V-TRUST INSIGHTS July 2018

Inspection Insights: How Does An Everyday **Inspection Go?**

Have you ever joined inspections of your products, conducted by a 3rd party QC company? It is always interesting to visit manufacturers by your-self – you can understand the owner's attitude to its company, see the conditions workers are in and their organization methods, which can depict a clearer picture of the supplier's quality standards; a more organized and modern factory will have better quality goods.

Last month I joined my colleague, Rock Chen, a Technical Manager in V-Trust, on one of the inspections to a chair supplier in Guangdong province. Rock is a furniture guru and that day he was going to inspect 240 lounge chairs for one of our clients. The inspection was conduct-ed through a random selection of 32 pcs and was going to take only 1 man-day, and since this is a fairly average inspection Rock allowed me to join him for my research and his assis-tance purposes. The factory gave me a good impression at first sight ...

More



V-Trust Team

V-Trust Vietnam

With an increased amount of inspections conducted in Vietnam, V-Trust local team keeps growing. In July, we gathered for a collaborative teambuilding experience in Nga Trang.



Exhibition

On July 9-12 V-Trust took part in the Fashion Week trade show in Hong Kong where we met our existing customers as well as interested buyers who expand their sourcing destinations for textiles and accessories in East Asia.



Industry Geography of Vietnamese - Developing Supplier Network

Since the 90's, Vietnam has become a strong player in the global manufacturing market, with export industries greatly participating in the country's prosperity. Vietnam's key consumer goods exports include textile/garment, footwear, furniture/hard goods and now electronics.



China's Manufacturing Growth Slows Again As Trade Tensions With US Add To Uncertainty

Growth in China's manufacturing growth slowed down in June as suppliers encountered rising input costs and a decline in export orders during the escalating trade dispute with the United States.



China Joins TIR Convention, International Trucking Embraces New Borders

China has signed up to the Convention on International Transport of Goods Under TIR Convention (TIR stands for "Transports Internationaux Routiers"), a multilateral treaty that simplifies administration for international road transport.



EU Amends Directive On Packaging And Reach Regulation

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Industry Geography of Vietnamese - Developing Supplier Network

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Textile/Garment

Vietnamese textile and footwear industry, with over 4000 companies, is one of the leading industries for exports of the country. Vietnamese textile and apparel industry's customers include top worldwide labels, such as Nike, Gap, C&A and H&M to name a few. This industry even now comes second to China as the top clothing supplier of the USA with a share of over 10% of the whole US market.

Given the large number of companies related to this industry and the widespread network of suppliers, manufacturing locations are located both in North and South Vietnam. As such it would be hard to narrow down this industry to some specific locations.

Footwear

The footwear industry in Vietnam dates back to the 90's with early bird key players such as Nike, who still today produces the majority of its sneakers in the country.

This industry is currently the fourth export product category for Vietnam with \$15 billion worth of exports in 2015 and with a growth of 20% in 2016. The current network of suppliers includes over 1100 factories. This strong growth of the industry is not going to stop soon, boosted by numerous bilateral agreements and China's increasing labor cost.

As for the locations of the footwear industry, it is mainly concentrated in 2 regions. The first region is in the north around Hanoi and the northern coast (Ha Nam, Hai Phong and Ninh Binh). The second region is in the south, around HCM City and Long An.

Furniture & Hard goods

Thanks to free trade agreements and labor costs, Vietnam's wood working industry is now one of the key export industries of the country. The industry can rely on abundant wood resources (Vietnam being the largest wood exporter in Southeast Asia), low labor cost and long tradition of wooden products and art crafts.

In 2014, overseas revenue of Vietnamese wood and wooden products reached \$6.20 billion. Vietnamese wooden furniture suppliers are mainly based in the Red River Delta, Central Coast, central highland and the southeast parts of Vietnam.

Among all these clusters, the HCM City (Saigon) region is the biggest one. The north region, including Ha Noi, mainly includes wooden art objects, handicrafts and some hardwood furniture, while the central region (mainly Da Nang, the Highlands and Binh Dinh) is a hub for less formal hardwood furniture and art objects.

Electronics

Vietnam's accomplishment of becoming major electronics manufacturing center was far from being obvious. Yet today it is the leading industry and now leads the country's total exports, even overtaking the textile industry as Vietnam's largest export.

However, and unlike the textile and furniture industries, the network of suppliers is much more concentrated and controlled by foreign manufacturers. Samsung has for example invested over \$2 billion in one single plant and produces over 240 million handsets per year. Other international electronic manufacturers include LG, Intel, Canon, Sony, etc. This predominance of multinational manufacturers greatly reduces sourcing opportunities for international buyers; in addition most electronics factories are assembling factories, importing parts from China and other countries.

Major electronics industries are located in 3 regions: Hanoi, HCM City and Haiphong.



Mathieu Reignard

5 year experience in Quality Control industry 3 years working at V-Trust Inspection Service Fluent in French, English and Spanish





China's Manufacturing Growth Slows Again As Trade Tensions With US Add To Uncertainty

Growth in China's manufacturing growth slowed down in June as suppliers encountered rising input costs and a decline in export orders during the escalating trade dispute with the United States.

The Caixin/Markit manufacturing purchasing managers' index (PMI) declined to 51.0 in June from May's 51.1, matching economists' forecast.

Asia would be worst affected because their economies were deeply embedded in China's supply chains, economists say. Taiwan has the highest exposure – 2 per cent of its GDP – to US demand through its value-added contributions to China's exports, followed by Malaysia, South Korea and Singapore.

The trade war became official after Trump repeatedly said he wanted to reverse the United States' massive trade deficit with China, which rose to about US\$375 billion last year (according to South China Morning Post)

China Joins TIR Convention, International **Trucking Embraces New Borders**

China has signed up to the Convention on International Transport of Goods Under TIR Convention (TIR stands for "Transports Internationaux Routiers"), a multilateral treaty that simplifies administration for international road transport.

TIR initiates huge investment opportunities in trucking logistics, maintenance, and facilities for drivers across the Eurasian region.



Daria Mishchuk

Over 5 year experience in International Trade and Quality Control industry 5 years working at V-Trust Inspection

The TIR Convention is an international customs transit system to move goods:

- in sealed vehicles or containers;
- from a customs office in one country to a customs office in another country;
- without time or labor intensive border checks at intermediate borders

Service

Fluent in Russian, English and Spanish

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How Does An Everyday Inspection Go?

... The factory gave me a good impression at first sight – it was a tidy 9-floor building with the production line split on several floors – steel welding and assembly procedures on the lower floors, and stuffing and sewing processes on the middle floors combined with warehouse, where our inspection appeared to be held. The top floors were intended to have an office and a beautiful garden, which the factory owner planted himself!

Firstly, we started by introducing the upcoming inspection process to the supplier's QC staff and signed the Code of Conduct (that no bribery shall be offered or asked). After some preparatory work we moved on to the warehouse to check the quantity and pick up the samples for on-site checking – Rock stamped them with a unique all-special V-Trust stamp, to let the client know exactly which cartons we would inspect from the whole batch, and the factory staff were actively moving those samples for our use to the inspection site.



It is worth noting that usually inspection is not conducted only by our inspector himself – sometimes a group of cheerful, muscular factory workers are crucially needed in order to help move, unpack and assemble samples for the inspection. In our lounge chair inspection case (which sounded quite simple since there are only several parts to assemble: chair, ottoman, supporting pole and base), it took us around an hour and 5 strong Chinese workers from the factory side to carefully unpack bubble wrapped chair pieces and correctly assemble all samples. While the chairs were gradually being unpacked, Rock started to check product specifications and packing methods, take dimensions of the lounge chair and ottoman, and run some on-site tests for the product. Since every product has its "sensitive points", we as inspectors are empowered to carefully investigate and prevent them while products are still at the factory's site and defectives can be taken out of the shipment batch and repaired.



So, we ran Assembly, Loading, Dissect & Stuffing, Finger Entrapment, Seaming Strength, and Color Comparison tests, and while conducting the Wobble test on the glass surface, we realized that some of chairs and ottomans are slightly wobbly. As soon as we showed it to the factory QC staff, they were unwilling to admit any wobbling and tried to push the chair firmly into its own base and even claim that some slight wobbling is normally acceptable for the product. But after several minutes of ineffective and futile attempts to disprove Rock's expert opinion, they had no option but to agree that some chairs wobble slightly.

We tried to look into the reason of why the chair wobbled so we could give some advice to the factory staff for future production, and not be "threatening policeman supervisors" in their eyes. Rock said that the problem could possibly originate from the unevenly welded base or the support pole could be deformed. However, after disassembling several pieces

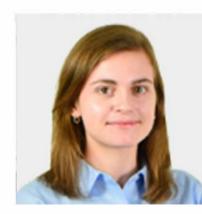
we discovered the product "raw spot"... All the chair bases that were produced out of steel still had some industrial dirt inside of the assembling hole, which even though in miniscule amount, was causing a slight wobbling of the supportive pole and therefore, the wobbling of the chair. After workers meticulously cleaned

the base from any industrial dirt, the chair was assembled again and was perfectly stable.

In the end, the factory staff received a task to "mobilize the troops" to carefully clean all of the steel parts needed to be shipped and note this task for the future production, since the problem might occur once more and for other products. Neglecting this small part of a production routine can easily result into complaints, great loss and headaches for both client and supplier, so both sides need to be watchful about the product's quality before it is shipped! Except for this major problem, there were some minor issues in the ship-ment – like wrinkles on the backrest, which we found only two, and which were immediately repaired by the mighty hands of Chinese workers. Also there were some inaccura-cies from the client's side like providing us with old shipping marks that confused Rock, me, Factory's shipping manager and client himself!

Finally, after solving all problems and collecting notes into the report, Rock gave a draft of it for the factory's reference about the problematic issues, took several pictures of the factory, gave some advice to the hardworking factory workers and prepared to leave.

It was an amazing inspection experience for me. It has taught me that actually Inspection is more than something similar to "policeman threats" – it includes supervision, detection, solving and advising, requires a sharp eye, a helping hand and a penetrating mind.



Tatiana Trukhina

2 year experience in Quality Control industry 2 years working at V-Trust Inspection Service Fluent in Russian, English and Chinese



V-Trust Team

Training

In July, V-Trust arranged an internal training course about FCC – Federal Communications Commission's guidance on the use of SDoC for RF Device Importers. The new SDoC procedures will become required starting from November 2, 2018.





Garment

An intensive training held this week by V-Trust's technical management to update some inspectors on inspection criteria and standards for gloves products.





EU Amends the entries of CMRs in Annex XVII of REACH Regulation

4 May, 2018, the Official Journal of European Union releases Directive 2018/675, amended the entries of CMRs in Annex XVII of REACH Regulation. It will be applied from 1 December 2018 except that, to the extent that paragraph 2 of the Annex applies to the substance 'formaldehyde ... %', that paragraph shall apply from the date of entry into force.

The amendment will include entries 28 to 30 as well as Appendix 2, Appendix 4, Appendix 6.

EU Amended the Directive 94/62/EC on Packaging and Packaging Waste

30 May 2018, the Official Journal of the European Union released the directive (EU) 2018/852, amending directive 9d/62/EC on packaging and packaging waste.

This directive, on one hand, aims to protect, preserve and improve the quality of the environment, protect human health, ensure prudent efficient and rational utilization of natural resources and enhance the use of renewable energy, to prevent any impact from packaging and packaging waste on the environment or to reduce such impact, thereby providing a high level of environmental protection, on the other hand, to ensure the functioning of the internal market and to avoid obstacles to trade and distortion and restriction of competition within the Union.



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