

GLOBALIZATION AND CHINA'S 'RACE TO THE BOTTOM' IN LABOUR STANDARDS

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In November 2001 China officially joined the WTO after trying for a decade to be accepted. The last country to hold out against China's entry was not the United States. It was Mexico. One might ask: why Mexico? An explanation will soon follow, but I'd like to assure you that this is more than a footnote in trade history.

The Chinese government rejoiced on the occasion of gaining WTO membership. In Chinese, the expressions 'globalization' and 'China merging rails with the world' have been the subject of many books that line the shelves in China's bookshops. These have become household words in China. There was an expectation in China that, once the country became integrated into the world economy, China would be on the right track to attain economic prosperity. There might be some bumps along the way; some industries and agriculture would suffer, affecting employment, but as a whole, it was predicted, China would gain. Employment has been a major concern in China, and the government's best sell was that foreign investment would increase and the labour-intensive manufacturing sector would gain—according to one estimate, 2.8 million additional jobs in textiles and 2.6 million jobs in the garment trade, as the constraints of quotas for garments and textiles end.¹

As predicted, foreign investment has been flowing into China in the past year at the expense of its southeast Asian neighbours and the tiger economies of Hong Kong, Taiwan, Korea and even Japan. Hong Kong and Taiwan have been the nurturers of Chinese export industries for more than a decade, only to discover now that some of their own industries are being 'hollowed out'.² As one observer, William Greider, describes it, China is 'sucking away' jobs. 'Globalization', he writes, 'is entering a fateful new stage, in which the competitive perils intensify for the low-wage developing countries. ... In the "race to the bottom", China is defining the bottom.'³

¹ *Gongren Ribao* (Worker's Daily), 19 November 2001.

² George Wehrfritz and Mahlon Meyer, with Hideko Takayama, "Trapped in a Chinese Box," *Newsweek*, 18 February 2002.

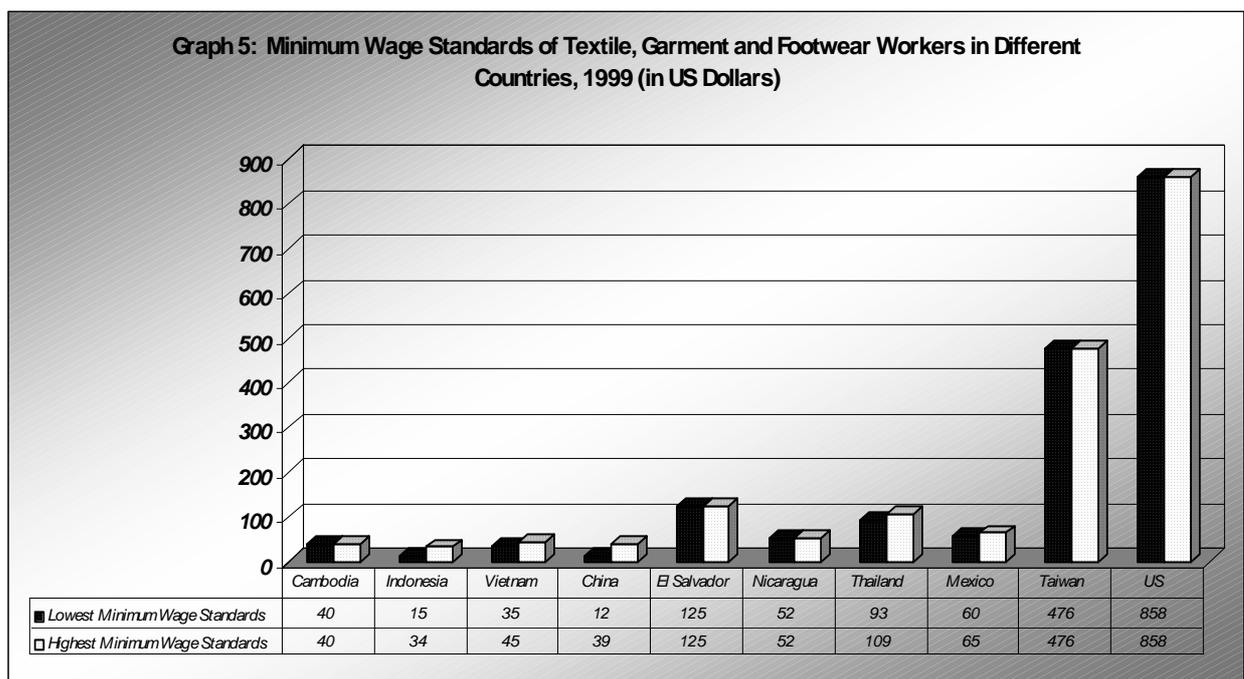
³ William Greider, "A New Giant Sucking Sound," *The Nation*, 31 December 2001.

In other words, though employment in the low-wage industries in China may be expanding, the wages of Chinese workers are not rising. For the rest of the talk I'll try to analyse why. What it is in the Chinese system that allows it to lead in this race to the bottom in labour standards?

Labour standards, a term that was once used almost exclusively within labour and government circles, rarely in social-science academic writings, is making an inroad into ordinary conversations, in political speeches and in the mainstream press. It refers to wages, work hours, shopfloor conditions, work intensity and occupational safety and health hazards. First, let me go through some empirical evidence that wages in China are very low relative to the cost of living compared with other developing export-oriented countries.

There is a popular image that the global divide in competition in world trade is merely a North–South affair. I would like to argue here that increasingly the competition, particularly in the labour-intensive industries, is largely a South–South matter, among countries in the developing world. I shall take the apparel industry to illustrate my point, because this is an industry that is quite globalized and footloose and that uses a vast supply of Third World labour. The intense competition in wages among the Southern countries is well illustrated by this chart, which shows the minimum legal wage in a number of countries around the world as of 1999.

Source: Based on wage figures provided by U.S. Department of Labor, Bureau of International Labor Affairs, *Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries in Selected Countries*, Washington DC., Department of Labor, 2000, p. I-51.



The chart shows the enormous wage gap between the minimum wage in the United States and that of developing countries in Asia and Central America, at an order of at least 20 times. All of the minimum legal wages in the developing countries hovered around 30 to 50 American dollars a month, equivalent in China to 240 to 400 yuan a month. The legal minimum wage in Shenzhen, the Chinese city with the highest minimum wage, was only 42 US dollars. China has set its minimum wage standards very low, and is even competitive with Vietnam and Cambodia, two countries where the cost of living is lower than in China. In Mexico, El Salvador and Nicaragua, the wage levels are slightly higher than Asian wages, but this competitive disadvantage is cancelled out by the proximity of Central America to the American market.

Faced by cheap labour abroad in this era of global production, the garment industry is basically finished in the U.S. and, closer to home, in Australia. It exists only among pockets of illegal immigrants⁴ and home workers,⁵ ‘sweating’ as exploited underpaid workers.

When China first instituted a minimum legal wage system in the early 1990s, it had the good intention of protecting workers in the export sector. But soon the function of the minimum wage changed character. It simply became the amount that employers used to gauge how much they should pay their workers in the labour-intensive export industries. Inasmuch as the majority of the workers in this sector are migrant workers from the countryside, this wage level applies mostly to migrants, who, as seen in Table 2 (below), are not sharing in the standard of living of the urban population.

First, it should be noted that the setting of a minimum wage level is extremely decentralized in China. In Australia, we have one minimum wage, but in China there are hundreds. Each city or even a district in a city can set its own minimum wage based on a formula provided by the central government. This takes into account the cost of living in the locality, the prevailing wage, the rate of inflation etc., and it is adjusted each year. You can see in this Table that the minimum wage has been rising every year, but when I compared these rises with the annual price indexes for each of these cities I discovered that the rises in the minimum

⁴ Peter Kwong, *Forbidden Workers: Illegal Chinese Immigrants and American Labor*, New York; New Press.

legal wage have almost exactly kept pace with inflation. In other words, even though the Chinese economy is rapidly developing, in real terms the minimum wages have remained level throughout the 1990s.

TABLE 2

**Proportion of minimum wages to employees' average wages in Chinese cities
(1993–2000)**

	Monthly wage in yuan											
	1993			1994			1995			1996		
	Minimum Wage (M)	Average Wage (A)	M/A %	Minimum Wage (M)	Average Wage (A)	M/A %	Minimum Wage (M)	Average Wage (A)	M/A %	Minimum Wage (M)	Average Wage (A)	M/A %
Beijing	N/A			200/210	545	36.70/ 38.53	210/240	678.7	30.94/ 35.36	210/270	798.3	26.31/ 33.82
Tianjin	N/A	340		N/A	447		210	541.8	38.76	270	636.9	42.39
Shanghai	210	470.8	44.60	220	616.8	35.67	220/270	773.3	28.45/ 34.91	220/300	888.6	24.76/ 33.76
Guangzhou	250	533.3	46.88	250	735.9	33.97	320	883.7	36.21	380	1022	37.20
Shenzhen	280	694.6	40.31	285	901.3	31.62	380	1070	35.52	398	1242	32.05
Chongqing	N/A	262.1		N/A	355.2		N/A	404.2		180	417.5	43.11

	Monthly wage in yuan											
	1997			1998			1999			2000		
	Minimum Wage (M)	Average Wage (A)	M/A %	Minimum Wage (M)	Average Wage (A)	M/A %	Minimum Wage (M)	Average Wage (A)	M/A %	Minimum Wage (M)	Average Wage (A)	M/A %
Beijing	290	918.3	31.58	N/A	1024		310	1148	27.00	412	1362.5	30.24
Tianjin	290	686.5	42.24	N/A	824.6		290	920.5	31.50	350	1040	33.65
Shanghai	315	952.1	33.08	325	1005	32.34	N/A	1179		445	1544.3	28.82
Guangzhou	380	1143	33.26	380	1255	30.27	380	1434	26.49	450	1590.9	28.29
Shenzhen	420	1408	29.83	430	1575	27.31	430	1804	23.84	547	N/A	
Chongqing	210	458.5	45.80	N/A	430.8		210	525	40.00	290	581.7	49.86

 Proportion >= 40%

Sources: Average wages are from various statistical yearbooks and minimum wages are from various sources, including newspapers and labour bureaus. Shenzhen entry is the inner, higher, zone.

As you can see, too, the cities in Guangdong province and other big cities along the coast have the highest cost of living and consequently the highest minimum wages. Elsewhere in China, the legal minimum wages are lower, which poses a

⁵ Robert J. S. Ross, "Declining Labor Standards in the North American Apparel Industry," in G. Kohler and E. J. Chaves, eds., *Globalization: Critical Perspectives*, New York: Nova Science, 2003, pp.277-293.

threat to the coastal region. The result of this threat, as I shall explain, is shown in this table.

Legally, the minimum wage in each locality is not simply supposed to keep up with inflation. According to the international standard employed by the Chinese government, a minimum wage of a locality should be set within the range of 40 to 60 per cent of the average wage in that locality.⁶ This table uses 40 per cent as the cut-off point to see whether the minimum wages officially set by various localities have reached this standard in past years. 1993 was the only year in which all of these minimum wages fulfilled the Chinese government's own criterion of reaching at least 40 per cent of the average wages. Since 1993, in most localities and years, the minimum legal wages did not attain even this 40 per cent mark, in direct violation of the national directive requiring that it do so. Instead, with only a few exceptions (see the squares shaded in grey), the general trend in minimum wages has been one of stagnation or steady decline when compared to the incomes of urban residents. This results, for example, in the minimum legal wage in Beijing declining from 36.7% of Beijing's average wage in 1994 to only 27% in 1999, and in Shenzhen City from 40% in 1993 to a bit under 24% in 1999. This means China's income gap between its regular urban population and the migrant workers kept on widening in the 90s.⁷

Another important conclusion that can be drawn from the table is that globalization rarely leads to improved wage conditions for the workers who make the exported goods compared to the populace at large. Guangzhou and Shenzhen, the two cities that have the highest average income in the country and the first cities in China that the central government allowed to woo foreign investment, have the lowest minimum wage to average wage percentage. In these two cities it did not even reach 30%. The worst of all the nine cities is Shenzhen, the most famous model of a special export zone in China. The percentages in these two cities have been consistently the lowest of the nine cities since 1997, dropping to a low of 23.8% in 1999. On the other hand, in Chongqing City in the interior of China, which is the least linked with the global economy, the legal minimum

⁶ See *Notice concerning Regulations of Enterprises' Minimum Wages*, issued by the Chinese Ministry of Labour on 24 November 1993.

⁷ This trend parallels China's increasing Gini coefficient in the 90s—0.42 in 1996 to 0.458 in 2000 (*Zhongguo Gaige Bao* [Chinese Reform News], 11 September 2001). A Gini coefficient of 0.4 is considered high internationally.

wage reached that mark of 40% in 1999. These figures reflect a very worrying trend. As a region becomes richer, it violates the national guidelines and seeks to maintain its attractiveness to foreign capital by keeping its minimum wage level low, to compete with other localities in China in selling the labour of migrant workers. The benefits of globalization in accordance with this competitive logic has not, and will not, trickle down to those who make the products.

What is even worse—and is not revealed by this table—is that while on paper the local governments comply with the central government's decrees about raising minimum wage levels annually to adjust to the average urban wage and to inflation, in reality the wages of the migrant industrial workers are often considerably lower than the official standards. For one thing, the minimum wage, set by the month, does not reveal the illegally long hours worked by migrant workers to attain that minimum. According to a survey I conducted in China's footwear industry, the average number of work hours came to about 11 hours each day, often with no days off—that is, an 80-hour workweek. Nor do the official statistics take into consideration the staggering amount of wages owed but not paid to the migrant workers. 43% of the 51,000 cases of workers' complaints lodged by letters and by personal visits to the Shenzhen authorities during 2001 related to unpaid wages.⁸ One Chinese newspaper article describes it as having become a 'custom' in Guangdong⁹; while another described it as an 'incurable disease'.¹⁰ When the illegally long work hours and these unpaid wages are taken into account, a sizeable proportion of the workers are making considerably less than the legal minimum wage.

The officially set minimum wage levels also do not tell the whole story in other ways. They do not show the violence and physical abuses that have become pervasive in the factories in China owned and managed by Taiwanese, Koreans and Hong Kong Chinese, nor the acute and chronic occupational health and safety issues. A startlingly high incidence of severed limbs and fingers has been recorded. In Shenzhen City alone, there were over 10,000 certified cases in 1999 among a migrant population of some 3 to 4 million. As China develops, the

⁸ *Zhongguo Laodong Baozhang Bao* (Chinese Labour Insurance News), 19 February 2002.

⁹ *Gongren Ribao*, 9 May 2001.

¹⁰ *Zhongguo Laodong Baozhang Bao*, 19 February 2002.

benefits have not trickled down to the assembly-line workers from largely rural backgrounds who make the exported goods. Indeed, their situation has grown even worse since the Asian financial crisis of 1997–98; the downturn intensified competition with Southeast Asian labour, which had become much cheaper in the wake of currency devaluations. Earlier I mentioned that foreign investment has been rushing into China at the expense of its Asian neighbours. Among the reasons why China is attractive is that it is able to hold down its wages by turning a blind eye to labour violations.

Competition within China between different regions exacerbates this problem of low wages, and the central government has intervened in a way that encourages even lower pay. Though migrant workers' wages in Guangdong province are very low, the central government has been worried that Guangdong is pricing itself out of the international market. The government therefore has started to encourage foreign capital to move inland, to places where the pay is even lower. In fact, an Australian toy company owner who sources some of her merchandise from China noted last week that she is now sourcing from factories further north and away from big cities. The products, she said, are just as good and cheaper.

Let us now look in detail at how this geographic race to the bottom in China also operates at the international level. In the 1990s, China's main competitor for the American garment market was Mexico, on the other side of the globe. Since the signing of the North American Free Trade Agreement (or NAFTA), Mexico has gained a large number of clothing factories. Today China and Mexico are competing neck and neck for the US market, each supplying around 15 per cent of all apparel imports to the US. Mexico enjoys two substantial advantages over China: it is next door to the US (and hence can meet a faster turnover rate for orders), and it enjoys an absence of quota restrictions due to NAFTA. As a result, Asian investors who serve as the subcontractors for the name-brand Western multinationals—and these are particularly South Koreans and Taiwanese—became increasingly active there in the 1990s, even moving apparel production out of Asia to Mexico. Along the US–Mexican border assembly plants called *maquiladoras* have mushroomed, employing about one million migrant workers. This number is still small compared to the 12 million in Guangdong province alone, but it represents a 150 per cent increase since 1990.

As in China, expansion in employment does not mean rising wages for Mexican migrant workers, but unlike China, wage levels are more regulated in Mexico. Only three minimum wage levels exist for the entire country, from 93 to 108 US dollars per month. Though low, they are still almost double that of Shenzhen. But Mexico's legal minimum wages fell by almost half during the 1990s, due in part to the peso's collapse in 1996. In the manufacturing sector, real wages dropped by 20 per cent over the same period. In the apparel industry, according to the International Labor Organization's estimate, the migrant workers' wages shed 28 per cent of their purchasing power in the period between 1994 and 1999.

Since 2000, the maquiladoras have been losing ground. As trade barriers continue to fall due to the WTO, the middleman firms from Taiwan and South Korea have begun shifting production back to Asia, particularly China. The numbers of maquiladoras swelled from 120 in the 1970s to 3,700 in 2000, but have dropped by 500 since then. Pressures are tightening on Mexican factories to compete with China's long working hours and bargain-basement wages. That explains why, as I pointed out at the beginning of the talk, Mexico was the last country to sign a trade agreement with China, delaying China's entry into the WTO. Mexico knew that it would have much to lose when the trade barriers were removed, but the international pressure was too great for Mexico to stand its ground.

Both governments, competing to provide foreign investors with attractively low wages, are trying to entice the foreign investors to go to cheaper regions of their countries. In Mexico, the government has proposed a 'Puebla to Panama Plan' which would build an investment corridor for more maquiladoras from southern Mexico through Central America—at wages cheaper than at the US–Mexican border. In China, as noted, the government is encouraging foreign investors to go north and inland in pursuit of even lower wages.

These pressures may threaten the incremental growth of an autonomous Mexican trade union movement—a result of years of painstaking political and social change, supported by a solidarity movement in the United States and Canada. Employers who resist relocating to China or to other low-wage countries will be tempted to lower labour standards in Mexico by breaking the fledgling union movement. In China, no autonomous union movement is in sight in the foreseeable future to fight to preserve

wage levels, and the Chinese government is intent on making sure that none is allowed to arise.

There are numerous other reasons that Chinese wages can be kept so competitive. First, it has an almost inexhaustible supply of cheap labour from the countryside. Second, the decentralization and deregulation in wage-setting under China's economic reforms enabled local governments to turn a blind eye to labour exploitation. There is also a third fundamental reason—China's so-called *hukou* (household registration) system, which prevents an uncontrolled rural-to-urban influx of population. This works in similar ways to the pass system under South Africa's former system of apartheid.

Some of you may immediately react against such a comparison, so let me emphasize here that the two systems differ markedly from each other in origin and ideology. The South African pass system was intertwined with a history of racism, colonialism and the development of South African capitalism, all of which favoured control of the movement of African people to provide greater political security and enhanced efficiency in the use of black labour. The ideology on which the system was based was white supremacy, and apartheid was the cornerstone of the South African white ruling elite's state-building project after the Second World War.

The *hukou* system in China has a much shorter history. It was established after the Communist Party came to power in 1949. To ensure that the planned economy met the urban people's basic needs, a rationing system was instituted in the 1950s, which in turn required the registration of people. As ration coupons could only be used in the locality where they were issued, this automatically restricted the geographical mobility of all people, not just peasants.¹¹

To reside in a different locality, one needed a special temporary certificate. This system of passes has been retained to the present day. It is the way this system constrains the geographical mobility of migrant workers, and the way it can drive down wages and other labour standards today, that is similar to what prevailed in South Africa. In China it is there by default. It was in place before it had its present

¹¹ Tiejun Cheng & Mark Selden, "The Origins and Social Consequences of China's *Hukou* System," *China Quarterly*, no. 139, September 1994, pp. 644-668.

function. It simply continued to be used, when it was found to work well under a greatly changed system.

This system serves an economic function in this transitional period from socialism to capitalism. The passes act like sluice gates controlling the influx of labour. The hukou system helps to regulate the flow, letting in more labourers when needed, and driving them out when their number is excessive, or when their numbers stretch local facilities to the limit. When workers lose their ability to work through industrial accidents, or when they have become too 'old' by the age of about 30 to keep up with the break-neck work intensity, the pass system enables cities to ship them back to the countryside to get rid of them, because without a job a migrant has no right to stay in an urban area. This kind of labour flexibility cannot be as easily imposed on the local urban population.

For local governments, allowing the migrants to come can be lucrative. Migrant workers generate tax revenues for the local government by attracting companies that want cheap labour but, because of the hukou system, the local government has no responsibility to pay anything for the welfare of these temporary sojourners, who are not eligible for any of the medical or housing or unemployment benefits available to the local urban populace. Nor are the workers from the countryside allowed by China's pass system to bring their families with them, and thus the urban government has no additional educational expenses to meet.

Despite this pass system, the enormous bureaucratic edifice that was erected to control the influx of migrants has not been able to stem the flow, just as in South Africa. It is impossible to estimate the exact number of Chinese peasants surging out of poor regions in search of jobs, but a range between 60 to 80 million is often cited. In the week immediately after the Chinese New Year, when migrant workers who have gone home for the festival return to the cities, bringing with them relatives and friends, the effect on transport is dramatic. For instance, in a matter of days Guangzhou, the largest city in South China, suddenly has to handle several millions of migrant workers simultaneously descending upon it by trains and buses. Earlier this year, the Guangdong provincial government, in the hope of dampening this vast simultaneous inflow, announced that factories should not recruit new migrants at that

time of year, but still 5.2 million migrants poured in after the New Year, a quarter of a million more than the year before.¹²

This large volume of people looking for low-end jobs drives down wages and work conditions and allows them to be exploited by employers, who can pay them at the lowest possible wages. New arrivals, in particular, desperate to recoup the amount they have invested in transport expenses and in applying for the array of necessary documents and certificates before leaving home, will take any job available.

Here is the case of one migrant reported in a Chinese newspaper. The young migrant was informed by a friend that if he went to Shenzhen he would find a job. But he was advised that before he left he had to apply for a number of documents. These included a 'border region pass' (at 120 yuan, taking six months), a personal identity card (another 80 yuan, taking a month), an unmarried status certificate (60 yuan, valid for a one-year certificate), a certificate to prove that he was not born out of quota (45 yuan, valid for a year), all of these totalling 305 yuan.¹³ To put this into perspective, the minimum wage in Shenzhen in 2000 was 547 yuan for a full month's work, and this young man would be lucky if he could enter a factory that would pay him as much as that minimum wage.

On arrival in Shenzhen, armed with these documents, he thought he could become a 'legal' migrant worker and could begin working without a problem. But the factory demanded 300 yuan as a deposit before it would give him the job. He then had to spend 40 yuan for a work permit, and another 300 yuan for a temporary residence permit. In short, on arrival at his destination he had to spend another 640 yuan. In all, without including transport costs, he had to spend almost twice as much as the monthly wage. Most new migrants therefore are usually in debt after they first arrive in a city.

According to official statistics, each of the 3 or 4 million migrants in the Shenzhen Economic Zone on average spends 600 yuan a year on certificates, amounting to almost 10% of their total annual income.¹⁴ The migrants have to carry these documents with them at all times or else, if caught without them, they may be thrown

¹² Clara Li, "Migrant Workers out in Cold," *South China Morning Post*, 26 February 2002.

¹³ *Yangcheng Wanbao* (Guangzhou Evening News), 30 March 2001.

¹⁴ *Ibid.*

into detention. To possess all of the certificates, one needs to hold a job, and so there is a nervous race to secure one. The deposit that this migrant needed to pay to the employer is symptomatic of the desperate situation of most migrant workers. Paying a substantial deposit has become a common practice at the foreign-funded factories. At first sight, the practice seems paradoxical. Instead of the employer paying workers for the work performed, the workers first have to provide a payment to the employers as surety for the job. The deposit obliges the workers to remain at the factory, or they forfeit it. To all intents and purposes the worker is a bonded labourer.¹⁵

Another practice used by many unscrupulous employers is not to pay a portion of the wages every month, promising to pay the rest at the end of the year. In this situation, the longer a worker has worked, the more money he or she is owed by the employer, and the more difficult it is for the worker to leave. This leaves the worker vulnerable, scared to forfeit all of these unpaid wages when facing poor treatment at the hands of managers.

Finally, and perhaps most effective of all, a widespread practice is for employers to take away the migrant workers' documents. Without these the workers could not look for another job under China's 'pass book' system even when the work conditions are intolerable and they desperately want to quit.

Workers' dormitories, usually located within the factory compounds, extend management control over workers' lives beyond the work hours. Movement into and out of the factory compound can be monitored and controlled. Disciplining workers is easier because there is near-total control over them. Especially in the factories in China managed by Taiwanese and Koreans, the discipline is so strict that the management style can be described as militaristic. In some of the bigger factories that I have visited, workers are even marched to and from meals and to and from dormitories in tight military-style squads.¹⁶

A pass system needs an enforcement agent—in this case the police—and their behaviour toward migrant workers has become associated with corruption and abuses of power. Under the hukou system, much as in apartheid-era South Africa, detention

¹⁵ Chan, 2000.

¹⁶ Anita Chan, "Regimented Workers in China's Free Labour Market," *China Perspectives*, no. 9 (January-February 1997), pp. 12-16.

by the police if caught without the necessary papers is an inherent part of the system. Detentions are associated not only with fines but also with mistreatment, physical violence, forced bribery and deportation out of the city. With so many migrants pouring in, the arrests are essentially random. People who seem to be of rural origin are simply pulled off the streets and roughed up, sometimes for no particular reason. Based on a pilot study I conducted very recently with ten young migrants to test out a questionnaire, within the several months they had been in Shenzhen five said they had been picked up by the police, a few of them more than once; and nine out of the ten knew of a friend or relative who had been detained.

Many migrants do not have all the right papers because they are not aware of what they need. Others are too poor to buy them all. But often, through no fault of their own, their documents are kept locked up by the employer they are working for, or they have left a factory without being able to get their documents back because the employer did not want them to leave. As a result, the borrowing of documents from friends and the purchase of forged ones off the street has become very common,¹⁷ as it was in South Africa. According to one survey conducted by a government labour bureau in Guangdong, 80 per cent of the foreign employers openly admitted that they did not care whether the documents were fake or not, as this did not affect production. When the infringement of regulations is so widespread, this implies that tacit approval has been granted by the local authorities and police.

Yet this does not stop the police from detaining migrants arbitrarily. Police stations consider this a lucrative business, because bail and fines and forced bribes, also imposed arbitrarily, can cost up to a few hundred yuan. The practice has got out of hand in the past couple of years, to the extent that the Guangdong provincial government felt it had to pass a regulation in March this year emphasizing that the regulation for detaining ‘vagabonds’ should be restricted to beggars and not applied to migrant workers who do not have the right papers on them.¹⁸ Rather than obediently comply with the regulation, the provincial police responded by declaring they have not been misusing the regulation, that they have done a good job in sheltering beggars and vagabonds, and they reaffirmed the necessity of rigorously implementing the pass

¹⁷ Anita Chan, “The Culture of Survival: Lives of Migrant Workers Through the Prism of Private Letters,” in Perry Link, Richard Madsen and Paul Pickowicz, eds., *Popular China: Unofficial Culture in a globalizing Society*, Boulder: Rowman & Littlefield, 2002, pp. 163–188.

system, without mentioning that they had been detaining and abusing large numbers of migrant workers.¹⁹ Those who gain from the system are not going to desist so easily.

As can be seen, the Chinese hukou system and the pass system under apartheid in South Africa generated quite similar outcomes. They produced a large underclass living in constant insecurity and vulnerability, accompanied by daily discrimination, suppression, hardship and denial of their human dignity.

Now let us go back to comparing how the Chinese hukou system can keep wages down more easily than can be done in Mexico. In Mexico, as noted, the workers who produce for export similarly are largely migrants from the countryside and similarly the majority are female, but there is a difference. Almost all of the Chinese migrant female workers are single women in their late teens or early twenties who, because of the household registration system, cannot bring their families with them.²⁰ Practically all of the factories make sure that they only recruit single women by asking to see their officially issued identity certificates which, in keeping with the Chinese state's strict family-planning policy, require all women to have their marital and family planning status listed. Since the workers are all poor single women living in dormitories, management only needs to pay them enough for their individual survival.²¹

In Mexico the context is different. Most of the women workers in the maquiladoras are migrants from poorer regions, but since there is no pass system many of them have come with their families, and quite a number are single mothers. Very often these women workers are the sole breadwinners. Since they live with their families, part of their waking hours have to be spent on 'unproductive' chores (from management's vantage point): commuting, household tasks such as cooking, taking care of the old and the young. No matter how ruthless, there is a limit to the amount of overtime work that management can squeeze out of these Mexican workers—less than they can with the young single women in dormitories in China.

¹⁸ *Nanfang Ribao* (Southern Daily, Guangzhou), 29 March 2002.

¹⁹ *Yangcheng Wanbao*, 22 April 2002.

²⁰ Chan, *op. cit.*, 2002.

²¹ Chan, *op. cit.*, 2002.

There are legal pressures in Mexico to pay workers a bit more so that they can at least provide for part of their families' livelihood. The Mexican Labour Law states: 'The minimum wage must be sufficient to satisfy the normal necessities of the head of the family in the material, social and cultural order, and to provide for the obligatory education of his children.' This article echoes Article 25 in the Universal Declaration of Human Rights of the United Nations. It is similar to the concept of a living wage. Although in reality the minimum wage levels set in Mexico are far below the standard stipulated in the law, the notion of a wage that can provide for a family exists.

No such concept of a 'living wage' exists in the Chinese discourse on wages, nor is it stipulated in the Chinese Labour Law. Instead, even the migrant workers' protests do not centre on how low the wages are, but rather revolve mainly around unpaid wages. Only when workers have not been paid for several months, when the situation becomes desperate, do the workers begin to protest. Local governments in Guangdong province occasionally launch campaigns, especially just before Chinese New Year, to collect unpaid wages or unpaid payments for overtime work.²² But this campaign style of collecting unpaid wages only touches the tip of the iceberg.²³ The expectation of adequate labour standards is much lower in China than in Mexico.

In China, the official trade union is an arm of the party-state. It has little autonomous space to protect labour rights. In fact, because of the massive influx of foreign capital and the rapid rate of industrialization, the trade union's efforts, even when undertaken with good will, face a near-impossible task. A parallel situation existed in Mexico, where the trade union was affiliated with the government, but since the defeat of the former ruling party, the Institutional Revolutionary Party, in the last election there is now a fledgling independent trade union movement. This is challenging the old unions' authoritarian and pro-management practices with the help of North American trade unions and the anti-sweatshop movement. This anti-sweatshop movement is composed of trade unions, NGOs, labour advocates, university students, human rights groups and church groups. It grew rapidly in the nineties, and has become a force that can no longer be ignored by both multinational corporations and governments. The sensational stories of poor working conditions in Mexico that the anti-sweatshop

²² *Nanfang Ribao* (Southern Daily), 13 March 2000; *Zhonghua Gongshang Shibao* (Chinese Commercial News), 5 July 1994.

movement has publicized in America and the direct support they have been giving to Mexican workers have been invaluable to Mexican labour activists in the maquiladoras. Still, however, the impact of the movement to counteract the global competition and the race to the bottom is limited and sporadic.

Ripples of the anti-sweatshop movement have spread to Asia and China. The concept of corporate social responsibility is just beginning to circulate in China, because the factories there run by contactors from Taiwan, Hong Kong and South Korea now feel pressure from the Western multinationals which source from them. The multinationals have nervously begun to urge them to upgrade their labour conditions. However, the factories being monitored by the multinationals are just a small minority of the better and bigger factories, among the thousands and thousands of factories that subcontract production. The potential role of the state becomes important here. A willingness by the Chinese government to enforce its own laws would be much more effective than sporadic monitoring, but the Chinese government has not yet awakened to the growing pressures emanating in the West for improved labour standards in the export industries.

There are a few weak rays of hope emerging in the past two years elsewhere in Asia. Three countries, Cambodia, Vietnam and more recently Thailand, have expressed interest in improving labour standards to attract foreign capital. Cambodia has signed a bilateral US–Cambodia Agreement which accepts linking labour standards to trade and has agreed to let the ILO monitor progress. The Vietnamese government has publicly encouraged its factories to try to raise standards in order to acquire the certifications issued by an American-based organization that verifies labour standards for Western corporations. The Thai government is currently engaging in talks with this organization to operate training programs to upgrade labour standards in Thailand. That is to say, three Asian countries are now taking a new direction in their industrial development strategies. They are trying to attract foreign investment and trade by raising labour standards instead of depressing them.

I have no idea whether China is aware of this new strategy adopted by its Asian neighbours. So far, however, China has not shown any signs of changing its policy of

²³ Based on an interview in Guangzhou City in November 2001 with a reporter from a Guangdong provincial newspaper.

low labour standards. The government has not publicly addressed the issue of corporate social responsibility, unlike the Vietnamese government. The Guangdong provincial government has tried to alleviate some of the most blatant abuses, but no fundamental change in policy has been adopted. Let me quote here the director of the human rights program in Asia for Reebok,

Who enforces Chinese labour laws? Nobody. If it were enforced China would be a much better place for millions of people to work in. But it is ignored more than in any other country I work in.

There have been a few reforms of the Chinese hukou system, but only to allow successful people with considerable money or education to apply for an urban hukou. The controls over the unskilled migrant workers who work on the production lines or construction sites, imposed by the pass system, remain the same. And the police seem adamantly against any changes. The hukou pass system seems likely to remain in place for the foreseeable future, and China will continue to dominate the world's export market, to the point that the initiatives taken by Vietnam, Cambodia and Thailand may possibly collapse under the weight of Chinese competition.

I am sorry that my talk has to end on this pessimistic note.