how much, radioactive waste slipped through customs channels undetected, but the mere fact of shipping them is indicative of an inhuman callousness, to say nothing of abject racism.

Most readers will recall the flood of media stories a few years ago of **ocean pirates in small boats venturing into the seas near Somalia to hijack commercial ships for ransom**. One part of that story that somehow escaped the Western media is that those pirates were converted fishermen, and that the main reason they were no longer fishermen was that **the seas bordering Somalia were heavily contaminated with nuclear radiation** and that fish were either non-existent or dangerously inedible. The reason, and the reason for the vengeful piracy, was that **the US government, looking for a safe place to store tens of thousands of barrels of highly toxic nuclear waste, discovered a convenient depository in the ocean bordering Somalia where the Americans dumped all those barrels**, many of which were old and leaking and many of which broke open on reaching the ocean floor, thereby contaminating everything including the fish. The piracy was largely payback, and Somalia isn't the only place in the world's oceans where the Americans have dumped toxic and lethal nuclear and chemical waste. **One more reason countries like China, Russia, Korea, don't want American ships anywhere near their ocean borders. It doesn't help to know that the waste is dumped in "international waters" when those waters are only 12 miles from your shore.**

The Americans' usual method is to load an old and useless ship right to the gunwales with nuclear (or chemical) waste, sail the ship to a predetermined location, and scuttle it. Though this kind of information never passes the media censors in the US, the American military have done this so often they even have a name for it - **Operation CHASE [1]** - the name being Pentagon shorthand for "Cut Holes and Sink 'Em." **In many locations around the world, the US has sunk ships, either by opening shuttles to permit seawater to enter, or by detonating explosives, these vessels containing everything from thousands of tons of nerve gas or mustard gas, surplus or defective mines and bombs, radioactive waste and, on occasion, biological pathogens.** In most every case, nobody knows, and those who do know would lose their lives if they spoke of it. If America ever needed another public Congressional hearing, it would be to reveal all the locations of these disposals and, in many cases, the payment of immense compensation to other nations. Public records alone reveal the US military sank at least 100,000 tons of munitions and chemical warfare weapons in various sections of both the Atlantic and Pacific oceans;

almost certainly there were more that did not make the public record. As well, this program may have been a cover for illegal underwater nuclear detonations that were banned by treaty at the time. In one case, the **USS Village [2]**, supposedly containing a typical load of about 8,000 tons of munitions, was towed out into the Atlantic and sunk. However, shortly after sinking, three massive detonations occurred that registered on seismic equipment all over the world, explosions far too large to have resulted from the stated content of conventional explosives.

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His full archive can be seen at

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Notes

[1] OPERATION CHASE- [1] https://en.wikipedia.org/wiki/Operation_CHASE

[2] CHASE 2- [2]

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