

The Global Battle Over New Rights for Chinese Workers

Editor's Note: GLS has taken the lead in exposing the role of U.S. corporations in opposing the proposed Chinese labor contract law. Here's an update on the campaign of the "sweatshop lobby" - and the response by labor worldwide.

In a historically unprecedented visit, the influential Chinese scholar and labor law expert Liu Cheng arrived in Washington, D.C. this week to garner support from US legislators and labor leaders for a law that is pending not before the US Congress but before the National People's Congress in China. Liu Cheng has been a key advisor to the drafters on a new labor law reform bill currently working its way through the Chinese legislative process.

His visit is part of a behind-the-scenes battle that is raging worldwide over reforms in China's labor law. On the one side are Wal-Mart, Google, General Electric and other global corporations who have been aggressively lobbying to limit new rights for Chinese workers. On the other side are pro-worker rights forces in China, backed by labor, human rights, and political forces in the U.S. and around the world.

Liu Cheng's visit to Washington was part of that international support campaign. He warned in an interview that support for the new law within China is not enough "if there is no support from labor supporters outside China...Some National People's Party Congress representatives are influenced by the employer lobby. Although the principles of the amendments are secure, there may be concessions on the details, so we call for help."

THE SWEATSHOP LOBBY

In March 2006 the Chinese government, with considerable popular backing, proposed a new labor law with limited but significant increases in workers' rights. But the American Chamber of Commerce in Shanghai (AmCham), the United States-China Business Council, and U.S.-based global corporations lobbied to gut the

proposed law. They have even threatened to leave China for countries like Pakistan and Thailand if the law is passed.

Their aggressive tactics appear to have had an effect. In December 2006, the Chinese government released a revised draft of the Labor Contract Law with significant changes in contract, collective bargaining, severance, and other rights guaranteed for Chinese workers that would favor corporate interests.

The corporate community quickly claimed credit for these revisions. The US-China Business Council declared the draft a “significant improvement.” Individual corporations were also pleased with the results of their lobby campaign. Scott Slipy, director of human resources in China for Microsoft, recently explained to Business Week “We have enough investment at stake that we can usually get someone to listen to us if we are passionate about an issue.” According to a lawyer representing numerous corporations in China,

“Comments from the business community appear to have had an impact. Whereas the March 2006 draft offered a substantial increase in the protection for employees and a greater role for union than existing law, [the new draft] scaled back protections for employees and sharply curtailed the role of unions.”

Despite successfully removing important pro-worker provisions from the first draft, the business community has launched a major new lobby effort to further gut the legislation, which is expected to be voted on this spring by the Chinese National People’s Congress. The US-China Business Council, for example, has told the Chinese government that elements of the revised draft are “burdensome,” “prohibitively expensive,” and will have “an adverse impact on the productivity and economic viability of employers.” One corporate lawyer ominously warned: “We will have to wait until the final draft is written and see how the law will be implemented. If the law is too negative for employers then we might see a slowdown of recruitment.”

PUSHBACK

But as AmCham and other corporate lobby groups congratulated themselves and prepared to escalate their demands, forces inside and outside of China organized

to oppose this undue corporate influence. International union federations have pressured their employers to reverse course; human rights organizations have mobilized support for Chinese workers' rights; U.S. members of Congress have introduced legislation decrying the corporate intervention and apparent Administration complicity; and China's official labor organization, the All-China Federation of Trade Unions (ACFTU), has taken a strong stand against corporate pressure.

Such counter-pressure has fractured the unity of U.S. and E.U. based corporations in China and their lobbying organizations. The American Chamber of Commerce in Shanghai (AmCham), which lobbied for changes in the draft law, has been invited by the Chinese government to weigh in again. But AmCham is meeting resistance to its position from some of its own most powerful members. For example, Nike has virtually repudiated AmCham's position. According to Nike Vice President Hannah Jones, "Nike has a long history of actively supporting the Chinese government's efforts to strengthen labor laws and protections of workers' rights." When AmCham took its position on the law, Nike "had yet definitely to state a position either internally or externally to AmCham on the draft labor law currently under review." The European Chamber of Commerce in China had initially warned that the new law might lead foreign corporations to disinvest in China; but, under pressure from labor and human rights groups, it has now issued a stunning "clarification" welcoming the law.

The opposition of U.S. corporations to expanded rights for Chinese workers is becoming a significant issue in the U.S. Congress. Concern about the impact of globalization, and opposition to the trade policies that have prevailed during the Bush era, were major themes for many Democratic candidates who now control important positions in Congress.

On December 8th, 2006, shortly after the 2006 elections, U.S. Representatives Lynn Woolsey (D-CA), Barbara Lee (D-CA), George Miller (D-CA), Barney Frank (D-MA) and twenty-eight other House Members introduced legislation calling on the President to express public support for the workers' rights and protection provisions of China's draft labor law and repudiate efforts by some U.S. corporations and their representatives in China to limit new rights for Chinese workers. This legislation

propely places the focus on the actual role of U.S. corporations in China. Their action is part of the broader effort of a Democratic Congress to take the policymaking initiative away from the Bush administration.

The exposure of corporate opposition to expanded labor rights for Chinese workers has also generated outrage among labor organizations and their allies around the world. Inside China, leaders of the official All-China Federation of Trade Unions (ACFTU) have been fighting efforts by companies to restrict unions' role in setting new employer policies. Xie Liangmin, vice-director of the ACFTU's law department, publicly criticized US and EU Chambers of Commerce for issuing threats as the draft law moves through the legislative process. He told the South China Morning Post "It is excessive to intervene in a country's lawmaking process by threatening to withdraw investment."

Outside China individual unions and national and international labor federations around the world have not only condemned corporate lobbying against labor rights, but are pressuring corporations to reverse their stand. This is opening the way for trade unions not simply to oppose Chinese trade, but to fight what one international labor federation has called the "global sweatshop lobby."

Workers, communities, and countries throughout the world are confronting the challenges posed by the emergence of China as a global economic powerhouse. About 25% of the global work force is now Chinese. Indeed, China has become the focal point for many Americans' feelings of insecurities in the global economy. China increasingly sets the global norm for wages and working standards as it attracts jobs at both the high and low ends of the production chain. As a result the hard-won gains of workers in the global North are being rapidly undermined while the aspirations of workers in the developing world are being dashed as China becomes the wage setting country in many industries.

Some in the labor movement and Congress have begun to recognize that simply criticizing the Chinese state fails to address the dominate role of global corporations in the global economy. Roughly 66% of the increase in Chinese exports in the past 12 years can be attributed to non-Chinese owned global companies and their joint ventures . Foreign owned global corporations account for 60% of

Chinese exports to the US. Indeed, if the US retail giant Wal-Mart were a country it would be China's 8th largest trading partner. The "Chinese threat" is less about trade with China than it is about trade with Wal-Mart and GE. Global corporations move to China to lower labor costs -- and they use those lower labor costs as a lever to drive down wages and working conditions for workers in other countries, and even within China itself.

Labor organizations around the world have become involved not only to defend the principle of universal labor rights, but because reform of China's labor law is important to workers everywhere. Chinese wages and conditions set those around the world not only in low-wage industries but increasingly in those with the highest of modern technology. Low wages and poor working conditions in China drive down those in the rest of the world in a "race to the bottom." Failure to raise standards in China will have a devastating effect on workers around the world.

"China bashing" does not provide a solution for either workers or governments that are trying to come to terms with the impact of China in the global economy. In contrast, trying to reverse the role of U.S. corporations and their "sweatshop lobby" in perpetuating poverty and poor working conditions in China is providing a straightforward, concrete way that workers and their union and political representatives in the U.S. and around the world can help improve the conditions of workers in China. For that reason it is emerging as a central issue in both the labor and the political arenas.

*Editor's Note: Copies of AmCham's submissions to the Chinese government are available [here](#) and [here](#). Copies of the U.S.-China Business Council's submissions are available [here](#) and [here](#). A translation of the second draft of the labor contract law is available [here](#). Our latest report *UNDUE INFLUENCE: Corporations Gain Ground in Battle Over China's New Labor Law* is available [here](#).*

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