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## One Sun in the Sky:

### *Labor Unions in the People's Republic of China*

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There is an old Chinese proverb that holds there cannot be two suns in the sky, so there can be only one source of power in the land. It is an idea the Chinese Communist Party has embraced fully, leaving it congenitally opposed to any leadership or organization in China other than itself. It is hardly surprising then that the Chinese government is not ready to allow independent trade unions to exist because of their potential for creating political instability.

Labor rights remain the last frontier of change in China, and the Communist Party's growing resistance to labor reform indicates that conditions for Chinese workers are likely to become worse before they get any better. This is a grim prediction for a country where independent trade unions are already banned and millions of workers go to bed every night in overcrowded dormitory rooms after having worked fifteen to eighteen hours a day in Dickensian factories where some workers are literally worked to death. This phenomenon has added a new word to the Mandarin

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vocabulary—*guolaosi*—death from overwork. Global consumers have been shielded from knowing about the human cost of the Chinese products they purchase, as the press has been relatively tame in covering labor rights in China.

But post-reform China has always had a vested interest in keeping its workers controlled and compliant. Mostly this is because China's export-led growth is the essential glue holding the country together, and cheap labor—along with market reforms, a disdain for intellectual rights, a disregard of the environment, and cheap capital from state-controlled banks—has been essential to that growth. It was these five principles that allowed Chinese leaders, such as Deng Xiaoping

the development of competency, not just structural reforms alone. China's environmental devastation has also forced the government to adopt more sustainable policies, and pressure from the West is pushing Beijing slowly but surely toward enforcing intellectual property rights. Lastly, China's decision to privatize and reform its banks means they can't be used anymore to subsidize China's gargantuan state-owned companies and loss-making public works projects.

Thus, China's cheap and disempowered labor force is the country's only remaining competitive advantage. Despite the hype surrounding the swelling size and might of China's new multinationals, few of them, if any,

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and Jiang Zemin, to offer global investors the unique combination of nineteenth century business practices and twenty-first century infrastructure that enabled China to attract more than \$800 billion in foreign direct investment since 1979.<sup>1</sup>

But since China's current President Hu Jintao came to power in 2003, much of the ground has shifted under his feet. As China's economy has matured and opened, greater reforms have brought diminishing benefits. Previously, like any closed economy, China's tiny GDP surged with every small reform as fresh infusions of capital and a lowering of trade barriers allowed China's artificially restricted businesses to bloom. But now, as China's economy is poised for further growth in the middle of its development, that growth is increasingly dependent on

would be globally competitive if they paid globally competitive wages. None possess the technical capabilities, brand equity, and intellectual property rights that might allow them to dominate markets in which these labor-based cost advantages could be leveraged. With China's economy booming, authorities are desperately trying to control further increases in rural incomes and industrial wages, as the latter went up 15 percent last year alone.<sup>2</sup>

**Labor Policy of Hu Jintao.** In this environment, the idea of allowing workers the right to bargain collectively for wages and benefits frightens officials. Chinese President Hu Jintao and Premier Wen Jiabao spoke emotionally about enhancing workers' rights when they first came to power in March 2003, but have since acted dispassionately, lim-

iting labor rights. Initially, both leaders pressured companies to pay back-wages to millions of migrant workers. But beyond that, Hu and Wen have refused to make any meaningful structural improvements to China's labor laws, even dragging their feet on the creation of a national minimum wage. Though some cities have instituted their own minimum wage in response to local pressures, those rates are so low that they are mostly meaningless. For example, Guangzhou in the southern Guangdong province, one of the major engines of China's growth, set its minimum wage at about \$100 a month.<sup>3</sup>

Privately, some Chinese officials confess their country is following a system of measured exploitation with historical precedence: The United States exploited slaves and immigrants; Europeans colonized entire continents for labor. As China cannot do either, its only option is to exploit its own workers and claw its way up the development ladder.

The morally cumbersome fact is that, economically speaking, they may have a point. Shanghai-based American architect Ben Wood says China's current construction boom, which employs about 100 million people across the country and has turned China into the world's largest consumer of steel and cement, would have been severely compromised without cheap labor. While a bricklayer in the United States earns about forty dollars an hour, his peer in China earns one dollar a day. This allows China to build grand buildings for only 20 percent of the cost in the United States.<sup>4</sup>

**Organized Labor Responds.** But Cui Zhiyuan, a professor at Tsinghua University in Beijing and a leading advocate of labor rights, says it is time for

people to understand that the seemingly enshrined injustices China's workers have to cope with are not merely the natural fallout of market mechanics remaking a state-controlled economy, or an amoral attempt at development. "What we see if we really look is that in the name of reform, [corrupt officials] are looting China and the workers," said Cui.<sup>5</sup> Starting in the 1990s, thousands of China's state-owned enterprises (SOEs) were bought at fire-sale prices by politically connected people who, in collusion with corrupt officials and banks, stripped the enterprises of their assets and fired all the workers, often without any compensation.

Last year, public anger over unpaid pensions, corrupt factory bosses, and officials cheating workers out of wages ignited many of the 87,000 public protests that rocked China, up from 74,000 the year before.<sup>6</sup> Domestic activists challenging the status quo face increasingly harsh reprisals. At least twenty-four labor activists are languishing in Chinese prisons, according to the Dui Hua Foundation in San Francisco, which tries to keep track of political prisoners in China.<sup>7</sup> One such activist, Shandong garment worker Li Xintao, helped fellow workers demand unpaid wages and benefits and was given a harsh five-year sentence merely on the charge of "gathering a crowd to attack an organ of the state."<sup>8</sup>

Ma Kai, head of China's National Development and Reform Commission and one of the country's most powerful economic decision makers, says China's economy is "not ready" to accept the formation of independent trade unions.<sup>9</sup> He tries to mitigate the government's labor record by saying it has already granted workers more rights, including

the right to sue their employers. Han Dongfang, a unionist with the Hong Kong advocacy group China Labor Bulletin, was expelled from China for trying to organize workers outside the state-run system in 1993 and admits that China does have better labor laws today than ever before, but these are rarely enforced.<sup>10</sup>

While even the most aggressive Chinese labor activists admit there are good people in the state-run unions, they say systemic constraints prevent officials from adequately representing workers. The government still controls about half of the Chinese economy and most of the private entrepreneurs who control the other half belong to well-connected clans, such as those related to senior government or party officials. In this situation, official union representatives can endanger themselves by pushing too hard against established interests.<sup>11</sup>

Pang Qing Xiang, 60, a unionist who was jailed for nine months in 2003 after he and two colleagues, Yao Fuxin and Xiao Yunliang, tried to organize workers in the northeastern Liaoying province to demand their pensions, says that the government has lost its ability to control corrupt officials: "Instead they try and control us." Pang was jailed despite the fact that the factory manager he and his friends challenged was proven to have committed "irregularities" with funds meant to pay the workers. Though Xiao was released after serving about four years, Yao is still serving a seven-year sentence, and all three were beaten and abused while in custody. "To them we were nothing," says Pang, "certainly not people who had a right to demand anything, not even pay."<sup>12</sup>

**Solidarity or WalMart?** Zhang Bijian, an advisor to President Hu and

head of the China Reform Forum, says China is just not ready to allow independent trade unions because of their potential for creating political instability. "No one knows where a union ends and a political party begins," he says.<sup>13</sup> Zhang's words betray a common fear in China's Communist Party that a Solidarity-type movement led by a charismatic leader like Lech Walesa could sink China into the same chaos that gripped Poland and the ex-Soviet Union in 1989.

Zhang's argument is based on a global consensus that a gradually reformed China tomorrow is preferable to a politically unstable China today. But Han, the labor activist, says the argument that independent trade unions will automatically drive China toward democracy is a red herring. "In the United States in the 1920s, it was argued that trade unions would turn the country into a communist state, but it didn't happen," says Han. "Now ironically in China, they are saying trade unions will turn the country into a democracy... Unionists don't want to change the system in China; we only want to help workers. If the government is really worried about being overthrown, they should realize the biggest threat to the Communist Party is the number of corrupt officials who are empowered in the name of communism, but doing worse things than the capitalists of eighteenth-century Europe."<sup>13</sup>

Ding Ning Ning, director of social studies at the Development Research Center of the State Council in Beijing says the problem in China to some extent is one of "ideological reversal." After clinging so tightly to Marxism, China is now trying to imitate American-style economics. "Capitalism is our system now; and to some extent, we may have gone too far in pursuing some policies," he admits. "Some officials think making

money, both for their area or province, and of course themselves, is what matters now. But we are taking corrective steps and [the state-controlled unions, united under the banner of the All-China Federation of Trade Unions] are doing a lot.”<sup>14</sup>

In fact, the Chinese government recently created a public relations blitz around its ability to force WalMart, a company notoriously successful in preventing its employees from unionizing, to allow a state-run union in its doors. “Most foreign companies, and particularly local factories manufacturing for foreign companies, still push their employees to work extended shifts without pay,” says Han. Few allow workers to collectively bargain with management on issues like working conditions and wages, or give Chinese workers even a semblance of the rights enjoyed in the West. This March when the National People’s Congress (China’s rubber-stamp parliament)

seventy-two dollars), it forced them to work eleven hours a day, six days a week without overtime compensation. When the company ignored the workers, nearly one thousand of them rioted, and scores were seriously injured when the police intervened.<sup>16</sup>

**The West Stays Silent.** U.S. politicians who stir voters by bashing China for taking American jobs typically neglect to mention the country’s lack of independent trade unions. Yet this distortion of free trade principles is one of the key reasons Beijing has managed to take 1.5 million jobs from the United States since 1989.<sup>17</sup> Instead, they prefer to dwell on Beijing’s undervalued currency and its poor enforcement of Intellectual Property Rights (IPR).

This is economically illogical. The bulk of China’s exports to the United States—toys, textiles, and cheap electronics—contain little intellectual property.<sup>18</sup>

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tabled a new labor contract law, the U.S. and European chambers of commerce were the first to come out publicly against it.”<sup>15</sup>

In July, thousands of workers at the Merton Company in the southern Guangdong province that makes plastic toys for U.S. companies, such as Disney, Mattel, and McDonalds, petitioned their management for better pay, less forced overtime, and better working conditions. Though the company paid workers the local minimum wage of RMB 574 (about

Further, China’s local value-added to exports has been calculated by the World Bank to be between 10 and 30 percent. Thus, even a 20 percent upward revaluation in the RMB, demanded by many U.S. senators, would only raise prices of many Chinese exports by about 2 to 6 percent. Revaluation is, however, politically expedient. Calling for more labor rights undercuts the competitiveness of corporations. A stronger RMB and IPR protections benefit corporations who own patents and who could sell more of

their high-value goods in China.

If Western officials have been disturbingly adept at sidestepping these issues, it is partly because they are loath to rock a system that has allowed Western corporations and governments to reap huge profits. A recent survey of 1,800 American businesses in China by the United States Chamber of Commerce in Beijing found that 42 percent of their profit margins were higher than their average worldwide margins.<sup>19</sup> More significantly, the Chinese government, which benefits enormously from its labor-driven export economy, has invested almost \$300 billion in Treasury bills.<sup>20</sup> The government has also invested \$500 billion in other U.S. securities.<sup>21</sup> Thus, China helps fund the United States's federal deficit and keeps American interest rates low. This in turn provides American consumers with cheap credit to buy more Chinese goods, beginning the cycle anew. This mutually convenient system, dubbed Bretton Woods II by economists David Folkerts-Landau, Peter Garber, and Michael Dooley, has become a cornerstone of the global economy. China is critical to Bretton Woods II because it can invest mountains of cash in U.S. securities; one of the key reasons it can accumulate this cash is its ready access to cheap labor.

**The Process of Civilization.** The one crack in the Chinese government's grip on labor has come from China's fledgling legal system. Hu Jintao's government has been trying to move the country toward republican constitutionalism and rule of law to satisfy the natural desire of many Chinese for greater freedom, protection of basic rights, and state restraint. The baby steps China has taken in this direction have seen the

establishment of new courts all over the country, and labor activists have been quick to use them to push the government toward obeying its existing labor laws.

Though the labor activist Han remains banned from entering China and the China Labor Bulletin's website is blocked in China, he and other supporters have brought thirty labor rights cases to Chinese courts and have won most of them. One case, in which they represented jewelry workers, even set a Chinese record for worker compensation of RMB 500,000 (\$62,500). The jewelry workers had been fired after developing silicosis, a lung disease contracted by breathing mineral dust. Han's success is partly rooted in the fact that he and his associates seek out "the most compelling cases" and focus all their efforts there. "This way we can help only a few people but we can make sample cases and show people that laws can be very useful if you use them correctly," says Han. "More importantly, through this legal battle we also provide the idea that workers should get together."<sup>22</sup>

Small, grassroots actions such as these are about all Chinese labor activists can risk, given the forces arraigned against them. The tangible impact of their guerrilla litigation is small. For every thirty cases Han and other activists take up, hundreds of thousands of other cases are not even accepted by the courts. Of the cases that do get filed, many languish in musty files for years. The desperate litigants try to petition their representatives directly every March when the National People's Congress is in session, but most are ignored and many beaten by police. In recent months there has been a crackdown on the public interest lawyers who fight these pro bono cases. Gao

Zhisheng, one of China's most prominent public interest lawyers, who also worked with Han, has been illegally detained by authorities since February, when he tried to orchestrate a rolling hunger strike to protest the beating of a colleague, Guo Feixiong.

Yet the efforts of activists like Han and Gao and the tales of their exploits whispered amongst workers are creating a discernable change in China's mindset. "The period of relying on leaders is already gone," says Han. "Today, slowly, people are understanding that they have to fight for their own future."

That is potentially seditious talk in the

minds of Chinese authorities, and like many who realize they are treading on thin ice, Han relies on an old trick to work his way back—he quotes Mao: "As Mao used to say, the evolution of history does not follow the will of individuals. Historical developments happen either way. Today, China is living in a time of darkness but that does not mean there is no hope. Respect for people's basic rights, limited work hours, decent compensation, better working conditions, laws that are enforced—all these things will happen because it is natural that they do. That's just the process of civilization."<sup>23</sup>

#### NOTES

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