



WAL-MART'S CRITICAL ROLE IN TOY SAFETY

WAL-MART SELLS MORE TOYS THAN ANY OTHER RETAILER

Wal-Mart is the world's largest retailer with \$345 billion in sales for the fiscal year ending Jan. 31, 2007. More than 176 million customers per week visit Wal-Mart stores worldwide, including 127 million in the United States. [walmartfacts.com]

Wal-Mart controls roughly one-third of the U.S. toy market, according to Eric Johnson, a management professor at the Tuck School of Business at Dartmouth College. [*Washington Post*, 8/24/07]

According to the International Securities Exchange in December 2006, Wal-Mart is the largest customer for both Hasbro and Mattel – providing 21 and 19.6 percent of revenue, respectively. Mattel recently issued its third significant recall in just over a month, of toys made in China. The three recalls include more than 20 million toys worldwide and approximately 11 million in the United States alone. [*Guardian Unlimited*, 9/5/07]

WAL-MART IMPORTS TOYS FROM CHINA

About 80 percent of the toys sold in the United States are made in China. Wal-Mart admits the majority of toys on its shelves are manufactured there but will not give a specific figure. [*Washington Post*, 8/24/07]

On a list of China's top export locations in 2006, Wal-Mart would rank 7th ahead of the United Kingdom, Singapore, and Taiwan. Overall, Wal-Mart was responsible for "11% of the growth of the total U.S. trade deficit with China between 2001 and 2006. [EPI Issue Brief #235, 6/26/07; PRC General Administration of Customs, China's Customs Statistics; <http://www.uschina.org/statistics/tradetable.html>]

Wal-Mart's imports from China have risen 181% from 2001-2006 and the giant retailer imports more than 70% of its products, including toys from there. [EPI Issue Brief #235, 6/26/07; Gladstone Capital Quarterly Shareholders Call, 2/10/05]

Recent toy recalls are the inevitable consequences of Wal-Mart's pressure on manufacturers to keep costs low, which has shifted production overseas to places like China.



WAL-MART PRESSURES CHINA TO KEEP PRICES - AND QUALITY - LOW

Due to Wal-Mart's intense pressure on its suppliers to keep costs low, manufacturers are forced to move production overseas and cut corners on safety. It is not a stretch to draw a connection between this pressure for low cost merchandise, the labor problems at these factories and the safety issues of the products the recent massive recalls highlight.

While there is nothing wrong with trying to get the lowest cost, Wal-Mart has failed to take responsibility for ensuring safety of the products.

"Wal-Mart and these other buyers keep pushing for better terms, regardless of the conditions we face," adds the owner of a textiles plant in the Shanghai area, wishing not to be identified. "Everyone is facing higher costs, but they can get away with it because the orders are so large and because there are so many companies competing for the same business."

[Financial Times, 9/4/07]

WAL-MART'S SAFETY MEASURES DON'T GO FAR ENOUGH

Wal-Mart's recently launched "toy safety net" program does not go far enough. It does not matter so much that the company will test more products. Given that there are few mandatory government safety standards for toys and children's products, consumers need to know exactly what Wal-Mart is testing for and how

stringent the tests are for each product. Plus, little is known about Consumer Testing Laboratories, the main testing company used by Wal-Mart, other than the fact that its principal facility is located in Bentonville, Arkansas and that Wal-Mart is likely to be its largest customer. [www.consumertesting.com]

WAL-MART CANNOT BE TRUSTED

Wal-Mart has not proven trustworthy in the past so it is difficult to have confidence that the company has a true commitment to doing everything necessary to ensure that toys are safe. The company either can't or won't control what happens in its own stores as illustrated by the following examples of Wal-Mart's failure to do right thing:

Country of Origin Labeling (COOL). At the same time the company is touting its "toy safety net" program, it continues to lobby to undermine COOL in Congress, thereby keeping information from consumers. [Public Citizen Report, September 2005; CQ Moneyline Reports 2005-2007]

Toy Factory Labor Abuses. Students And Scholars Against Corporate misbehavior (SACOM) recently released a report showing extensive labor abuses in five toy factories in China which manufacture toys for Wal-Mart. [SACOM Report, June 2007]



*Wal-Mart
must take
responsibility
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products it
sells.*

Gender Discrimination. Wal-Mart faces the largest class action gender discrimination lawsuit in the nation's history. [*Dukes v. Wal-Mart Stores, Inc.*, No. C01-02252 MJJ, U.S. District Court for the Northern District of California]

Illegal Immigrant Practices. Wal-Mart paid \$11 million to settle a federal investigation called "Operation Rollback," which found hundreds of illegal immigrants working off-the-clock cleaning stores. In 2003, federal agents raided 61 Wal-Mart stores and arrested 250 illegal immigrants. [*Washington Post*, 3/19/05; *Los Angeles Times*, 10/24/03]

Numerous Wage and Hour Lawsuits. Wal-Mart has more than 70 wage/hour lawsuits pending for forcing people to work through lunch breaks or not get paid overtime appropriately. [SEC form 10-K, filed March 27, 2007]

Misrepresentation on its Banking Application. When attempting to get its own banking operations, Wal-Mart indicated to the FDIC it had no plans to get into consumer banking; it recently announced plans to expand into that market. [Reuters, 5/9/06]

WAL-MART MUST PUT SAFETY FIRST

Wal-Mart is not just a middleman; it is potentially the most influential player in toy safety. To actually be part of the solution rather than the problem, Wal-Mart, in conjunction with the CPSC and toy manufacturers, must make safety its top priority even before cost. If the company truly commits to this, it will be good for customers, good for shareholders and good for Wal-Mart. But, primarily, it will be good for our nation's children.