Meeting Summary

MII Debate on the Management Catalog for the Pollution Control Priorities of Electronic Information Products

"2007 Heroes' Meet on Electronic Pollution Control"

December 19, 2007
Beijing, China

This document was developed as a service to ANSI members. Please direct any questions or comments to Elise Owen: eowen@ansi.org; 202-331-3624.

<u>Overview of the meeting:</u>

A meeting was held in Beijing on December 19th organized by the China Quality Management Association for Electronics Industry (CQAE) to gather comments and recommendations from businesses and interested parties on the ongoing development of the Management Catalog for the Pollution Control Priorities of Electronic Information Products (Catalog). Meeting attendees included mostly foreign companies located in China, joint venture companies, and state owned large enterprises, many who had attended last years' heroes' meeting. Huang Jianzhong, Director of China RoHS – Economic Operations Bureau of China's Ministry of Information Industry (MII), addressed the audience introducing the current development status of the Catalog and the interpretation to the Development Program of the Catalog. Ms. Yang Yutao, representing Song Hongru – Director of the Certification Center of China Electronics Standardization Institute (MII) who was unable to attend as originally scheduled, presented on the Administration Methods and Market Entering System. Debates followed immediately after each presentation.

The followings are summaries on the day long meeting:

<u>Huang Jianzhong's speech:</u>

A Brief History:
       Starting in late 2002, the Ministry of Information Industry together with the National Development and Reform Commission and other authorities of National Council, began to draft the "Administration on the Control of Pollution Caused by Electronic Information Products" after publicly soliciting opinions and proposals from industry. In 2004, they started to develop standards and the "Administrative/Management Measures for the Control of Pollution by Electronic Information Products" was promulgated on February 28, 2006 as a joint Minister Decree. This then became official on July 1, 2007. The "Administrative/Management Measures for the Control of Pollution by Electronic Information Products" (RoHS) followed WTO rules and international practices in its formation and also took into account China's specific needs. On November 2, 2007 in Nanjing China, there was a China RoHS Seminar held to gather comments from industry on the China "RoHS". During this seminar, it was announced to industry that the next steps in formulating the Administrative Catalog had begun.

Two Phases in the Introduction of the China RoHS:
PHASE I: After declarations of all products on March 1, 2007, the post-market management will be implemented:
       All EIP within the scope must meet the marking and disclosure requirements for
- Hazardous materials content AND
- Packaging materials content
       The environment-friendly use period must be indicated.

PHASE 2: After entering the phase of self-declaration + 3C certification based on "Mangement Catalog for the Pollution Control Priorities of Electronic Information Products", market access management will be implemented (date TBD):
       The catalog will define:
- Which EIPs are subject to material restrictions,
- The extent of the material restrictions; and
- The in-force date for the restrictions.

The Principles of developing the "Catalog":
1) Going along with international practices, following WTO rules and taking Chinese situations into account.
2) Being open, fair and transparent.
3) Technically mature and economically feasible.
4) Government driven, market oriented.

The key message was patience, taking one step at a time and getting the easier tasks done first. The current timetable for completion of the catalog is unclear, but the Catalog will most likely be published by this time next year. The published Catalog may not be a complete list of everything covered, but may start with one or two products/materials.

Preconditions on developing the catalog:
In order to support the development of the catalog, three supporting organizations have been set up to assist in the overall work this year. The three organizations are: MII Technical Promotion Center on Controlling Pollution Caused by Electronic Information Products, set up by China Electronics Standardization Institute; Sanbao Inspection Center on Controlling Pollution Caused by Electronic Information Products, set up by the Electronics Fifth Research Institute, MII; and Taier Environmental Protection Promotion Center, set up by the Electrical Research Institute. Their jobs are to conduct controlling pollution related scientific research, inspections, training, and standards development so as to provide quality services and technical assurance.

Some of the requirements faced ahead in the proposed development of the Catalog include:
1. Establishing an experts database and an experts committee;
2. Research on issues such as:
    a. Which products should feature in the catalog as a matter of priority, for example, the entire product, components or materials? If the materials are to be listed, it may take additional time since coverage is much broader. Whether there should be exemptions for products, for example home appliances or commercial products?
    b. Implementation of the 3C model for those products/materials listed in the catalog? There will be 3C certification as the basic mode won't be changed. The Certification Center of China Electronics Standardization Institute (MII) is carrying out voluntary certification and they are currently undergoing exploration of transforming the voluntary certification to 3C RoHS certification.
    c. Confirm the 3C certification bodies and inspection bodies for RoHS
    d. The role of the supervisory authority (AQSIQ, Customs, Administration for Industry and Commerce, etc.). Control based on:
        i. the "Administration on the Control of Pollution Caused by Electronic Information Products" document,
        ii. WTO/TBT procedures for conformity assessment, and
        iii. definitions of the penalties to those non-conformity products (penalties are not the only goal).

Prior to having solutions to the above issues, it's not likely that the Catalog will be completed. However, development may start when most of the above issues have been resolved.

In summary, we are now in the phase of exploring what products/materials should be listed in the Catalog. This process will include detailed solutions from all parties involved: soliciting comments/recommendations from industry, associations and experts steering committees; and government guidance. With the direction set, the process to get there is now needed.

Yang Yutao's speech:

Yang Yutao delivered a presentation on "Administration" and System of Market Entry Permit. Her presentation focused on the following four parts:
1) The Administration
2) Chinese certification system on mandatory products
3) The system of market entry permit for the "Administration"
4) CESI's (Certification Center of China Electronics Standardization Institute) promotion on controlling pollutions caused by electronic information products

Since Mr. Huang had already addressed the "Administration", Ms. Yang elaborated on topics 2-4:

Chinese Compulsory Certification System

- Since May 1, 2002, China has implemented a new compulsory certification system. Currently there are 22 categories and 159 types of products in the system.
- The legal system for 3C: certification and accreditation bylaws; products quality law; standardization law and export/import products inspection law; administration rules for 3C.
- The related articles from "Certification and Accreditation Bylaws":
    - Article 28: The product scope conforms to WTO/TBT regulations;
    - Article 29: Establishing the four unifying principles for the 3C system and the formation and promulgation of the 3C products catalog;
    - Article 30: Identifying certification, testing and inspection bodies to carry out management of unified symbols; and
    - Article 31: Related requirements on customs inspections.

Overview of 3C:

- "3C" or "CCC certification" is the "China Compulsory Certification". This is the compulsory testing and auditing process implemented through the 3C catalog and 3C procedures.
- The three parts to the system include: system establishment, certification implementation and legal supervision.
- The system has been established under the principles of unified standards and conformity assessment procedures, a unified catalog, and unified symbols and charges.

The 3C Catalog was formed taking into account the following considerations:

- Compliance with the regulations and principles of the WTO/TBT,
- Compliance with other legal and executive regulation requirements,
- Safety functions and environmental influences,
- Safety protection and preventative functions, and
- The production output and input of the product.

"Administration" Second Implementation Steps:

- Implementing the 3C certification system for the products entered into the Catalog;

Establishing RoHS 3C certification system:
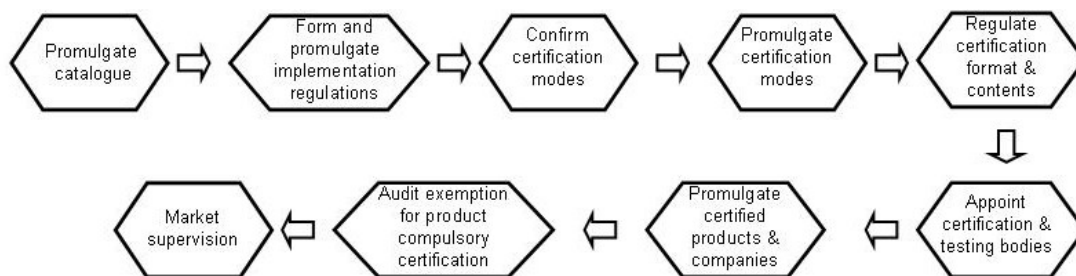
Requirements for certification implementation rules:

- applicable products scope
- certification mode
- certification basic procedures
- certification implementation
- applying documentation

- type testing
- factory testing requirements
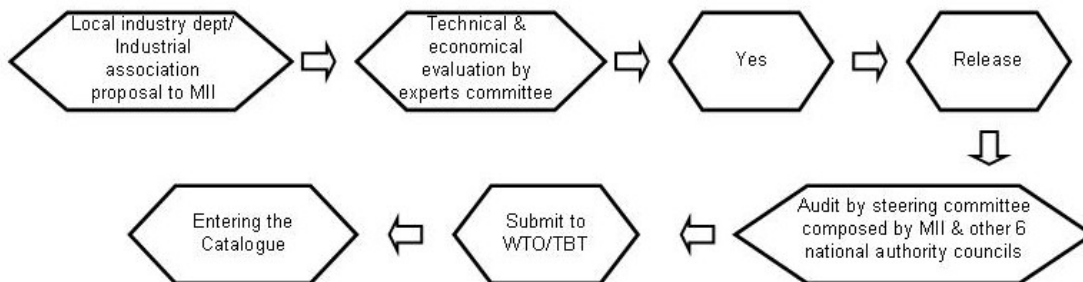- certification and symbol
- fees

Products Entering the Priority Administration Catalog:
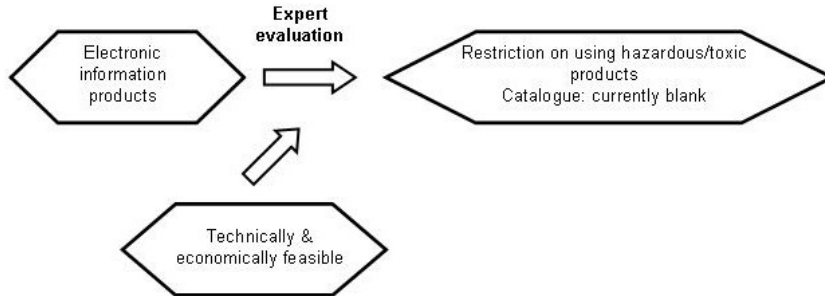
Industry recommendations towards forming the Catalog took the following viewpoints into consideration:
- Technical, reliability, and quality,
- Environmental influence,
- Operational, and
- International practices.

Procedures for identifying the Catalog:

CESI Promotion on EIP Pollution Control:
- Establishing standards: establishing MII industrial and national standards; MII pollution protection working group and technical promotional center.
- Testing and inspection: a hazardous inspection lab has been accredited by CNCA.
- Certification: the third party certification body accredited by CNCA, carrying out China RoHS conformity certification starting from electronic material products.
- CESI is drafting the industrial standards on "Procedure Management for Controlling Pollution Caused by Electronic Information Products.
- With support from MII CESI is: conducting research and establishing a public information platform on controlling pollution caused by electronic information products; setting up an "electronic information products green database"; and providing enterprises with products information and channels to chose vendors.

<u>DEBATE:</u>

1. The earlier the products enter the Catalog, is this better/worse for business development?

BV – Better for Business:
From a global trend viewpoint, besides the EU, there are already countries implementing their respective RoHS (Japan, Korea, Brazil, etc) with related regulations. In order for companies to be competitive, it's better to be proactive. Having regulations in place would help research and development and ensure high quality. From an existing situation viewpoint, due to the fact that most products are produced for export, many manufacturers/companies have already done a lot to comply with the EU RoHS and their products already meet requirements. In this sense, there is a feasible technical and economic base for products to be entered into the Catalog. The strategy is to get one or two products listed in the Catalog to begin, instead of a complete Catalog at the outset. Though the cost may go up, the technical level will be higher, which will reduce bad competition and enhance the image of quality Chinese products. Therefore, with the premise of "technical maturity and economic feasibility", the earlier products are listed in the Catalog the better.

Brothers – Worse for Business:
The main issue is how early products should be entered into the Catalog. So far, the discussion points to 2008 as the earliest. It is true that there are many products that already meet the RoHS standards. Here in China, having products listed in the Catalog means 3C compulsory certification, which not only increases costs but also delays a product reaching the market. Theoretically, it's beneficial to the company for a product to be listed in the Catalog, but in reality this is problematic. It is also true that a lot of countries are implementing their respective RoHS regulations, yet those countries don't have mandatory (compulsory) certification. This is one of the major differences between EU RoHS and China RoHS. Due to the obvious consequences mentioned above, it does not make sense to follow suit just because other countries have promoted RoHS. One of the Chinese sayings can be aptly applied here: "*You cannot eat hot tofu in a hurry".*

Comments by MII:
The premise for products being listed in the Catalog should be for a matured system to be in place. There are two ways of selecting products for entry: the ideal choice or the sensible choice. As for MII, it will go with the sensible choice, based on practicality not extremes. We must move ahead in commencing the Catalog for healthy competition and the development of the industry. No pain, no gain.

2. The raw materials should be the first items entered into the Catalog.

ZTE – Agree
The raw materials make up the composition of the products and entering raw materials into the Catalog now will not affect later entries. Without proactive measures to prevent pollution through raw materials, there will not be success for pollution free products. If the materials are tested, there also is no need to dissemble the product afterwards for testing. On the other hand, if the entire product is tested, there will still be a need to test the materials. So it makes testing procedures easier if raw materials are entered into the Catalog first.

Dell - Disagree
In fact, there is no absolutely good solution, but there are relatively better ones. We should adopt the method of focusing on the entire machine set (product) because:
- Catalog entries will be linked with certification,
- 3C certification is the supporting system and this system only certifies the end product,
- Testing raw materials doesn't reduce a companies burden,
- There are too many materials involved, and

- Cost will go beyond the reasonable range.

In addition, there is a manufacturing process between raw materials and the finished products. There is no way to ensure that no pollution occurs during this process. Thus, it would be better to ensure that the entire machine sets/products conform to RoHS instead of the parts/materials.

COMMENTS:
There should be consideration from both sides, with neither being considered exclusive. MII may consider focusing on the entire product and having one or two simple products listed in the Catalog to begin and further explore certification modes.

3. Exemptions should/should not be introduced into the Catalog?

Should:
It is ideal to eliminate all the hazardous/toxic substance, yet in reality it's impossible to achieve a completely hazardous free product. Certain materials containing hazardous/toxic substances should be exempt due to the fact that the use of these substances in some materials and components is still unavoidable. Thus, the exemption to RoHS should be granted to narrowly-defined applications for which the elimination of the prohibited substance is technically or scientifically impracticable or when the only available substitution produces more negative than positive benefits to the environment, health, or consumer safety.

Should Not:
Different from the EU Directive, the Catalog should include products, as time goes on, that are "technically mature and economically feasible" and include hazardous/toxic substance substitution or compliance with limitation standards. Those left outside of the Catalog are actually "temporarily exempt". Therefore, there isn't a need to provide an article in the Catalog concerning exemptions. There is already a marker application which is functioning as supervision on the products. All items that conform to the regulations are clearly listed on the application. So, again there is no need for the exemption.

Comments:
Should we take the exemptions as a solution or a way to exempt a companies' responsibilities? Further discussions and opinions are needed for careful consideration.

4. The characteristics for placement in the Catalog should be technical maturity, economic viability and implementation by business/ The Catalog should be able to guide industrial development so products with the greatest exportation, wide application and high market share should be entered into the Catalog:

Technical Maturity/Economic Viability:
Having technically maturity and economic feasibility as the base to build up the Catalog reflects the thinking of those medium and small sized enterprises, as they are normally incapable of doing R/D due to lack of resources. A Chinese products' market competitiveness depends on cheap prices. RoHS will definitely raise the cost, and sequentially, reduce Chinese industry's competitiveness.

Greatest Exportation, Application and Market Share:
Currently, there are multiple export products that already meet the EU RoHS. It is natural that these products should be first listed in the Catalog. While many export products meet the EU RoHS, there are products for domestic sale that are far from meeting the environmental standards. So it is necessary to have these types of products also listed in the Catalog to help China achieve the goal of pollution control.

5. Currently, 3C certification is well established and RoHS should also adopt this method of certification?

Agree:
There are 8 types of certification that were set by ISO in the 1980's. 3C certification utilizes types 1-5 so far. These methods are therefore matured and so far the Certification Center of China Electronics Standardization Institute and CQC have already begun exploring RoHS certification.

Disagree:
3C certification came out to the market in a rush, thus it is not necessarily a mature method even though many people might be familiar with it. There should be some kind of breakthrough, for example either voluntary certification or mutual accreditation of certification bodies so as to avoid overlapping certification and testing.

Next Steps:

ANSI is prepared to ask questions and seek additional clarification on the China RoHS program, or to convey comments and recommendations to MII on behalf of U.S. stakeholders. Please direct comments, questions or suggestions for additional next steps to Elise Owen, ANSI Representative for China and India: eowen@ansi.org; 202-331-3624