



**A submission to the Australia-China
Free Trade Agreement Feasibility
Study**

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China is not a market economy

Any future free trade agreement with China will require Australia granting China recognition as a market economy.

For various reasons, mainly revolving the access other countries then have to anti-dumping measures against the Chinese, the Chinese are keen to pursue this market economy status.

To be assumed to be a market economy it is fair and reasonable that Australia analyses China's legal system, its human rights record, its adherence to established international conventions and the structure of its economy. To do otherwise is to pursue a free trade agreement just for its own sake.

The impact of a free trade agreement with China will be greater than the impact of other recent free trade agreements, especially in the area of textile, clothing and footwear. The size and scale of the Chinese TCF industry is so great that differential tariff arrangements with China could see what has been a flood of imports turn into something that will completely obliterate the Australian TCF industry.

Australian TCF companies are already under intense import competition. Currently Chinese imports account for 25% of textile imports into Australia, 63% of footwear imports and a staggering 74% of clothing imports.¹ This growth has accelerated since tariff reductions in the mid-1990s and should they be granted preferential access it is likely to explode to levels that will see Australian jobs in the industry further decrease.

In a market economy it could be expected that competition would be fair and regulated by the rule of law. It could be expected that there were no hidden government subsidies, that human rights were respected, that international conventions adhered to. In China this is often not the case.

Suppression of workers' rights

The peak American union organisation, the AFL-CIO, has estimated that Chinese suppression of workers' rights has cut the price of Chinese labour by between 47% to 86%.² If China did not suppress these rights they estimate that Chinese manufactured goods would rise by between 12% to 77%.³

Any assessment of whether China fits the category of a market economy must look at whether a suppression of workers' rights leads to unfair economic advantage because China is not a market economy.

¹ ABS data as reprinted in the TFIA Business Services March Quarter 2004.

² www.aflcio.org

³ *ibid.*

The right to organise

There is only one trade union federation in China, the All China Federation of Trade Unions. It is the government sanctioned trade union and in no way can be seen to be independent and a true trade union. It is officially and legally subservient to the policies of the government and the Communist Party. It does not independently represent the interests of workers.

Workers who attempt to organise workers independently are subject to severe harassment and ultimately imprisonment.

The question of China's position in relation to trade unions is well summarised by a recent International Confederation of Free Trade Unions (ICFTU) press release from their European division which stated,

“China has made repression of workers’ rights a systematic part of state policy Independent trade unions are outlawed in China where only one state-controlled trade union centre is allowed to operate. Any strikes are rapidly repressed. Factory workers, who are mostly rural immigrants, which show any interest in trade unions face losing their permit to stay as well as the deposits they are (illegally, but very frequently) required to pay their employer. Workers’ protections exist on paper but are rarely enforced by local officials and judges.

As a result working conditions in Chinese special economic zones have already reached the bottom and millions of jobs are moving from other developing countries to China. Worse, this threatens to unleash a ‘race to the bottom’ in other countries.

The European Commission, while having trade and general discussions with a Chinese official delegation on 5 and 6 May, should insist that these practices are in major contradiction with internationally agreed core labour standards and cannot be tolerated. Technical discussions about market access cannot be allowed to push these fundamental issues to the background. A resolution of these concerns must be a precondition for progress in other areas.

Free trade can be a force for good but it must not become an excuse for worker’s repression.”⁴

On the question of the right to organise the Chinese government is in severe breach of ILO conventions, that is, those it is willing to ratify. China has never ratified ILO conventions 87 and 98, those being the right to organise and to bargain collectively.

Many trade unionists have been imprisoned for their activities. In 2002 four leaders of “illegal demonstrations” in Liaoyang were arrested after establishing an independent union to negotiate with the government. Workers organising in the north-eastern oil town of Daqing held massive demonstrations and strikes which were repressed by 800 paramilitary and the government sanctioned All-China Federation of Trade Unions

⁴ www.ICFTU.org

(ACFTU) were quoted as saying, “The ACFTU will not tolerate workers organising in this way.”⁵

Eight hundred workers at the Nanxuan Wool Textile Factory in Shuikou walked off the job in protest at being manhandled by security guards. After three days of violence riot police restored order and the leaders arrested. At the Guangyuan Textile Factory in Sichuan Province 1000 workers went on strike resulting in the arrest of more than a dozen leaders.⁶

Dozens of labour activist remain in jail, many without trial or if having been sentenced without having received proper representation or a fair process.

The hukou

China operates a South African apartheid type of pass laws known as the hukou. Rather than being based on race it is based on where you live. Rural workers are subject to the hukou, a form of household registration. These rural workers who form the basis of the cities burgeoning working class are forbidden to compete for the better paid jobs, they are unable to have access to housing that city workers have, and are unable to have access to the same health care and pensions. Typically young and female they often have to pay bonds to receive employment and then become indebted to factory owners and are powerless to control their life or working conditions. They live in dormitories at factories are often subject to underpayment of wages. If they leave they lose their deposits which can amount to many months of labour. With as many as 350 million peasants still living in dire poverty there is no shortage of workers to fill the jobs available, and the oversupply of labour leads to significant exploitation of the workers.⁷

China’s Prison Labour system – the Laogai

China operates a vast prison system which some people compare to the Nazi’s concentration camps and the Soviet’s gulags.⁸ The Laogai, which means reform through labour, has been in operation since the establishment of the communist state. Estimates range from 1000 to 6000 prison camps and 10-20 million inmates.⁹

The philosophy of these camps is that state criminals, in order to be stripped of their exploiter ideology, need to be taught to work like members of the proletariat. As a result the Laogai has always sought to have their inmates work during their incarceration, often up to 15 hours per day with food rationed according to the production of the worker.¹⁰

⁵ ICFTU Annual Survey of violations of trade union rights, 2003.

⁶ ibid

⁷ www.inthetimes.com

⁸ www.shanghia.expat.com

⁹ ibid and The New Internationalist 2001.

¹⁰ ibid

In the 1960s the prison labour was used to assist great infrastructure projects but in today's China they are used to make consumer goods, often for the export market. The camps are operated as businesses and need to make 70% of their annual costs in sales of goods. It is estimated that over 200 Laogai products are exported to international markets, that 25% of Chinese tea is made by Laogai labour as well as countless other products. In 1999 there was an international furore when it was discovered that Adidas were manufacturing soccer balls in a Laogai.¹¹

Because of the secretive nature of Chinese society it is impossible to accurately say how many people and how many goods are made in Laogai's. But the following can be said with certainty – China is a single party state with a strong security apparatus who do not allow political dissent. In a country of 1.2 billion it can be assumed that many people are incarcerated for a variety of reasons – the Falun Gung crackdown of recent years being a case in point. It is formal Chinese policy to make prisoners work, it is likely these prisoners make consumer goods, some of which find their way onto the international market.

What can be said absolutely is that this is not the behaviour of a country claiming to be a market economy.

Child labour

Like many third-world countries the use and exploitation of children is common in China. Because of the political system there are no available statistics on the problem but independent non-government organisations believe the problem is significant, especially in some special economic zones. The use of child labour is believed to be highest in fireworks, textiles and toy manufacturing.¹²

Other concerns

China has a poor environmental record and if such laws are not enforced, as appears to be the case, then those companies, especially in the TCF sector, who do not have meet the stringent standards enforced in Australia will be at a competitive advantage. Likewise, the health and safety record of Chinese countries is appalling. In areas like mining they lead the world in deaths of workers. Lack of enforcement of safety standards leads to a high human cost and means those companies who neglect safety are also at an economic advantage by ignoring the well-being of workers.

China will still purchase Australian goods like coal and gas without a free trade agreement. They are doing so now in record numbers. By giving China the advantage of tariff-free access and other benefits they will receive as part of any such free-trade agreement will only cost Australian jobs without any extra return.

¹¹ BBC, 14th January 1999.

¹² www.globalmarch.org

China is not a market economy. Workers do not have the same access to the rule of law as in Australia. The government keeps its currency artificially low, it subsidises and provides tax incentives for companies who export. To recognize it as a market economy is to ignore the obvious fact that it is not, and in the process do damage to existing Australian industries, especially the textile, clothing and footwear industry.

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