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Letter from the Editor
By David A. Dayton, Silk Road International

While publicly we all push for a win-win situation, sometimes our actions do not always support those public pronouncements. I’m not talking about just going with “green” certified suppliers—that’s something that can easily be checked off the list. I’m talking about making sure that our intentions to create sustainable supply chains are deeper than just licensing requirements and PR.

For example, a few years ago I had the opportunity to work with a Chinese factory that needed some help to maintain the level of social compliance that was required by our foreign customer. The factory knew that they needed to be compliant in production but they didn’t quite know how to maintain that level of compliance once they had completed their audit and compliance testing. For us it would have been much easier to move on to someone else—but because of the commitments (financial and otherwise) that this factory was willing to give us, we decided to invest our time into helping them achieve and maintain the necessary standards. It took us an extra month to help them keep and maintain (on their own) the standards, but the supplier has since been able to keep and maintain them.

We have bought from this supplier since then, but our orders are few and relatively far between, but we get great service and the best pricing because, at one point in time, we invested our time in them. But the real story is what they’ve been able to accomplish because of that small investment. The results have both benefitted other customers and the industry they are in.

Being willing to make long term changes in the supply chain even if you’re not going to be around to see all the end results or even reap most of the rewards from your time is what sustainability is all about. We all know how pleased we are to find that someone has taken the time before to make a difference in a factory that we’re now using.

Maybe you’re required to use only specifically certified factories or maybe you can only buy products that meet specific standards—that’s great, that’s the entry level of sustainable sourcing—doing what you’re legally required to do. But ask yourself, how many of your “certified” factories are outsourcing? How many times have you been in a situation where you knew that things at a specific facility were not quite “up to par” but because you were getting what you required you justified it with something like “It’s not really my business to tell them how to run their facility?” I know that I’ve been there—It’s hard enough just to get quality product, why rock the boat, right?

But that’s just the point. Rocking the boat for a good cause—one that will both help the factory to climb up the value and supply chain and get you and others what is both required and better for the industry long term—is really what all of us in sourcing and procurement should see as part of our job descriptions.

It’s not always that easy. Suggestions are not always welcome. Sometimes a good price has to be sacrificed for an appropriate manufacturing situation. But I believe that as we act responsibly in our individual capacities we’ll see larger scale changes in the industries we work in.

I’ll discuss some of those changes next month.

David Dayton, Editor at Large CSIC
Hello, I am new to the import/export industry and your site has been a big help to me. I recently attended the Canton Fair in October and I have come across some products that I would like to export back to the United States (Seattle, WA) from Guangzhou, China. In terms of freight forwarders and 3PL providers, should I be looking for companies in China or in the States? Also, could you please provide me a list of recommended freight forwarders/3PL providers? Thank you so much, Ronan.

A. Dear Ronan, thanks for your question. At the time of writing we don’t offer an endorsed service provider for logistics because so often the ideal partner depends on the location of the buyer and the readership of this website is global. I have yet to find a 3PL that has true global coverage. A lot of 3P’s will say they have global coverage in their marketing, but I have found that when you dig deep into their experience you will find they focus on certain shipping routes or destination ports. And the giant freight forwarders that do have offices around the world are usually not interested in smaller accounts. So if you are moving less than 20 containers per year, they may not be a good fit anyway.

Since we don’t have a ready-made list of 3PL providers to give you, let us share with you something far more valuable – how to find the right 3PL for your particular needs.

Just like picking suppliers in China, the problem isn’t finding a 3PL as there are so many to choose from, the problem is how to find the right one for you. Assuming you keep it easy and purchase “FOB China Port” from your supplier, then the role of your 3PL will be to orchestrate the movement of your goods from the China port to your destination point. In most cases this means organizing ocean freight or express air for the international leg of the journey then customs clearance in your national plus local trucking for domestic delivery. As such, you should be looking for 3PL that have experience importing products from China into the specific domestic port you have in mind back home.

Pick up the phone book or do an internet search with key words such as “3PL” or “Freight Forwarder” + “name of port”. This will most likely generate a significant list.

The next step is to contact them and learn if they will be a good fit for you. I like 3PL’s that have at least 5 years of experience importing products from China into the given port.

And as I have mentioned a few times before, it is worth saying again, if a service provider can’t give you a list of client references they probably aren’t worth doing business with.

Once you narrow it down to a handful of option based on initial talks and references, ask for an estimate on freight. What separates the great companies from the good ones will be the format and timing of their quote. If they take more than a few days to get back to you, it probably means that they don’t have well developed shipping channels and are trying to set something up just for this order. Try to avoid
having your order serve as some 3PL’s first attempt at doing business with China. Pay special attention to the format of their quote. It should be an actual form based on a template, not just a few sentences or pricing sent via email. If they don’t have a set format for estimates or quotes, that is a real bad sign about the level of their professionalism. The quote should be easy to understand and if you are unclear about a particular line item on the quote, then the 3PL should be able to explain to your satisfaction. Don’t be afraid to ask questions! Better to ask in advance before getting hit with surprise charges later.

Shipping rates change on a day to day basis, and unless you are ready to ship immediately after receipt of the quote, most likely the quote will be an estimate. So we like 3PLs that will hold their quote valid for certain time or at least offer to re-quote closer to the actual ship date so that the buyer knows the exact costs in advance.

On countless occasions, I have had shippers send me invoices after delivery which were much higher than the agreed estimate. So as you are confirming price, ask the powerful question “Does this price include everything to get the product from X to Y, even taxes, duties?”, “Is there anything that is not included?” and “Will you put in writing that the amount to be invoiced will not exceed the agreed estimate?”.

It also helps to negotiate your terms with the shipper so that the goods are paid upon delivery, as opposed to paying them upfront. But actually, you don’t have a lot of leverage because the shipper has physical control of your goods and could choose not to immediately release them if there are any confrontations about pricing at the last minute. So it is very important to find a professional company upfront and negotiate the terms and pricing well in advance.

Since you are new to sourcing, if you need reference materials about how to engage the potential suppliers, conduct a RFQ (request for quotation), control quality and answers to a host of other common sourcing concerns, know that you can find articles and videos at www.SmartChinaSourcing.com and www.ChinaSourcingInfo.org. If you need fee-based 3rd party support to help you find and manage suppliers, you can find a list of reputable service providers on those two websites as well.

Answered by the staff of CSIC
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Outsource your China sourcing office
The green supply chain is a concept you’re going to hear a lot more of over the next few years. Why? I was a skeptic at first, but climate change is for real. There have been record heat waves, snowfalls, earthquakes, hurricanes, and ocean waves. Just in the last month, we’ve had massive earthquakes in Japan, New Zealand, Vietnam, and China. Consumers are very concerned about what is happening to the climate and environment. Consumers are concerned with the quality of the products and services they consume and as a result ‘sustainability and green’ are becoming expected customer requirements.

So what is sustainability? “Sustainability is a general term that covers three dimensions, also called ‘triple bottom line: business, environment, and social’, according to Adina Suciu a leading sustainability consultant.

There are several drivers, including corporate social responsibility, regulations cost savings, environmental impact, and simply more often that it’s the right thing to do. Let’s look at a few of these and then talk about what you can do.

Corporate social responsibility has taken off over the last few years. The goal of social responsibility is to contribute to sustainable development. Companies are aware that their sustainability can enhance corporate reputation, brand equity, and good governance. ISO 26000, Guidance on Social Responsibility, says:

“An organization’s performance in relation to the society in which it operates and to its impact on the environment has become a critical part of measuring its overall performance and its ability to continue operating effectively. … Organizations are subject to greater scrutiny by their various stakeholders, including customers or consumers, workers, and their trade unions, members, the community, non-governmental organizations, students, financiers, donors, investors, companies and others.”

Corporate social responsibility takes a broad point of view including involving ‘green’ suppliers. Companies are now held accountable to an ever high standard of environmental care which include suppliers and even sub suppliers. For example, child labor, prison labor, low wages, work conditions, or pollution may emanate from a sub tier (2nd or 3rd tier) supplier. However, even though the source of the problem is far removed from the customer or the branded manufacturer, the problem may finally rest with the final manufacturer. More often, each supplier is responsible for the final manufacturer’s standards, national or even international standards.

We are also seeing more and greener, environmental and sustainable legislation being implemented worldwide dealing with packaging, CO2 emissions, energy use, and many other factors. Forward looking companies are taking a preemptive approach green supply strategies.

While the supply chain is greening, there is emphasis being placed on cost reduction incorporating green strategies. On top of this, global companies still want products that conform to specifications (high quality), just in time delivery (service), technology content, and low overall cost. Now, there is one more factor or two to be more precise. This is a series of new factors that deal with sustaining the environment. “The good news is that by taking a ‘green’ approach, the companies will reduce cost and will produce better products. It will also mitigate risk of products and services that have a less negative impact on environment and customers,” according to Suciu. Its rewards are positively impacting the bottom line and many companies are experiencing very positive results including GM, Commonwealth Edison, Intel, 3M, Kodak, and Xerox.

I’ll have more next month for what companies can do to become more sustainable.
2010 marked a watershed moment in supply chain sourcing among worldwide manufacturers and retailers. Sustainability observers and practitioners read nearly weekly announcements of yet another major manufacturer or retailer setting the bar for greener supply chain management. With a much greater focus on monitoring, measurement and verification, retailers and manufacturers Wal-Mart, Marks and Spencer, IBM, Proctor and Gamble, Kaiser Permanente, Puma, Ford, Intel, Pepsi, Kimberly-Clark, Unilever, Johnson & Johnson, Herman Miller among many others made major announcements concerning efforts to engage, collaborate and track supplier/vendor sustainability efforts, especially those involving overseas operations. Central to each of these organizations is how vendors impact the large companies’ carbon footprint, in addition to other major value chain concerns such as material and water resource use, and waste management.

Meanwhile, efforts from China’s manufacturing sector regarding sustainable sourcing and procurement, was at best, mixed with regard to proactive sustainability. From my perspective as a U.S. based sustainability practitioner, the challenges that foreign businesses can have with manufacturing relationships in China can be daunting. Take Apple computer for instance. Recent events concerning Apple Computer and some manufacturers alleged lax supplier oversight and reported supplier human rights and environmental violations only shows a microcosm of the depth of the challenges that suppliers face in managing or influencing these issues on the ground. Apple recently did the right thing by transparently releasing its Apple Supplier Responsibility 2011 Progress Report, which underscored just how challenging and difficult multi-tiered supply chain management can be. But all is certainly not lost and many companies have in recent years begun to navigate the green supply chain waters in China.

According to a World Resources Institute White Paper issued in the fall of 2010, China faces a number of supply chain challenges. First, the recent spate of reports alleging employee labor and environmental violations can place manufacturing partnerships with global corporations at risk. According to the report, Chinese suppliers that are unable to meet the environmental performance standards of green supply chain companies may not be able to continue to do business with such firms. Wal-Mart has already gone on record, announcing that it will no longer purchase from Chinese suppliers with poor environmental performance records. In order to be a supplier to Wal-Mart, Chinese companies must now provide certification of their compliance with China’s environmental laws and regulations.

Wal-Mart, like many other IT and apparel manufacturers also conducts audits on a factory’s performance against specific environmental and sustainability performance criteria, such as air emissions, water discharge, management of toxic substances and hazardous waste disposal. These actions are extremely significant as Wal-Mart procures from over 10,000 Chinese suppliers. This increased scrutiny on environmental and corporate social responsibility through supplier scoring and sustainability indexing, says the WRI report may trump price, quality, and delivery time as a decisive factor in a supplier’s success in winning a purchasing contract.

Transparency and Collaboration is Vital to Success

Many of my prior posts have highlighted the critical needs for increased supply chain collaboration among the world’s largest manufacturers in order to effectively operationalize sustainability in Chinese manufacturing plants. This is especially evident for large worldwide manufacturers operating subcontractor arrangements in developing nations and “tiger economies”, such as India, Mexico and China (and the rest of Southeast Asia). Global manufacturer efforts underscore how successful greening efforts in supply chains can be based on value creation through the sharing of intelligence and know-how about environmental and emerging regulatory issues and emerging technologies.

In 2010, a number of large-scale products manufacturers (IBM, Ford, Intel, Proctor & Gamble, Puma) issued sustainability focused supply chain related announcements. As noted by Green Advantages’ Andrew Winston, a common theme of each of these

SOURCING SUSTAINABILITY

Navigating China’s Green Road

By David Meyer- VP of Sustainable Economic & Environmental Development (SEEDS) Global Alliance
mandates focuses on “transparency”. Also, new reports are emerging that companies are taking climate change programs to their respective supply bases as means to support corporate environmental stewardship mandates.

Social Responsibility Takes its Place alongside Supplier Sustainability Standards.

Also, many global corporations are also accessing emerging sustainability-focused standards that embrace responsible supply chain management. For instance in 2010, the international Organization for Standardization (ISO) unveiled its ISO 26000 Corporate Social Responsibility guidance document. In addition, two prominent organizations, UL Environment and Green Seal unveiled and vetted two sustainability focused product (GS-C1) and organization (ULE 880) standards, both of which may markedly affect supply chain behaviors in the future. Central to all these standards and guidelines is how important distant, global supply networks are in supporting the entire product ‘value chain’, not only from an environmental perspective, but from a social and community focused perspective. Plus as the Apple case clearly demonstrates, Chinese non-governmental organizations (NGOs) are actively monitoring the environmental performance of Chinese suppliers and placing continued pressures on Chinese manufacturers to step up the pace of environmental compliance and aligning with global customer sustainability requirements.

Avoiding Rough Waters through Compliance and Verification

But, while a “Green Supply Chain” starts with a promise and a goal or two, what I have heard from many logistics and sustainability professionals is that the hard work centers on actually requiring and monitoring supply chain compliance. Most practitioners believe, as I do that sustainable sourcing and green supply chain effectiveness must include supplier monitoring and “verification” to truly be effective and sustainable. This is why supplier mandates from IBM, Procter & Gamble and other global corporations stand above the rest and offer great promise. Each of these programs includes a verification element to supplier conformance. In addition the IBM and Procter & Gamble initiatives contain a component that rates individual vendors on the basis of maintaining a proactive environmental management system and other key environmental performance metrics important to each company. This data in turn is rolled up to support company-specific sustainability performance criteria. Monitoring and verification through demonstrated performance metrics is strongly encouraged through implementation of proactive management systems (such as ISO 14001-2004 or other continual improvement based certifications). This step assures that the information provided by suppliers is accurate (so as to not compromise what is reported and to avoid reputational risk in corporate social responsibility reporting).

More recently, late in 2010, global giant GE conducted a Supply Chain Summit in Shanghai. China was selected as the first supplier summit venue outside the United States mainly because of the ‘unique set of challenges global manufacturers face in conducting overseas manufacturing’. As GE’s Supply Chain Summit site notes, “China’s manufacturing industry has grown immensely over the past decade, faster than its environmental controls and the availability of skilled managers.”

To meet that deficiency, a key element of GE’s supply chain management program relies on intensive supplier auditing and oversight. GE’s comprehensive supplier assessment program evaluates suppliers in China and other developing economies for environment, health and safety, labor, security and human rights issues. GE has leaned on its thousands of suppliers to obtain the appropriate environmental and labor permits, improve their environmental compliance and overall performance. GE performs due diligence on-site inspections of many suppliers as a condition of order fulfillment and as part of its tender process.

What appeared to be most beneficial to manufacturers is GE’s detailed auditor-training program, which includes instruction on local law requirements and field training followed by a supervised audit with an experienced GE auditor. The summit findings noted that dealing with the hands on “how to” aspects of solving non-compliance issues greatly helped Chinese manufacturers to “understand the importance of treating their employees fairly and the need to systematically manage the environmental impacts of their operations”. Suppliers at the summit also highlighted the business benefits that resulted from this “maturing approach to labor and environmental standards, including improved worker efficiency and morale, an enhanced reputation, and increased customer orders”. GE’s more advanced suppliers shared that they were developing management systems or integrated processes to proactively address issues and risks.

Teaching How to Avoid Hidden Hazards

In addition, GE and other multi-national companies (including Wal-Mart, Honeywell, Citibank and SABIC Innovative Plastics) have partnered to create the EHS Academy in Guangdong province. The objective of this non-profit venture is to create a more
well-trained and capable workforce of environmental, health and safety professionals, and give them the management, implementation and technical knowledge to be able to proactively assure “that real performance is sustainable and integrated fully into the overall business strategy and operating system” of a company. Chinese regulatory agencies are also invited to participate as well. The model that GE is using in China offers a positive example of collaborative innovation.

**Chinese Government Stepping Up Enforcement**

Finally, what good news I hear about the depth of environmental regulations on the books in China is buffered by the apparent lax enforcement of the rules and regulations. That is however appearing to change. The WRI report indicated that the Chinese State Council is directing key government agencies, including the National Development and Reform Commission, the Ministry of Finance, and the Ministry of Environmental Protection to prohibit tax incentives, restrict exports and raise fees for energy intensive and polluting industries, such as steel, cement, and minerals extraction. Also, it’s been reported in the past years that the People’s Bank of China and the Ministry of Environmental Protection are also working with local Chinese banks to implement the ‘Green Credit’ program, which prevents loans to Chinese firms with poor environmental performance records. In addition, the National Development and Reform Commission and the Ministry of Finance have issued a notice to all Chinese central and local governments to purchase goods from suppliers that are ‘energy efficient’. Finally, on a local level, governments have developed preferred supplier lists for companies producing environmentally-friendly products for their needs.

**Supplier Challenges Are Not Just Environmental**

A China Supply Chain Council survey conducted in 2009 identified a huge gap in knowledge between (1) A clear understanding of which environmental issues posed the greatest risk (2) What to do to manage significant environmental risks. Also, nearly 40% of the companies surveyed thought sustainability to be cost prohibitive, too complicated or where particular expertise was lacking don’t have the expertise (on the other hand 60% did!). Two-thirds of respondents did consider sustainability to be a supply chain priority, although many were not confident of the return on investment. However, more than half of the respondents reported that they had begun collaborating with their larger supply chain partners.

In fact, according to the World Resources Institute White Paper, despite increasing pressures to improve their environmental performance, Chinese suppliers face many financial challenges to operating in a more sustainable manner (see inset right).

**Leveraging the Supply Chain to Gain “Reciprocal Value”**

The most successful greening efforts in supply chains are based on value creation through the sharing of intelligence and know-how about environmental and emerging regulatory issues and emerging technologies. Leading edge, sustainability-minded and innovative companies have found “reciprocal value” through enhanced product differentiation, reputation management and customer loyalty.

Suppliers and customers must collaboratively strengthen each other’s performance and share cost of ownership and social license to operate. But supply chain sustainability and corporate governance are generally first driven by the originating manufacturers that rely on deep tiers of suppliers and vendors for their products.

Here are a few tips if you are a foreign products customer relying on overseas manufacturers, or if you are a China-based supplier fulfilling foreign customers’ orders:

- Open up and reach out to external stakeholders, not just your suppliers. Engage NGOs early and often. Find a respected international organization or other third-parties to facilitate the engagement process. Treat communities, NGO’s and suppliers with respect.
- Work with your supply chain and

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**World Resources Institute White paper notes increasing non-environmental pressures, including:**

- **“Extended green investment “payback”**: While improving resource consumption, such as energy and water, provides long-term cost savings, the payback for making such environmental investments may be as long as three years, which is financially impossible for many Chinese suppliers.

- **Lack of financial incentives from green supply chain buyers**: Multi-national buyers are often unwilling to change purchasing commitments and long-term purchasing contracts to Chinese suppliers that make the investments to improve their environmental performance.

- **Rising operational costs**: Chinese suppliers face rising resource and labor costs. For example, factory wages have increased at an average annual rate of 25 percent during 2007 to 2010. Rising costs dissuade suppliers from making environmental investments which may raise operating costs.

- **Limited access to finance**: The majority of Chinese suppliers are small and medium-scale enterprises (SMEs) with limited access to formal financing channels such as bank loans. Chinese SMEs account for less than 10 percent of all bank lending in China, and as a result, Chinese suppliers frequently do not have the capital to make the necessary environmental investments.

- **Intense domestic and global competition**: Chinese suppliers face intense competition from thousands of firms, both domestic and international, within their industries. This intense competition puts constant pressure on suppliers to cut costs, which can include environmental protections, in an effort to stay in business.
with industry peers to standardize requirements. Create or revisit the resources allocated in internal procurement networks to collaborate on environmental and social sustainability issues.

- **Construct environmental and social accountability requirements at the purchasing phase.** Build environmental and social conformance criteria into supplier contract specs and incorporate sustainability and environmental staff on sourcing teams. Seek opportunities that provide mutual benefit, such as energy and fuel saving efforts.

- **Inform suppliers of corporate environmental concerns and emphasize importance of long-term relationships.** Standardize supplier questionnaires and make sure that the Supplier Code of Conduct lands in the right hands. Promote exchange of information and ideas by sponsoring charrette to facilitate discussions between customers and suppliers on environmental and social license issues. Develop a supplier/vendor peer or mentoring program that promotes co-innovation on sustainability issues. If customers emphasize long-term partnership opportunities, Chinese based suppliers may be more inclined to make investments that require a longer payback period.

- **Build environmental considerations into product design w/ suppliers.** Apple already considers Design for Environment (DFE) product innovation and life cycle analyses in its product design. You’d be well served to coordinate minimization of environmental impact in the extended supply chain and work with suppliers to manage end-of-pipe environmental issues. Give your suppliers an incentive to reduce their environmental loading associated with their products and improved worker conditions. Seek cost sharing options for capital investments (for energy retrofits for instance, foreign customers may pay initial investment costs while Chinese manufacturers pay operations and maintenance costs)

- **Follow up!** Without adequate on-the-ground follow-through, on-going supplier engagement and long-term commitment of human and financial capital, sustainability problems in Chinese manufacturing plants will persist. Build value-added mentoring processes like GE and Wal-Mart have.

- **Promote open communication**. Frequent and transparent communication on sustainability progress helps to offer both support and resources to Chinese manufacturers, and to collect credible data to verify claims about energy savings and emissions reductions.

**Summary**

In order to be successful in implementation of sustainable supply chain practices, it’s vital that suppliers are engaged early in the supply chain development process by: 1) working with industry peers to standardize requirements; 2) informing suppliers of corporate environmental concerns by issuing statements related to triple bottom line priorities to suppliers or distributing a comprehensive green supply chain management policy; and 3) promotion of exchange of information and ideas through sponsored supplier events and mentoring programs.

There is no doubt in my mind that there are many financial benefits from proactive sustainable supply chain management and sourcing, including:

1. **Improved logistics agility by helping company’s mitigate or leverage risks and speed innovations;**

2. **Increased adaptability through the fostering of innovative processes and continuous improvements; and (most importantly)**

3. **Enhanced customer/supplier alignment, by creating platforms to negotiate policies between suppliers and customers, resulting in better alignment of business processes and principles.**

As large companies like GE and Apple expand their production capabilities throughout the globe, it’s vital that they continue to seek ways to train and educate smaller, less resource-rich contract manufacturers on environmental and social issues. This may be tough to do because countries like China are still in the “ramp-up” phases of economic development. Plus it’s been evident for some years that enforcement of environmental and social laws and regulations by government agencies has not been on par with the intent of the laws. It’s also possible that (for the foreseeable future) Chinese political and economic systems will remain focused on rapid development at all costs. So it’s critical that local/in-country government policies be aligned as well to support capacity-building for companies to self-evaluate, learn effective auditing and root-cause evaluation, institute effective corrective and preventive action programs and seek means to systematically achieve continuous improvement through proactive environmental and social management systems.

The GE oversight program and newly formed collaborative education initiatives offer hope that reciprocal value creation and timely collaboration between global customers and in-country manufacturers will become the new “business as usual” in China’s manufacturing sector.

**About the Author**

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Dave R. Meyer is VP of Sustainable Economic and Environmental Development Solutions (SEEDS). His passion for three decades has been to drive clients to achieve environmental and sustainability program excellence, leverage regulatory compliance risks, optimize organizational effectiveness, and create upstream value in highly competitive markets. His international business advisory expertise in the public and private sector has led to award-winning program recognition, leveraged regulatory compliance risks, optimized organizational effectiveness, and upstream value creation in highly competitive global markets. Dave is an expert contributor on green supply chain issues for the @Kinaxis Supply Chain Community; a contributing Author on sustainable business performance for TriplePundit, Sustainable Business Forum, Green Conduit, 3BL Media, Environmental Leader, Green Economy Post, GreenBiz.com and numerous local, international and national publications; has spoken at numerous international conferences, and serves on the Advisory Board for the 2Degrees Sustainable Supply Chain Collaborative. You can view his blog related to sustainability best practices, green supply chain, public policy, the environment and business competitiveness at valuestream2009.wordpress.com. Dave can be reached at dmeyer@seeds-global.com.
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In 2005 the top ten solar manufacturers in the world were dominated by players from Germany, Japan and the US. In 2010 a shift has occurred with China now dominant, hosting five of the major solar manufacturers. This quantum shift in solar module manufacturing has been mirrored throughout the various green-tech industries. China now has the largest installed capacity of wind power in the world, is the world leader in implementing high voltage transmission lines and has announced major investments in smart grid technology. If you want green-tech products then China is the place to come to source these products.

The growth of the green industry worldwide since 2007 has been explosive. The double digit growth has provided market opportunities for Chinese suppliers and through the 2008/9 downturn many companies re-branded themselves and entered the green tech markets. The abundance of suppliers today can falsely lead the external buyer into thinking that they are purchasing commodity consumer goods.

The biggest difference between the commodity goods markets and green-tech is the relative maturity of each industry. Commodity goods have been sourced in China for well over 20 years now and factories have developed a depth of experience in product knowledge and manufacturing. This knowledge has been shared throughout the supply chain. The green goods market by contrast has exploded since 2007, mainly due to the introduction of favorable tariffs and legislation in western markets for green electricity to combat climate change. The Chinese government has also demonstrated its determination to be a world leader in the new green-tech industries and announced a series of domestic initiatives, such as aggressive targets in the last two five year plans, along with the renewable energy law of 2007 and the “golden sun” solar manufacturing subsidy program.

As a result the majority of Chinese green tech companies are very new with relative inexperience in the field. Many large state owned enterprises (SOE) and private companies from other industries are “chancing their hand” in wind turbine and solar panel manufacturing to take advantage of generous state and local government subsidies. An example is Hebei Zhongming Solar Technology that entered the solar market in 2010, with plans to expand from 60MW to a 250 MW per annum facility. When asked where they would get their technical staff they responded “from down south”. In 2010 over 250 companies entered the Solar panel market.

Even if suppliers have an established track record, the competition level introduces huge cost reduction pressures. The pressure on these industries is so great that costs are being cut on non-headline components, leading to quality problems. In the wind turbine industry, many buyers employ contractors to ensure the wind turbines components are bought as specified and not substituted with non qualified localized equivalent parts.

It is of critical importance to make sure that both the company and the products being sourced have undergone international accreditation if you wish to re-sell or safely use them. The standard quality accreditation for companies is ISO 9001:2008; this is the minimum standard that all reputable manufacturing companies should adhere to. Many firms in China claim to have this accreditation but if issued by a Chinese body, there is a good chance that the accreditation was bought and NOT EARNED. If the accreditation has been issued by a foreign affiliated test house such as SGS, UKAS or TUV then it is more likely that the company in question takes management of its quality standards seriously.

Quality accreditations on green tech products depend on the nature of products being sourced but almost all are safety rather than performance based. There are also differences in the capabilities of the testing bodies within China for different products. An example is that solar panels can be fully tested to the relevant safety standard(s) UL1703, IEC61215 and IEC61730, however whilst China’s wind turbine testing body have only been testing wind turbines for the past 1-2 years to ISO17025 and EN45011. Hence the quality of testing may not be of the same standard as firms in the west. As with any product the quality of the accreditation is only as good as the people carrying out the testing, if in doubt insist on recognized brands such as SGS or TUV. As mentioned before accreditations are biased towards safety testing and cannot be used as
a guarantee of performance. As part of the manufacturing process the manufacturer should regularly carry out life and performance tests and have equipment within the factory to carry out such testing. In addition many labs in China provide independent life and performance testing where products can be put through their paces against specification sheets to assess overall quality. Another aspect of accreditations and importing green goods is to make sure that the goods being imported have been tested to meet the regulations in the end user country, especially if the products are to be tied to the domestic utilities. Export regulations in China again depend on the complexity of the products, for example Solar panels have no export restrictions and can therefore be exported as commodities. Wind turbines and circuit breakers however require special customs export certificates. These will normally involve customs visiting the manufacturer in the first instance and inspecting that the factory is producing quality goods for export. Again dependant on the value and complexity of goods, certificates may be required for each export shipment. These export clearance inspections are in-depth and mainly focus on paperwork. All paperwork both from the buyer and manufacturer must match up exactly. If a company has not undergone inspection before, the initial set-up can take 2-3 months, and certificates normally take 2 weeks from inspection to issue. Before purchasing it is worthwhile to check if the factory has experience in exporting the products you are purchasing abroad and if any customs regulations apply. If you are arranging the export of products out of China yourself, it saves much time and hassle to work with an experienced customs agent. Despite these challenges, there are numerous well run companies that provide great green-tech products and services. If care and attention is applied during the supplier selection process, expensive sourcing errors can be avoided. When sourcing green-tech goods I advise using the following guidelines

1. As with any product sourcing, if the price is too good to be true, then it probably is.
2. Check for international accreditation, as the firms who have taken the time and trouble to pass product(s) to international norms are more likely to have their processes under control.
3. Ensure that you, as the buyer, have suitable knowledge in the manufacturing and technology of the goods you are purchasing. Do not assume that just because the factory is making the goods that they are experts. If you do not have access to this experience then use experienced agents on the ground.
4. Map out the critical technology in your supply chain and investigate the manufacturing controls on these parts.
5. Make sure whoever is carrying out supplier assessments has a working knowledge of Chinese work practices, many cost cutting measures can go un-detected. For example during one factory visit to a major solar module manufacturers, I was proudly shown a very expensive German piece of final test equipment, I noticed that despite the module running through the machine, the pictures never updated. The machine was in a diagnostic mode. Because production demand was high the factory workers had switched the machine into this mode to speed up production!
6. Check out compliance regulations in your home market and ensure the products being purchased have the correct accreditations.
7. Investigate customs export regulations in China.
8. Finally quality control inspections by 3rd parties before shipment are a must.

Happy Sourcing!!!
We are collectively realizing that we do not have an unlimited amount of air or water or space to continue to utilize resources as we have done in the past. The pending concern over global warming merely serves as the central rallying point for an environmentally friendly movement that has been underway since at least the 1970s. However, our profession seems to be in its infancy in applying green standards into the work environment.

At first glance, it appears that any project team could take steps to recycle and reduce the use of resources. This may include reducing the amount of documentation that is printed, and where companies have invested in enterprise project management systems, leveraging these systems and any workflow capabilities to receive approvals (ex., on Project Charters, scope change requests, etc). Project team members may be required to shut off computers and printers nightly if this reduces electrical use.

We believe that this is the beginning of getting project teams, sponsors, key stakeholders, and others to think green about each project. “GreenPM” (green project management), is a concept in its infancy with a goal of incorporating an organization’s environmental aspects into project management processes. It is a model where we think green throughout our project and make decisions that take into account the impact on the environment, if any.

It is a way to ingrain “greenthink” into every project management process. The point about green project management is NOT that we make every decision in favor of the one that is most environmentally friendly. The point is that we start to take the environment into account instead of ignoring it. You might make most decisions the same as you do today. But there might be some decisions you would make differently.

We organized this white paper to introduce the International Organization for Standardization’s ISO 14000 family of standards. These were developed for organizations to operate in a way that sustains the environment. We then investigate how “greenthink” can be applied to project management in support of aligning with these standards.

“GreenPM”: Supporting ISO 14000 standards through project management processes

Since the 1990s we have seen an increasing focus on sustaining the environment. The International Organization for Standardization, www.iso.org, established ISO 14000 standards for the environmental field in 1996. Most recently revised in 2004, these standards are voluntary and global. There are an increasing number of companies becoming ISO14001 compliant. It is also common for these companies to request the same from their supply chain partners.

Like the more mature ISO 9000 standards for quality management, the environmental model follows a continuous improvement process. Both follow Deming’s Plan-Do-Check-Act (PDCA) model. As opposed to a defined environmental performance level, the ISO 14001:2004 environmental standard provides a framework for organizations to act in a manner that enables each to comply with its environmentally defined standards. ISO14001:2004 defines a set of elements that comprise an Environmental Management System (EMS), to help an organization improve its overall environmental performance. The EMS describes an approach for how a company will conduct itself in an environmentally friendly and sustainable manner.

People in our profession can learn from their company’s approach to environmental awareness and consider how environmental management applies to project management. It is possible that new questions could be asked or new decisions could be made if everyone involved in a project (project manager, sponsor, team members, key stakeholders, etc) participated in “greenthink”. Environmentally friendly and sustainable thinking can be applied to all projects, although we cannot expect all projects’ outcomes to have the same level of environmental performance or gain.

A Closer Look: Applying “greenthink”
to Project Management Processes

“A Guide to the Project Management Body of Knowledge Third Edition” from the Project Management Institute (PMI®), commonly referred to as the PMBOK®, identifies nine areas of project management which are commonly covered in a project management methodology. Here we provide examples of how “greenthink” is applicable to each of these areas.

Integration Management. The most likely part of Integration Management that can incorporate “greenthink” is Integrated Change Control. This is the process where all changes are evaluated and their affects on other project management processes are considered. The environment should be an aspect that is evaluated with each change and factored into each decision making process.

Project Charters infrequently (or never) contain a section on environmental concerns. Therefore, most project managers never give it a thought as they are defining the project. It is likely that few project sponsors give it a thought either. But perhaps there are ways that your project can be greener if you would only think about it. For instance, if you are upgrading your network infrastructure, it is likely that some of your equipment will be obsolete. Ten years ago, you might take the old equipment and bury it in the middle of a big dumpster. However, maybe the better choice is to seek out a recycling company. You know what – it might even cost you a few bucks. However, if you identify the recycling need up-front you can build the cost into your estimate.

Scope Management. Today your scope change process takes into account the business value of the change and the impact to the project. Let’s now add a third factor – impact on the environment. All we are proposing is that the impact to the environment be considered along with value and project impact.

There are a couple of possible outcomes:

• There are no real environmental impacts. In this case, the process is the same as today. This will be the outcome of the vast majority of instances.

You see that in some percentage of cases, the sponsor might make different decisions on scope change requests if they only knew the impact of the change on the environment. Therefore, let’s bring this information to the people who need to make project decisions, so they can at least consider environmental impact when they are making decisions.

You may also add new work packages to your WBS for demonstrating performance-related gains that align with your company’s environmental policy. For example, if you are manufacturing a new widget, you may want to demonstrate that you are decreasing the amount of scrap that has been historically measured in the manufacturing plant.

Time Management. Time management describes the processes related to the project schedule, from definition to creation to change control. Adopting a green project management methodology may now include activities in support of your company’s environmental policy or EMS. Plan the time for these activities into your project schedule.

Cost Management. Your projects can include costs for environment-related processes or activities on the project.

Quality Management. There are two levels of quality management programs – each of which can accommodate GreenPM concepts. One is focused at an organization level and one is focused on a project level. Quality initiatives at an organizational level include Six Sigma or the Capability Maturity Model Integrated (CMMI).

Individual project teams don’t implement large scale quality programs such as Six Sigma on their own. This is normally done at an organization level.

It makes sense that if you have a Six Sigma initiative in your organization; you are going to need to adopt Six Sigma principles on our project. Similarly, if you are practicing GreenPM you should first look to see if your organization has an Environmental Management Policy (or something similar). If so, then you should make sure that your project aligns to these environmental policies and standards as well.

The second aspect of quality is the specific quality criteria that make sense for your specific project. The project Quality Management Plan focuses on the stakeholders’ expectations (requirements) of quality and the resulting activities needed to meet these expectations. If you are practicing GreenPM, you should seek to expand this discussion of quality to discuss the environmental considerations of the project. This does not mean that every project will have environmental considerations. However, if you start to ask the questions and start to raise awareness, you might be surprised to learn that there may be green areas of interest to your stakeholders.

When you understand the environmental expectations of your customer, you can take these into account as project quality requirements. These can be addressed through your project as you address all other requirements that you have gathered.

Project quality assurance and project quality control may also include activities in support of the environment. For example, a project quality audit may confirm that the processes performed are in support of the company’s environmental policy.

You may incorporate a quality control checklist to validate deliverable quality. Perhaps it makes sense for your checklist to include questions that tie in environmental aspects to the deliverable you are building. One idea could be to ensure that you use recycled paper to create your project paper-based deliverables. This is a
small thing but could have a large impact when multiplied over hundreds or thousands of projects.

Human Resource Management. If practicing GreenPM, educate project team members on the processes that consider the environment. It is also an opportunity to educate them on your company’s EMS. Since project team members are often involved in analyzing situations and alternatives and providing recommendations, their introduction to “greenthink” could help them recognize environmental impacts in their work.

Communications Management. When planning project communications, you look at the stakeholders involved in your project and determine the type and frequency of communications needed for the various stakeholder groups. How often do organizations currently identify any environment-related stakeholder groups (internal or external) as a part of a communication plan? Many organizations now compliant with the ISO 14000 family of standards may have individuals responsible for and/or participating in their Environmental Management System processes. These individuals may represent a new stakeholder group who would be interested in your project’s alignment with the environmental policy. Your communication plan should include activities to increase these stakeholders’ awareness of your project.

You should include project-related environmental actions in status reports.

Risk Management. Risk Management includes identifying risks and determining their probability and impact on a project. When applying “greenthink”, your project team may now analyze each risk’s impact on the environment, and how it relates to their organization’s environmental policy. With GreenPM, you may identify some risks that are defined with a different impact level and therefore a different risk rating and risk response strategy that may not have been considered previously.

For example, your project may be prototyping a new technology. If the new technology does not prove to be a solution, you may then resort to an existing technology. Prior to GreenPM, you may have considered the risk to be associated with a schedule and/or budget impact. By considering the environment, you may recognize that additional resources (electrical power) were used for you prototype that otherwise would have been avoided. If your company’s environmental policy is looking to reduce its use of such a resource, then the prototype results may now include an environmental impact in addition to a schedule and/or budget impact.

Another example may be a schedule risk if you cannot rely on overtime as an alternative for getting a project back on schedule. While this has never been a recommended best practice in project management, overtime is often a reality based on project constraints (eg. schedule, scope, and budget). If your company’s environmental policy includes an objective to maintain or reduce its use of natural resources, then overtime could impact this objective by requiring additional electrical power and water usage. Now, your Sponsor may determine that the project team should not work overtime.

Procurement Management. Educate vendors on your company’s EMS and use of GreenPM. Vendors should follow your GreenPM methodology and focus on the environment in their work for your projects.

Summary
Applying GreenPM enables everyone to be more cognizant and better stewards of potential environmental impacts in their decision making processes. It does not mean that all resulting project decisions will change from what may have been prior to incorporating “greenthink”. Ultimately it is up to the sponsor and client organization to make the final decisions. Over time, we may begin to understand how many decisions might be made differently if the environmental impact (if any) is taken into account. These different decisions, multiplied by tens of thousands each day across the world, can make a difference.

We are barely scratching the surface on GreenPM techniques and processes. The point is not to invent (many) new project management processes. The point is to adopt GreenPM into existing project management methodologies. Green thinking is part of the ISO 14000 standard. Since companies are now applying this thinking through their environmental policies and EMS, the question is how best to apply it on your projects in support of your company’s environmental direction.

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CHINA’S 5 YEAR PLAN

CPC Central Committee’s Green Proposals for the 12th Five Year Project

By Derek Paylor - Promotions Manager, CSIC

Since 1953, China’s Five Year Plans have stated the objectives of the Communist Party of China. With a buildup similar to the State of the Union address in the US, they lay out in general detail the arc of policies and goals the Party hopes to meet in the coming years. China-watchers all over the world are keen to know what the five-year programs include, as each provides also a summary of policy objectives that were created in the last few years as well as new aims for the future. As 2011 marks the beginning of the 12th Five Year Program (no longer called a “plan” since the 11th Five Year Guideline), the next five years will see China taking a greener stance towards a host of environmental and economic issues.

The Communist Party of China Central Committee (CPCCC) predicts China’s living standards will continue to skyrocket in the coming years with no downturn in sight. When the sessions began in October last year China Central Television, or CCTV, prepared features about people whose living standards improved during the last five years. Each 10-minute piece usually focused on the “average” Chinese citizen who was once struggling to make ends meet, yet, thanks to the previous reforms, they were able to drastically change their lives. While watching the programs, I found myself caught up in these rags-to-riches stories, and to this day remember vividly the widow who stood in front of her husband’s alter in her home to tell him about how she paid back their 60,000 RMB debt. Other stories describe government programs that have cleaned rivers and restored industries, or the farmers who dramatically increased their grain output thanks to new machinery in their county. Testimonials like these in the media challenge the usual skepticism that colors the people’s views of the government.

For people living in China, daily life is also affected. After hearing a report on China Central Television, or CCTV, energy usage policies could take shape in ways similar to their neighbors in Japan. Chores that require large amounts of energy, like washing clothes, might be regulated to nighttime hours in Chinese households as the cost of energy will be less than during the day. An analyst named Yang Yu from CCTV also predicts that Chinese will face tough considerations about what they buy, how to budget their expenditures, and where they choose to reside under this new five-year strategy. He also predicts that the Chinese will begin to more closely examine their relationship to the environment, and to that end, bad habits such as guilt-free littering on the sidewalks and a disregard of recycling that are prevalent in other countries will hopefully disappear. Already in major cities, such as Shanghai during the World Expo, it is apparent that public consciousness is changing.

As Xinhua, the official press agency for the PRC, reports, The CPC Central Committee (CPCCC) has addressed and is seeking to minimize the economic gap between rural and urban areas, an issue that could cause potential unrest in the coming years. By refocusing efforts on the countryside, the development in the next five years will be less oriented towards the coastal cities, and the CPCCC hopes that a more coordinated approach will include national security aspects such as ensuring grain security, while seeking to develop the modes of production in the western provinces. This news means that the barriers that have prevented foreign business from fully considering investing in the countryside will become fewer over time. Infrastructure construction in water, power, housing, and education will better the lives of those living in the rural areas, and will incorporate the newest methods of energy conservation and sustainable practices. While poor education has always been an issue for the rural workforce, the new program hopes to create a population of people who welcome any ideas which make their living conditions healthier and their reputation as suppliers more palatable to foreign investors.

As citizens find better lives, they of course will continue to buy such markers of modernity like cars, heating, and electronics that are big consumers of energy. In spite of this trend, the 12th Five Year guideline hopes to decrease the amount of energy consumption.
per unit of GDP as well as to decrease the quantity of carbon dioxide emissions.

In the plenary sessions, goals for reducing the intensity of energy consumption and carbon dioxide emissions are considered “binding goals,” showing a more marked determination and commitment to meet reduction numbers. Other focus is on developing a “recycling economy” where less waste is produced as well as fortifying efforts in environmental and ecological protection areas. Also, the government seeks to invest in low-carbon technologies while developing its own carbon trade markets. In the world arena, China lays out in the guidelines a move towards more international cooperation within global efforts to cut down on emissions. The language used is more determined than in previous five-year schemes, and, such, China is sending a message of increased responsibility to itself and the worldwide community. What is missing from these guidelines, however, are numbers or strategies they could follow to reach them; however, as the energy sector will be developed along with health care and technology, policymakers cannot rationally forgo a green agenda and hope to see any valuable gains in the long term. Also, changes in the prices of raw materials and environment-related taxes are things foreign businesses will have to take into account. Any hikes in prices in those two areas are supposed to be counteracted by an increased opening of the services sector.

Furthermore, within the guidelines, China hopes to create seven “strategic emerging industries” aided through preferential “tax, fiscal, and procurement” policies. The seven industries they choose are telling: biotechnology, high-end equipment manufacturing, energy conservation and environmental protection, clean-energy vehicles, new materials, and next-generation IT. According to analysis done by APCO Worldwide, a public affairs and strategic communications firm, the emissions target will stand at 17 percent, and green initiatives will be created to force accountability on local governments that will help China to meet its goal of reducing 40-45 percent of carbon per unit of GDP by 2020. By 2020, China wants to have 15% of its energy come from non-fossil fuels, increasing it from the 8.3% in 2009. Other plans include consolidating the coal industry, developing policies geared towards nuclear and hydro power, development of the power grid, and increased spending on energy and environment sectors, with a goal by 2015 to produce 1 million electric vehicles.

The Party hopes to address issues such as air quality and environmental protection while remaining competitive in the global market. By creating new policies that factor sustainability into the equation, the results could see more success this time. Plans include perfecting a recycling system and rubbish sorting programs, strengthening resource conversation and management programs, developing more stringent long-distance surveillance programs for projects and other systems of verification. In pursuit of attaining higher levels of development, the pages of documents highlight many arenas ripe for private sector guidance. The opportunity that has lured many foreigners to China is still alive and kicking, albeit the character of it will change significantly if anything of these strategies come to pass.

Already in modern cities like here in Shenzhen, the writing is on the wall. In the tradition of propaganda slogans and posters such as the One Child Policy and drug resistance, signs all across the city advocate the “low-carbon life” and have virtually become a buzzword across various mediums. Reports have noted that, like their western counterparts, the Chinese are willing to possibly spend more cash in order to ensure the products they purchase are not creating unnecessary damage to the environment. This new way of thinking is making a strong imprint in China, and for it to be so incorporated into the coming Five Year guideline shows that the old mantra of “development at any cost” is no longer a moniker by which China has to abide.

For the businesses that seek to source from China in the coming year, we must be aware that there is a change in the water. With the highest echelons of government focusing on greening up the economy, it will only be a matter of time before these regulations trickle down, affecting which factories we choose for partnership down to the methods of procurement. We will have to ask tough questions about costs, shipping and marketing, while embracing this change and the opportunities for innovation that lie ahead. The 12th Five Year Program lays out what the government has in mind, and as anyone who does business in China is well aware of: happy government officials mean an ease in business that cannot be underestimated.

Sources:

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Sustainability is the buzzword of the moment. Sustainable development was defined by the World Commission on Environment and Development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. Since then definitions of sustainability have in a multi-faceted concept, encompassing the 3P’s of sustainability; Planet or environmental, People or social and Profit or economic considerations.

Business and sustainability

Nowadays every self-respecting, company has a Corporate Social Responsibility Strategy to act as a responsible member of the world society; but how can one balance making money while being sustainably responsible at the same time? Integrating sustainability into your business is something many companies are still struggling with. When does it pay to be green? Where to focus on? Renato Orsato has written an interesting book ‘Sustainable strategies’ describing 5 potential strategies based on the good old Porter Value Chain strategies as well as the Blue ocean strategy;

1. Eco-efficiency: Lean thinking, reducing waste reduces the amount of resources and thus often saving money on the bottom line. A good strategy for B2B industries with high process costs and waste and/or by-products. But nearly any company can benefit from this. Besides cutting waste one could also find new markets for these by-products and waste materials. For instance the Chinese Guitang group, the biggest sugar refiner in the country, installed downstream companies generating value by utilizing nearly all by-products of the sugar cane refinery in producing alcohol, cement, fertilizer, paper as well as recycling and re-use of the waste and by-products.

2. Beyond Compliance Leadership: Resource intensive industries often have increased reputational risk, potential leakages and spills. Local risks can easily damage the global brand. This is a strategy frequently seen used by global players like Nike, IKEA. Often though these ideas are developed after problems like child labor, spills and pollution came into the news. Joining green clubs to improve credibility is often seen as a tactic here, for instance Climate Savers is an initiative by the World Wild Life fund in cooperation with firms like Nike, IBM, Tetra Pak, Johnson & Johnson and others to establish challenging targets to reduce greenhouse gas emissions on a voluntary basis. The WWF offers networking opportunities, best practices and guidance to develop accounting and mitigation plans as well as credibility. Nike finds that the goals of the group help them move ahead of competition and innovate.

3. Eco-branding: Most customers are willing to buy a greener product provided it doesn’t cost more, comes from a trusted maker, requires no special effort to buy or use and is at least as good and attractive as the alternative. It pays off if customers have reliable uncontroversial information about the environmental performance of the product- hence the development of eco-labels. A second prerequisite is that it should be difficult to imitate the product; in Scandinavia now all toilet paper has an eco-label and nobody has a competitive advantage. Last but not least there should be a willingness to pay for the eco-differentiation and this is only possible if the customer perceives a clear benefit from the purchase. GE has done well with its Eco-magination program, the products are better for the environment, the buyer has less energy and/or resource cost and GE might be able to charge a price premium. The success of this strategy might benefit by convergence between public and private benefits like buying organic food is good for the environment as well as healthier for the consumer.

4. Environmental cost leadership: In industries competing on low cost(s) this might be a good strategy, offering eco-attributes at low cost. Perform eco-design(s) and think in product life cycles. Offering services instead of products might be an option. For instance sell no printers but copies, making it possible to re-use components in new machines. Another example is Ecolean, a packaging manufacturing style growing by 50% a year, offering packaging that has less environmental impact and that costs 25% less. 40-60% of the oil-based
plastics are substituted by calcium carbonate (chalk) which is non-toxic and one of the most abundant resources in the world. It got the attention of the Chinese government officials; Ecolean installed a new factory in China in 2001, because of the lower dependency on petrochemicals.

5. Sustainable value innovation: Being sustainable creates new markets. For instance Unilever develops and sells water purifiers. The Prius, hybrid car of Toyota, created a whole new market; all other brands are trying to catch up as we speak.

China and sustainability

The last few years the Chinese people, including the government, have been shocked by big scandals; Melamine in baby milk, evacuation of towns after lead found in a zinc factory lead to children being poisoned, and suicides at dormitories of Foxconn all made the headlines here and around the world. In the past, environmental protection lost the battle with economic growth but these events, and others like them, changed that. Local NGO’s are scrutinizing and challenging Apple, for instance, to check and improve practices at the Foxconn (who is one of their main suppliers) factories. The government is trying to reduce the dependency on (imported) resources via renewable energy, recycling, efficiency improvements in energy and water consumption. In large areas of China water is scarce and in many areas surface water is so polluted that it is not suitable for irrigation, people are aware that this can be no sustainable situation.

In general the legislation in China on water quality and labor does not differ much with the legislation found in Europe. Electronic waste legislation will go into effect starting January 1st, 2011. Although not as strict as the European legislation, it is similar in spirit. Producers are encouraged to design for re-use and recycling, a licensing of recovery of processing recycling will be put in place. The nation will install a fund to pay for the cost. There will also be a ban on importing e-waste.

The implementation and enforcement of legislation however is often challenging. What seems to work more often, are the carrots the Chinese government offers. By awarding companies with best practices with lower prices, cheap loans and tax breaks (the aforementioned carrots), more companies are willing to implement pro-environment changes. Several foreign companies like DSM, Pervetti van Melle as well as many local companies were awarded these ‘perks’ over the last few years. Subsidies and cheap loans are also in place to help industries in green technology like wind and solar technology or organic farming.

As a buyer from China, you should sit around the table with your suppliers and have a look at their processes. What are the critical materials and processes that either might be dangerous to work with or potentially polluting the environment. Try to find alternatives together or if that is not directly possible make sure employees are protected and waste collected and appropriate measures are taken to deal with any potential problems. Make sure you do unexpected audits as well and dig to find out what is really happening with respect to labor conditions, emissions, hazardous substance use, waste etc. Reputational damage in case child labor, pollution scandals coming in the limelight is bad, bigger incidents, as seen with the milk scandal, however might even bankrupt you but you should also not be willing to pay for waste in your supply chain in the first place.

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**Bio Fuels**

Fuels derived from recently dead biological material, most commonly plants (vs. fossil fuels, which are derived from long-dead biological material). Biodiesel, vegetable oil, and ethanol are all examples of bio fuels.

**Carbon Footprint**

A measure of the amount of carbon dioxide produced by a person, organization, or location for a specific amount of time. An entity’s carbon footprint is used to describe its contribution to the dangerous levels of greenhouse gases in the earth’s atmosphere.

**Carcinogens**

Any substance that, when exposed to living tissue, may cause the development of cancer. For example, breathing chromium fumes is known to cause lung cancer. Hundreds of chemicals are known to be carcinogens.

**Cradle to Cradle**

A philosophy that evaluates products for sustainability and efficiency during each stage of the lifecycle: design, material(s) sourcing, manufacturing, consumer usage, and post-consumer usage. The key element of this philosophy is to design products that are reused, recycled, or composted, rather than those that end up in a landfill (the latter being the more common alternative, referred to as “cradle to grave,” with the landfill being the grave).

**Eco-Label**

A logo or seal used to distinguish a product or service as environmentally friendly. These logos are typically a sign that an independent and reliable third party has reviewed and certified the product or service. Examples of eco labels include: GreenSeal, Green America’s Green Business Seal of Approval, Cradle to Cradle certified, and Fair Trade Certification.

**GREEN PRODUCT**

There is considerable debate these days over what makes a product “green.” In general, if a product’s design, packaging, manufacture, or source materials have a lower environmental impact than other similar products available on the market, then it could be considered a green product. Examples include non-toxic cleaning supplies and compostable plastic utensils.

**LEED**

The Leadership in Energy and Environmental Design (LEED) green building rating system, developed by the U.S. Green Building Council (USGBC), provides certification standards for environmentally sustainable construction. These standards take into account energy and water efficiency, CO2 emissions reduction, improved indoor environmental quality, and responsible raw material sourcing.

**Life Cycle Assessment (LCA)**

A way to investigate, estimate, and evaluate the environmental burdens caused by a material, product, process, or service, throughout its life span. Environmental burdens include the materials and energy resources required to create the product, as well as the wastes and emissions generated during the process. Examining the entire life cycle creates a more complete picture of a product’s environmental impact, as well as the trade-offs in impact from one period of the life cycle to another.

**Solar Thermal**

A system that captures energy from sunlight, and uses a heat exchanger to heat a liquid. This is different from a photovoltaic, which converts sunlight directly into electricity.) Solar thermal water heaters are commonly used as an energy-efficiency tool to heat water for buildings, thereby reducing the amount of energy needed to heat water.
Interview by David Dayton, Editor at Large, CSIC

Bill Dodson, Suzhou
Director, Strategic Analysis - Trends Asia Ltd.
Author - China Inside Out: 10 Irreversible Trends Re-shaping China and Its Relationship with the World
Manager - This is China blog

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CSIC - Bill, I've loved reading your blog (This is China) over the years, how exactly did you get started in China? What are you doing now?

BD - In 1998 I started studying Chinese at a Chinese language institute in Boston, USA, with the full intention of one day living and working in China. In 1999, the China bug bit me during a walkabout through the country. In 2003 I worked with Chinese contacts to snag a large American market entry client that essentially funded my full-time transition to the country. I split my time between: working on my next book project; writing for the China Economic Review; speaking on economic and social trends in China; providing trend analysis reports to clients; working with executives to integrate China operational realities into strategic plans from headquarters; serving as production advisor and senior analyst for ChinaEnergySector.com; writing blogs at ThisIsChina.com and ChinaInsideOut.info; and playing with my wife and newborn son.

CSIC - I've just finished your book and I'm very impressed with the analysis of what is going on in China and your reasoning why it's happening the way it is. In particular, you picked specific 10 trends -- why these ten?

BD - I am fascinated by the fractal nature of great events. Fractals are self-reinforcing, and can take on a life of their own, like DNA. I wanted to explore the DNA of our times, as it were. In thinking about the great currents reshaping China and the rest of the world, I only wanted to pick trends that were so strong that to try to disrupt the speed or direction of any trend would result in a major rupture of the society: for instance, for China's leadership to tell the populace that when the 500 millionth citizen passed into the middle class, no one else would be allowed. The preemption of the promise for economic opportunity would result in a lot of unhappy citizens likely protesting rather violently against the leadership and its decision, possibly even rending the social fabric.

CSIC - Unlike so many that are fanning the flames of China's ego, you see China on the edge of history, but not ever ruling the world. (I agree.) Why don't you think that it will happen like so many Chinese wish and so many western journalists and politicians predict?

BD - China is, as I write in the book, at the adolescence of its ascent. As is the case with most societies who are feeling particularly perky, there will be a great deal of chest pounding without paying attention to the circumstances and forces greater than itself that brought it to that moment in history. In China's case, the confluence of technological trends - industrial and electronic - globalization patterns, demographics (a bulge of youth with nowhere to go but "up"), and an Anglo-American philosophy of laissez faire with respect to global financial markets have allowed China to catch up with the West after nearly 600 hundred years of ignoring the industrial revolution.

Demographics, pollution issues and natural resource constraints (especially land and water) will force China to fall back in on itself around 2025/30, when supporting irreversible trends either come into confluence or wind down of their own accord. I don’t see China imploding; however, the economic party will most certainly be over when these conditions conspire, with a Communist Party that’s changed beyond all recognition to meet the challenges.

CSIC - Finally, getting into more of the nuts and bolt of how to do business in China, if I may? What do you see as the most common factors in success or failure for foreign companies coming to China?

BD - China's demographics has been both the muse and the harpy that has drawn companies from abroad with visions of riches and at the same time has left some wounded and dispirited, limping home. The promise of such a large and diverse consumer base and the openness and warmth with which foreign investment is still received in China seems to short-circuit norms that companies adhere to in international markets. The most important standard is thorough due diligence of potential markets and partners. Without having gathered intelligence of what lays ahead in a market in terms of challenges and barriers to entry, companies become short-sighted about the amount they really need to invest to succeed in a local Chinese market and the amount of time it will take to see sizable returns on investment. Companies often seek a short-cut to returns on investment by taking on local partners who do not have the investor’s interests in mind, and instead work in an opaque and self-interested manner as the market into which they are meant to help the investor!

Another major stumbling block then is having an exit strategy in place that allows a foreign investor to withdraw from an unsuccessful bid in at least as good a condition as it had entered; then, at least, upon successful withdrawal the investor can reconsider its plans and, if conditions warrant, re-enter the market using a different approach with limited exposure. If an investor finds its condition worse at the end of a project than when it had first entered the local market, then it may be very difficult to reenter without substantially re-prioritizing its interests in China - or withdrawing from the marketplace completely.
## April 2011

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<td>Tue 31</td>
<td>Global Sources Dubai</td>
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<td></td>
<td>CSIC’s David Dayton in attendance</td>
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Teaming up to offer free conferences on China sourcing topics in Hong Kong, Shanghai, Dubai, Mumbai, Johannesburg, Miami, and Singapore in 2011

Next stops on the global seminar series:
April 12-15 2011, Hong Kong  Booth # 11MO7
April 20-23 2011, Hong Kong  Booth #  5C35
April 27-30 2011, Hong Kong   Booth #  7P36

Contact Exd@ChinaSourcingInfo.org to book seats for an individual or group.

Buying from China: What new buyers need to know

This one-hour introductory level course on sourcing includes modules such as:

- Managing expectations: Sourcing opportunities and common pitfalls
- Quality Control Fundamentals
- Shipping & Logistics Overview
- Supplier Payments

Whether you’re a beginner or veteran buyer who wants a fresh perspective on the subject, these seminars will give you valuable tips on sourcing more productively and profitably. Gain information that will continue to pay off for years to come.

Negotiation tactics for successful purchase contracts/orders

This one-hour intermediate-level course will discuss common pitfalls and strategies in supplier evaluation and purchase order agreements.

Outline

1. Conducting RFQ (Request for Quotation)
2. Face-to-Face Negotiations
3. Critical Contractual Items
   - Price
   - Quality
   - Lead Times
   - Payment terms
   - Intellectual Property

Valuable “tools of the trade” such as check lists and templates used by industry experts will be provided.

About the key note speakers: Mike Bellamy & David Dayton

Mike serves as the Chair of the CSIC advisory panel and is the founder of Passage-Maker.

Mike, in Asia since 1994, is recognized as expert on China sourcing. Mike has been a featured presenter for a number of high profile seminars and trade shows including Global Sources Asia Expo HK, Global Sources Dubai, & the US Chamber of Commerce. He lives in Shenzhen with his wife and daughter.

David Dayton is the owner and manager of SRI in Shenzhen, China.

David has nearly twenty years experience working in and with Asia and is a regular presenter for Global Sources’ New Buyer Training seminars in Shanghai and in Hong Kong. David, fluent in both Thai and Mandarin also heads the Silk Road International Blog- voted one of the top 10 China business blogs.
The spring Hong Kong tradeshow season is soon to be commencing for three weekends this month. As I’m sure any traveler can appreciate (especially one flying into Hong Kong), having an electronic substitute for any books one may own provides certain luggage and packing relief. Keeping mind our efforts to help promote ‘Sustainable (green) sourcing’ the China Sourcing Information Center presents true tools of the trade.

One of the best things about going to tradeshows is meeting the buyers from around the world. There are the seasoned veterans who can walk through a show in just a few hours, to the casual first time buyer, taking in all the wonder a show can provide. Also at these shows are those buyers who probably should not be at a tradeshow doing business in China. Harsh I know, and the words are not easy to say, but sometimes it’s best to NOT do business in China; it’s NOT for everybody.

Now as the world becomes more globalized and electronic, it is important to be able to stay up with the technology. If you’re traveling around China, certainly it’s best to travel as light as possible. Anyone who has been to a tradeshow knows about the endless amount of information/pamphlets one will receive from suppliers hoping to catch your business. If you’re just “fresh off the boat” in terms of doing business internationally, then it’s important to stock up on as much information as you can.

While trying not to promote, my colleagues swear by the Iphone, Ipad, Ipad Touch and whatever “Is” Apple will think of next. The great thing for the environment, is with Iphone, Ipad, and Ipad Touch, one can actively download applications (or apps for short) for just about anything. While all of the entertaining apps were the first to be introduced, we’re now seeing an increasing popularity in apps that have real-world practicality (beyond being able to see what ridiculous things Charlie Sheen has said next). The picture above represents a more practical environmentally conscious approach to the application craze sweeping the world.

Slig Logic has created several business related applications for the international businessman: The International Trade Dictionary, created by Slic Logic, is available for download for the iPhone, iPad, and iPod Touch, aim to simplify the lives of entrepreneurs, import-export specialists, and anyone involved in logistics, shipping, procurement, and international trade. To download the International Trade Dictionary for your Apple Products, please go to the website below for downloading instructions-

http://www.tradedict.com

“One of the Best things about going to tradeshows is meeting the buyers from around the world.”

Beyond the simple of benefit of having important information in your phone (beyond simple practical benefits), the environmental benefits to these apps could not be ignored.

The International Trade Dictionary, created by Slic Logic, is available for download for the iPhone, iPad, and iPod Touch, aim to simplify the lives of entrepreneurs, import-export specialists, and anyone involved in logistics, shipping, procurement, and international trade. To download the International Trade Dictionary for your Apple Products, please go to the website below for downloading instructions-

http://www.tradedict.com

**The China Sourcing Information Center has not been paid to promote the above applications. However in order to encourage a more environmentally friendly business world, the CSIC does promote those products that help reduce the amount of paper consumed (or any other mode of helping the environment beyond less paper usage).
Design for Manufacturing (DFM)
Ensuring concept validity, with the right materials, are in place to meet customer specifications

Engineering Advisory Services (EAS)
Providing engineering perspectives during critical supplier identification process phase and initial production run

Customized Engineering Solutions (CES)
Support for Electrical Engineering Architecture, Mechanical Engineering, Reliability/Interaction

www.venturetech.info
Chaozhou, a national historic cultural city, is located in the easternmost part of Guangdong Province, north of the coastal Shantou City. It is situated in the north of the delta of the Han River, which flows throughout the city. With over 1600 years of history, Chaozhou is one of the most culturally rich cities in Guangdong Province.

**Location and General Information**

Chaozhou is located about 3 hours east of Guangzhou in eastern Guangdong Province. The city is divided into 3 districts (Xiangqiao, Chao'an & Raoping) with a total population near 2.5 million people. An hour’s bus ride will get visitors into neighboring Fujian Province. As with all other parts of Guangdong, Chaozhou has subtropical weather characteristics: mild winters (with temperatures dipping below freezing only for a day or two), wet and humid springs and monsoon summers (daily rain and humidity generally near 90% almost daily).

Chaozhou has been classified as a national historical and cultural city by the State Council. The city is a famous tourist destination in China for Chaozhou is host to one of China’s major minority groups along with: Chaozhou opera (over 500 years of history), Chaozhou cuisine, kungfu tea and ceramics. In fact Chaozhou is considered the porcelain capital of China.

**Chaozhou Business**

Chaozhou (along with most cities in Guangdong) has benefited from China’s economic reforms. Within its borders, Chaozhou has four provincial economic development zones that act as the main carriers and bases to attract foreign direct investment. Those four pillar industries are: the rag trade, food stuff, electronics and ceramics. With over two thousand years of experience producing porcelain and other ceramics, Chaozhou is the leading export of this commodity. Since the late 1990s Chaozhou has seen double digit growth for its economy. Recent growth has Chaozhou’s GDP over thirty-three billion yuan. Agricultural production has dropped recently while tourism is seeing significant gains in the past few years.

**Tourism**

Chaozhou has been able to preserve many of its historical landmarks. The city is known as a “Classic Tourist City” which plays host to several nationally protected sites including the Guangzi bridge (protected as one of China’s 4 national bridges), Beige Fodeng (the lighthouse of Buddha), Huang Jilue Temple and Kaiyuan Temple to name a few of the main attractions.

**How to get to Chaozhou**

Unlike some of the larger cities that we’ve profiled, Chaozhou is not directly connected by an airport. However, the city is only thirty kilometers from the Shantou Airport. Chaozhou is also only about a three hour bus ride from either of Guangdong’s largest cities Shenzhen and Guangzhou. As Chaozhou looks to increase its foreign investments, the new highways (the Shantou-Fenyang Expressway) and railroad (Guangzhou-Meizhou-Shantou-Chaozhou rail line) have been constructed to help connect Chaozhou with the first tier cities to its west (and to the bustling ports of Shantou, Shenzhen and Hong Kong). Within the city itself, transportation currently is limited to city buses and taxi services.

While Chaozhou has a firm grasp on the ceramics industry, the local government hopes to encourage new investment in hi-tech industries to help keep the city growing. Plans have also called for new “Green Parks” to be constructed in the city to help support the growing sustainable/green manufacturers that are gaining more market share in China’s maturing economy. Like other cities, special incentives have been promised to help encourage new growth for the city. If Chaozhou can maintain a growth rate of 10% or more annually, the future will be very promising!

**City Data**

- Area Total: 3,614 sq km (1,395.4 sq mi)
- Population Total: 2.5 million
- Population Density: 691.8/sq km (1,791.6/sq mi)

**Useful links**

- Wikipedia
- Czboftec
- Foreignercn
The Last Page*

True Stories and images of humor/horror from the front lines of China Sourcing

Many thanks to Mike in Shenzhen for sending us this!

Have any Funny/scary stories to share with us?
Any funny or scary pictures?
We'd love to hear your stories or see your pictures!
Please feel free to send any stories/images
to the Executive Director and Editor of the
“China Sourcer” at-exd@ChinaSourcingInfo.org

*The China Sourcing Information Center (CSIC) is an educational service designed to help both the experienced sourcer doing business in China, and a buyer who is just beginning to source their project from China for the first time. Most of us who have been in China long have seen or heard both harrowing and hillarious stories/instances while doing business here. “The Last Page” was created for that purpose – to allow our readers to share their stories to fellow readers/sourcers. We here at CSIC hope to collect the very best (and worst) stories and images of triumphs and failures, humor or horror for the world to see. We at CSIC have hundreds of stories to share ourselves, but we really look forward to contributions from fellow sourcers. Enjoy!
## Classifieds

<table>
<thead>
<tr>
<th>China-Based Engineering</th>
<th>Making a trip to China?</th>
<th>Dispute Resolution/Arbitration</th>
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<tr>
<td>Take a look at Venture Tech</td>
<td>I can help with things like interpretation and trip planning. Based in Shenzhen but willing to travel. References available. <a href="mailto:ChinaHelp@yahoo.com">ChinaHelp@yahoo.com</a></td>
<td>CSIC will help to resolve disputes that buyers may have. Contact <a href="mailto:exd@ChinaSourcingInfo.org">exd@ChinaSourcingInfo.org</a></td>
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<td>Sourcing Agents are available to help find and manage vendors. <a href="http://www.psschina.com">www.psschina.com</a> <a href="http://www.silkroadintl.net">www.silkroadintl.net</a></td>
<td><a href="mailto:Curt@kirkhoff.com">Curt@kirkhoff.com</a></td>
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<td>- take suppliers to court if they have done you wrong</td>
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<tr>
<td><a href="mailto:exd@chinasourcinginfo.org">exd@chinasourcinginfo.org</a></td>
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<th>Want to set up an office or factory in China/HK?</th>
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<td>Product Inspection and Factory Auditing from 268 USD <a href="http://www.AsiaQualityFocus.com">www.AsiaQualityFocus.com</a></td>
<td>Available to protect your tools/molds against improper use by your suppliers. Avoid back door shipment and loss of IP. <a href="http://www.psschina.com">www.psschina.com</a></td>
<td><a href="http://www.Fiducia-China.com">www.Fiducia-China.com</a> are the experts</td>
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<tr>
<td>Keep an eye on suppliers and competition</td>
<td>I’ll walk the show and look around, even gather evidence for you, saving you a flight to China. 2400 RMB a day plus travel expenses if out of town. Most shows can be walked in a day. Recommended by the China Sourcing Information Center. <a href="mailto:EyesAndEarsInChina@gmail.com">EyesAndEarsInChina@gmail.com</a></td>
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<td><a href="http://www.cbiconsulting.com.cn">www.cbiconsulting.com.cn</a></td>
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## Educational videos:

The China Sourcing Information Center has recently partnered with Global Sources to host the New Buyer’s Conferences at various Global Sources’ shows worldwide. The video on the right is of CSIC Advisory Board members Mike Bellamy and David Dayton. Their presentation Module 1 “What New Buyers Need to Know” guides new buyers through the various stages of China Sourcing. Along the way you’ll hear first hand accounts of both successes and failures by both speakers as they navigate their way through sourcing in China. We hope you’ll enjoy! Click on the picture above to view the videos.

## Ask the Experts:

Please visit our “Ask the Experts” service in the CONTACT US section above to have a sourcing professional answer any question you have. Co-sponsored by the CSIC and Global Sources.

![Ask the Experts Video](GlobalSources_NewBuyer_Conference_Video.png)
Subscribe for free at

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