

Ethics Matters

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Are Mattel and China “Toying” with Ethics?

In recent weeks, U.S. retailers pulled millions of Chinese-made defective products from their shelves, including pet foods, tires, and toys. Any product recalls are troubling, but especially toys. To save money, U.S. toy makers out-source most of their toy manufacturing to China, which makes eighty percent of all U.S. toys.

The recalls include millions of children’s most popular toys, such as Barbie dolls, Polly Pocket dolls, SpongeBob SquarePants, and Thomas and the Tank Engine. Some of the items were defective because of small parts children could remove and swallow. Paint containing lead coated some of the toys.

Public Concern

The recalls come at a critical time for major U.S. toy makers, such as Mattel. The Christmas season is approaching when U.S. toy makers do over two-thirds of their business. The impact of the recalls on American consumers rightly concern U.S. toy makers. A September 2007 Associated Press – Ipsos poll shows that American consumers are upset over the recalls and are quick to affix blame:

- 84 percent of those polled blame both Chinese manufacturers and U.S. toy makers for the defective toys.
- 75 percent say the U.S. government must accept some responsibility for the recalls.

China's Response

China's business culture is part of the problem. Government control is lax. Health and safety concerns are not manufacturing priorities. Under pressure to win contracts and cut costs, Chinese manufacturers sometimes ignore contract specifications and substitute inexpensive or even illegal materials for those called for in contracts.

In response to the problem of defective goods, Chinese government officials promise to get tough on defective product manufacturers and to improve product safety inspections. They also, however, accuse the U.S. government of using the issue as a pretext for protectionism. In addition, Chinese officials blame U.S. toy makers for the problems. They contend that U.S. toy makers sent defective designs to Chinese manufacturers.

Mattel's Apology

Seemingly, there is some truth to China's claims that U.S. toy makers sent Chinese manufacturers defective designs. Recently, Mattel's vice president for worldwide operations, Thomas A. Debrowski, publicly apologized to China's product-safety chief, Li Changjiang, and the Chinese people for flaws in Mattel toy designs that caused some of the defects in the recalled toys. According to Debrowski, lead-painted paints accounted for only a small percentage of the defective toys and Mattel unnecessarily recalled many toys.

Shortly after the Debrowski apology, however, Mattel issued a statement saying the press misinterpreted his remarks. He was not apologizing to Chinese manufacturers,

but to Chinese consumers for defective toys sold there. Debrowski only admitted that design defects caused an August recall of magnetic toys.

Who's "Toying" with whom?

The Debrowski apology and Mattel's follow-up statement raise ethics questions. It is difficult for U.S. consumers to know what or whom to believe. U.S. companies recalled millions of Chinese-made goods, not just toys. Also, after the first announcement of the toy recalls, the co-owner of the Chinese manufacturing company that supplied lead-painted toys committed suicide.

Mattel depends heavily on Chinese manufacturers and on the Chinese government's goodwill. Chinese manufacturers make sixty-five percent of Mattel's toys. In accepting Mattel's apology, Li pointedly reminded Mattel executives that Mattel makes a large part of its profits from Chinese factories. Li also said that he hoped Mattel learned lessons from the recall experience.

It may be that Chinese officials pressured Mattel to apologize to cover up Chinese manufacturing errors. If Mattel's apology is merely an appeasement of Chinese officials to protect Mattel's manufacturing interests in China, then both Mattel and China behaved unethically. Also, what does Mattel's attempt to clarify the Debrowski apology mean?

U.S. Inspections

It is impossible for U.S. officials to know who is at fault or the extent of the defective toys problem. In the U.S., the Consumer Product Safety Commission (CPSC) is responsible for testing suspected defective goods, both domestic made and imported. CPSC employees, however, work under difficult conditions. Their understaffed laboratories need updating. CPSC employed 975 workers in 1980. Currently, it employs

420 workers and only one of those is a full- time toy tester. The Commission's acting chairperson, Nancy Nord, says the Commission investigates only 10% to 15% of the reported injuries or deaths linked to consumer goods.

U.S. Toy Makers' Response

In an unusual move, the nation's largest toy makers are taking the initiative and are seeking immediate legislation that mandates the frequent testing of all toys, domestic and imported. In addition, U.S. toy makers propose setting up uniform global standards for toy testing laboratories developed by the National Standards Institute.

Under the U.S. toy makers' proposal, U.S. taxpayers will not pay for the testing. Instead, the toy makers will pay for independent laboratories to check a set percentage of all toys for safety, both domestic and foreign made. Only certified safe toys will go to retailers.

The U.S. toy makers' proposal is a common sense solution for which they are willing to bear the costs. It is also an ethical response to parents' concerns over toy safety. But will it be enough to reassure parents? Unless U.S. parents become more certain about the safety of toys, Christmas sales of some popular toys will likely suffer. Parents may shop at small, specialty toy shops that carry less "made in China" toys. For parents, it is a question of how to best protect their children.