

Sub-Regional Workshop on Environmental requirements, Market access/entry and Export Competitiveness of Electrical and Electronic Products from China, Philippines and Thailand

Project on Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues

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How Chinese electronic and electrical products have responded to EU's Directives on RoHS and WEEE

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China Chamber of Commerce for Import & Export of Machinery & Electronic Products

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I. Export of major Chinese electronic and electrical products

We choose five main export categories of Chinese electronic and electrical products as our samples of study. They are: Consumer Electronics (also called Black Electronics); Electronic Components; Household Electric Appliances (including White Electronics and Small Electric Appliances); Automatic Data Processing Equipment and Telecommunication products. The export value of these products amounted to 84.3 billion USD in 2002; while reached to 113.05 billion USD in 2003, accounting for more than 25% of China's total export value.

1. Consumer Electronics

The export value of Consumer Electronics in 2002 was 19.07 billion USD and that of 2003 was 24.09, increased by 26.3%.

Export Products:

Product	HS Code	Million USD	
		Year2002	Year2003
Sound reproducing apparatus	8519	980	1320
Compact disk player	85199910	911	994
Sound recording apparatus	8520	160	190
Video recording or reproducing apparatus	8521	4330	6020
-Laser video compact disk player	852190	3570	5372
Parts & accessories for audio & video players	8522	1620	3820
-Movements of laser disk player	85229031		1333
Video camera recorders	85254	1010	3250
- Other digital cameras	85254050	901	2956
Reception apparatus for radio telephone, telegraph, broadcasting, etc.	8527	3050	3370
-Radio broadcasting receiver combined with sound recording or reproducing apparatus	85273100	1946	1935
Reception apparatus for television	8528	2680	3470
- Color TV sets	852812	2200	2950
- B/W TV sets	852813	190	136

24.2% of the Consumer Electronics produced in China are exported to the United States, thereafter are 19 % to Hong Kong, 14.1% to Japan, 5.2% to the Netherlands, 3.7% to Republic of Korea, 3.3% to U.K. and 3.2% to Germany respectively.

Among the exporters, State-owned Enterprises accounted for less than 27% , Foreign Invested Enterprises (including cooperative, joint venture and solely owned foreign enterprises) accounted for 67%.

2. Electronic Components

The export value of electronic components was 11.21 billion USD, in 2003 was 15.31 billion USD , increased by 36.6%. Hong Kong, Japan, Singapore, U.S., R. Korea, Taiwan, Malaysia, the Philippines, Germany, Netherlands, etc. are important markets.

Main Exported Products:

Product	HS Code	Million USD	
		Year 2002	Year 2003
Microphones, loudspeakers, electric sound amplifiers, etc.	8518	1950	2730
Electronic integrated circuits and micro assemblies	8542	4000	6450
Printed circuits	8534	1802	2409
Thermionic, cold cathode or photo- cathode valves and tubes	8540	980	1450
-Cathode-ray television picture tubes, color	85401100	633	746

In the year of 2002, Foreign Invested Enterprises exported 9.499 billion USD accounted for 85% of the total exported electronic components, whereas the SOEs exported 1.479 billion USD , accounted for 13%.

3. Household Electric Appliances

Household Electric Appliances include White Electronics and Small Electric Appliances. The export amount was 8.959 billion USD , accounted for 5.7% of the total export value of Machinery & Electronics of China, and surpassed 13 billion USD , increased by 45.1% in 2003.

Main Exported Products :

Products	HS Code	Million USD	
		Year 2002	Year 2003
Electric Fan	84144000	91103	1316
Air conditioning machines	8415	1433	2650
Refrigerators, freezers	8418	630	829
Washing machine	8450	65	92
Electro-mechanical domestic appliances	8509	1230	1750
-Vacuum cleaners	85091000	683	894

-Food grinding and mixers, juice extractors	85094000	326	464
Household electric heating apparatus	8516	3080	4000
-Microwave ovens	85165000	802	1096
-Electric oven cookers, etc.	85166	508	695
-Electric coffee or tea makers	85167100	434	547
-Electric toasters	85167200	501	517

Main Export Markets :

Million USD

Country or Region	Year 2002		Year 2003	
	Value	%	Value	%
U.S.	2840	31.7	3640	28.7
Japan	1060	11.8	1460	10.5
Hong Kong	870	9.68	1150	9.06
U.K.	470	5.25	660	5.19
Germany	420	5.0	594	5.0

Trade Modes:

Million USD

Trade Mode	Year 2002		Year 2003	
	Value	%	Value	%
Normal Export	2160	24.1	3630	28.6
Export based on processing & assembling with imported materials or parts	6740	75.2	8940	70.5
- with imported materials or parts under Customs inspection	1230	13.7	1300	10.2
- with imported materials or parts	5506	61.5	7650	60.3

Exporters:

Million USD

Nature of Exporter	Year 2002				Year 2003			
	Number	%	export	%	Number	%	export	%
SOEs	2180	45.93	2420	27.06	2160	35.22	2980	22.85
FIEs	2573	28.55	4860	54.21	3716	27.46	7290	57.45

4. Automatic Data Processing Equipment

In 2002, the export of such products was 33.283 billion USD , while in 2003 it was 430.23, increased by 33.3%. Main Export Products :

Million USD

Product	HS Code	Year 2002	Year2003
Portable digital automatic data processing machines, <10kg	84713000	2202	11314

Other computers	84714	1792	3286
Digital processing units	84715	1109	1353
Displays	8471601	5727	9572
Printers	8471603	2608	4315
Scanners	84716050	450	442
Keyboards, mice	84716070	778	972
Storage units	847170	3975	5760
-Hard disk drivers	84717010	1687	2055
-Soft disk drivers	84717020	365	381
-CD drivers	84717030	1584	2762
-Other storage units	84717090	341	563

Main Export Market in 2002 : H.K. 9.427 billion USD; US 7.762 billion USD; EU 5.956 billion USD; Japan 3.813 billion USD; ASEAN 2.817 billion USD; South America 440 million USD; African 70 million USD.

Among all the exported Automatic Data Processing Equipment in 2002, valued at 33.283 billion USD, solely owned foreign enterprises have exported 23.639 billion USD, accounted for 71.8% ; Sino-foreign joint venture exported 4.839 billion USD, accounted for 14.5%; and SOEs exported 3.250 billion USD, accounted for 9.76%.

The export mode are mostly processing and assembling with imported material and parts. In 2002, 99% of exported products are processed and assembled with imported material and parts, normal export trade only accounted for 1%.

5. Telecommunication Products

In 2002, the export value of telecommunication products reached 11.86 billion USD, increased by 27.45% than that of 2001, while in 2003, the export value was 17.622 billion USD, increased by 50%.

Main Export Products :

Product	HS Code	Million USD	
		Year2002	Year 2003
Telephone sets	85171	1405	1664
-Line telephones with cordless handsets	85171000	1036	1272
Fax machines	85172000	506	510
Digital program-controlled switching apparatus	851730	251	467
Apparatus for carrier-current or digital line systems	851750	716	1110
Parts for carrier-current or digital line systems	851790	880	1380
Mobile communication equipment	852520	6061	8330

Radio telephone handsets	85252022	5289	7377
Parts of Radio telephone handsets	85299020	1824	4152

The main export markets of such products are : Asia (H.K., Japan and R. Korea) 47.86%, North America 27.53%, Europe 21.6%。

Foreign invested companies, especially the large multi-national companies in China take a strong position among all the exporters of Chinese telecommunication products, whose export accounted for 99.32% of total export of mobile phones, 96.45% of mobile communication equipment, 92.03% of telecommunication parts and 61.92% of telephone sets ; while for the SOEs, besides 1/3 of the total exported telephone sets , they exported little other categories of products.

Among all export of telecommunication products, processing and assembling with imported material and parts accounted for 90.3%, while normal export trade only 8.66%。

The above statistics indicate the following characteristics of Chinese electronics export:

- 1. The market of Chinese electronics is mostly in developed countries;***
- 2. The electronics take very vital position in China's export.***
- 3. Foreign invested enterprises are the main part of Chinese electronic products exporters***
- 4. Processing and assembling with imported material and parts is the major trade mode of Chinese electronics export.***

It should also be noticed that, besides the above products, the following products also involve in the two directives of EU: lighting equipment, electric power tools, medical equipment, inspection and monitoring instrument, automatic vendor machine. To maintain the healthy and sustained development of the export of Chinese electronics, CCCME attaches great importance to the two directives of EU.

II. Responses to the two Directives by CCCME and its members

With the deepening of reform and opening up as well as the economic globalization, the production and export of Chinese machinery and electronics have been adjusted according to the world practice and have certain preparation for the technical trade barriers.

The main obstacles of export of Chinese electrical and electronic products are the protection of IPR (Intellectual Property Rights) and anti-dumping problems. For example, in 2003, the foreign patentee claimed rights for our exported DVD, and the EU countries have levied anti-dumping tax upon our exported color TV sets. At the same time, the ever-increasing environmental standard of the developed countries, such as the electromagnetism radiation (EMC) and Substitution of Freon Refrigeration, also become new concerns to our export. How ever, both the government and the enterprises have taken positive attitude and effective improving measures to those requirements and all the

exported products have acquired the corresponding environment standard certification within the time limit, and maintained a sustained export development.

The RoHS and WEEE directives issued by the European Parliament and the Council are kind of technical barrier, but also raised an environment protection issue, which requires the common concern of the international society. For China, the electronic and electrical products are not only the ascendant export products, but also products with huge existing and potential domestic market. To solve the hazards substance pollution problem in production and recovery of waste electronics , is of great significance to the environment protection and sustained development of Chinese electronic and electrical industry. Therefore, Chinese government, trade organization as well as enterprises have taken positive attitude to these two measures.

Since the announcement of these two directives, various trade organizations, research institutions and enterprises have started serious study. CCCME has hold a seminar with the related department of Ministry of Commerce in September 2003 and invited officials and experts from UK government's Department of Trade and Industry to introduce to the Chinese electronic and electrical manufacturers and exporters about the background and content of the two directives. At the same time, China Ministry of Commerce, as well as Ministry of Science and Technology have started to organize related institutions and enterprises to research, in order to make technological standard and practical measures. CCCME is undertaking such research work now.

III. Our attitudes to the two Directives

First, it must be pointed out that the RoHS and the recycling and reusing of WEEE is not only important for the European countries regarding environment protection, but also vital for the developing countries. With the rapid development of global economy and people's living standard in China, more and more electric and electronic equipment have been exported to China, by developed countries' companies from their own country or the third country. Concerning these products' RoHS and WEEE recovery, the developed countries should take the leading role in following the regulations of the two directives, to indicate the fairness and seriousness of the two directives.

Therefore, based on the common concern of protecting the environment of the planet and maintaining the sustainable development of the global electrical and electronic industry, we think that, while the two directives being implemented in Europe, the EU countries must also think of how to implement these two directives according to the regulated timetable when they export to developing countries from EU or from their production base in a third country.

Secondly, it must also be emphasized that, though protecting the environment is the common responsibility of both developed and developing countries, the developed countries should bear more responsibility. The reasons are as follows:

(a) According to the above statistics of the export of China's electrical and electronic equipment, the foreign-invested companies, mainly from the developed countries, take

the leading position. Many giant foreign companies, including multi-national companies have moved their production plant of electrical and electronic equipment to China, for the good investment environment and the vast domestic market of China. Most of such production in China are processing and assembling with imported material and parts. Therefore, these foreign-invested companies in China, especially those invested by the EU countries, should take initiatives to solve the problems of RoHS and recovery of WEEE.

(b) At present, the electric and electronic equipment produced by Chinese enterprise, especially those being exported to the developed countries, are mainly manufactured according to the demand and using the introduced technology from the developed countries. Therefore, when the developed countries raise the environment protection standard of the products, they should at the same time provide related technological support, including the financing for the reform of skills and equipment, in particular the technical and financial support for the R&D of the substitution of hazardous substances and recycling and reusing of WEEE. Moreover, the expenses for recycling and reusing of WEEE must be shared reasonably, to protect the right and interest of the enterprises from the developing countries.

C Since most of the export of China's electrical and electronic equipment are processed and assembled with imported material and parts, and the sale of such products in the domestic market is also increasing, so we pay great attention to hazardous substances in the imported material and parts and the RoHS issue. We hope that this problem can be solved simultaneously in China and in EU as well as in the rest countries.

(d) Presently, quite a number of electric and electronic equipment exported the EU are OEM or ODM. For such products, the owners of the brand should provide the Chinese manufacturers financing, technology, equipment and related information concerning the RoHS and recycling and reusing of WEEE, to maintain the sustainability of the trade.

We believe that, the two Directives proclaimed by European Parliament and the Council are on the basis of the technical and financial ability of the European companies. Only when the developed countries bear major responsibility for the above-mentioned issues, the two directives may be realistic and practical, instead of being discriminatory for the enterprises in the developing countries and becoming a technical trade barrier.

Thirdly, we are very anxious that, some serious environmental problems and even deadly accidents caused by recycling and dismantling used WEEE have taken place in China due to lack of fund, technology and poor management. In particular, plenty of WEEE was brought into China from some developed countries, where the WEEE has not been properly recycled and disposed. Such immoral trade should be condemned by the international society and severely forbidden, and those source countries must bear the responsibility for the personal loss and environmental damage of the developing countries.

We look forward that UNCTAD play a key role in coordinating and organizing the

member countries on the RoHS and WEEE issues.

As we know, U.S. and Japan are now making similar regulations like EU's RoHS and WEEE directives. So we are more concerned that such regulations will become an obstacle for the arisen electric and electronic industry in developing countries. Therefore, we sincerely hope that U.N. can help to facilitate open dialogues on this issue between the developing and the developed countries, to work out an effective solution and maintain the development of the electric and electronic industry in developing countries , as well as to protect the environment of our planet.