

China Trade Facing New Scrutiny
Unions complain as the U.S. courts more Chinese
business.

by Joseph Szczesny (2004-03-22)

Trade with China is now on its way to becoming a major political issue this year - and the AFL-CIO has filed a sweeping complaint about the abuse of labor throughout the Chinese economy. The Bush administration, mindful of the election-year heat, has countered with a more focused complaint to the World Trade Organization about China feeding subsidies to the semiconductor industry.

The new war over trade comes just as the automakers from around the world are racing to step up their investment in China and purchasing more and more components made in China.

Experts cautioned that trade disputes could undermine commercial relations with China in key areas and handicap American firms looking for business in what has become the world's fastest-growing consumer market.

Petitions fly

The petition filed with the United States Trade Representative, however, did not focus on the show factories run by giant multi-nationals such as General Motors. Instead it focused on darker side of the Chinese economic miracle - factories that use a large percentage of the young and female workers, who are exploited by a system that offers them little or no chance to move ahead financially or politically.

Ron Gettelfinger, president of the United Auto Workers, said the AFL-CIO's Industrial Union Department spent nine months gathering information for the petition. "We brought in the right people to help us," added Gettelfinger, who last year spoke out against the jailing of union organizers in China.

The result of the union effort was a mountain of statistics, illustrating how repressive labor laws have held down wage rates in China's growing manufacturing sector, Gettelfinger said.

The AFL-CIO petition suggests the repression of worker rights reduces the wages of Chinese workers by anywhere from 47 percent and 86 percent. If China did not violate workers' rights, the petition finds that the price of Chinese-made manufactured goods would increase by 12 percent to 77 percent, the AFL-CIO petition noted. "I think it's time we focus on these other countries and ask whether the workers in these countries gain from trade," Gettelfinger said.

The AFL-CIO petition estimated that at 727,000 manufacturing jobs in the U.S. have been wiped out in the U.S. because of the unfair practices including the widespread used of bonded labor, which organizations such as the Swiss-based International Labor Organization describe as a form of slavery. An internal pass system inside China is similar to one once used in South Africa and makes it difficult for workers without the proper papers to find other jobs.

The union petition, which comes with plenty of documentation, also suggests that the Chinese system also is highly unstable and rife with violence. At least

140,000 Chinese workers die every year in industrial accidents and another 250,000 Chinese are crippled or maimed while at work.

Shifting presence

Nevertheless, a new study by the Roland Berger released just earlier this month that automotive suppliers are under increasing pressure to shift manufacturing jobs to China. A string of recent announcements by companies with a broad stake in the car business such as GKN, Valeo, TRW Automotive, and Delphi Corp. about new investments in China has underscored the trend.

The Chinese also have begun to defend their record. The Chinese complained directly to the UAW last year that wage figures Gettelfinger cited in a speech to the Detroit Economic Club last year were too low, union officials confirmed.

For the unions, which are backing George W. Bush's Democratic opponent, John Kerry in the 2004 Presidential contest, the petition filed with the USTR is a low-risk gambit.

Over the past month, political pundits have predicted the 2004 Presidential contest could be decided in 18 states where the electorate is closely divided. In many of these states - among them Michigan, Ohio, West Virginia, and Missouri - jobs and erosion of manufacturing jobs have become huge political issues.

The Bush administration declined to comment on the merits of the AFL-CIO petition. A spokesman for Robert Zoellick, the U.S. trade representative, said that the U.S.

is "a leader in promoting internationally recognized labor standards and human rights globally, especially in those countries where those standards are not fully upheld."

Two days later the Bush administration also filed its petition with the WTO, charging that Chinese subsidies to its homegrown makers of semiconductors are an unfair trade practice.

Meanwhile, the Bush administration has 45 days to decide whether to reject the AFL-CIO petition or let it trigger a full-scale investigation of Chinese labor practices. "President Bush and the U.S. Trade Representative can refuse to take action only if they find that the Chinese government does not persistently deny workers' rights or that the denial of those rights imposes no burden on U.S. workers," John Sweeney, AFL-CIO president, noted the day the petition was filed.