

Apple, Trade Unions and Power in China

by **Nunziante Mastrolia**

ECIA Senior Fellow

European Centre for International Affairs

Executive Summary

If the news, announcing the establishment of independent trade unions to the Foxconn, should follow the facts, we could face at the beginning of an important period of reform in China. Specifically, independent trade unions would be the perfect tool to improve the conditions of workers and produce an increase in wages. All steps useful for the new Chinese economic policy: disengaging from exports and connecting growth to domestic consumption. In this sense, Beijing identified the correct solution to the economic crisis: it is possible to come up from the crisis through more rights and a stronger Welfare State, rather than austerity and cuts.

Yet the operation, which on paper appears optimal, includes a political implication that is in antithesis with the Chinese Communist Party's role within the institutional structure of the country. An independent union is, indeed, a middle power that restricts the Party's freedom of action. In other words, in order to overcome the crisis and continue to grow the CCP is getting closer to its own dilemma: softening CCP's primacy in favor of a broader political pluralism governed by the rule of law.

Issues

Last February, the news that the Communist Party of China allowed Foxconn would to establish an independent trade unions represented a huge step forward, that was noticed all over the world. But since then all is silent.

The suspicion is that it could be an operation of public diplomacy, or even a publicity stunt. Foxconn, the Taiwanese company with plants around the world (thirteen just in China), is one of the main suppliers of the major high-tech global brands, including Apple, recently has been at the center of international news because of the high number of suicides among its employees. The top management have tried various ways to put an end to these deaths: gratings of the windows, safety nets, but without success. They even got commitment with their workers in order to do not take their own lives or to organize shows with clowns and dancers to "pull up" the morale of the workers. Even in this case with poor results.

Working conditions, low wages (although in recent years there has been a 30% increase) are the critical factors, but there is another important element to consider as well: young workers disappointment that growing up with the myth of China rebirth, entered labor market eager to enjoy the economic boom, and then finding their selves working harder and living even worse. They are the «front generation», in some ways similar to the Italian «one thousand euro generation». Young graduates, mostly from the inland areas, brought up with expectations of a «Chinese dream», which, on the contrary, are forced to live on the fringes of the coastal urban areas and to deal with the high cities costs with their low wages. They are the one-child policy children, which did not have access to the Chinese Ivy League or didn't benefit from a large network of contacts, and therefore cannot take part to the full economic boom of the country. Just in Beijing they are one hundred thousand and one million in China totally. But this category is growing more and more. According to stats released by the Ministry of Human Resources and Social

Keywords

Foxconn, Apple, trade unions, economic crisis, social status, social rights, ant generation, the Chinese Communist Party, modernization, civil society.

Quotables

- Young workers disappointment that growing up with the myth of China rebirth, entered labor market eager to enjoy the economic boom, and then finding their selves working harder and living even worse.

- The Cupertino giant concern is understandable: what would happen if fans of the apple in the developed countries should realize that their iPad and iPhone are full of blood?

- If the state provides these «public goods» savings will turn into consumption, which, in the end, will support the growth of the country.

- Can the Party work hard and alacrity to carry on its political death? Or rather, to fulfill its normalization within a broader political pluralism?

Abstract

The establishment of free and independent trade unions as well as the establishment of a powerful social status (education, health, pensions) are the best tools to overcome the crisis and to ensure sustainable economic and social growth in the country. But the Party work hard and alacrity to carry on its political death, ensuring at the same time inalienable social rights to nationals and intermediate institutions?

Security in February 2011, they are «more than 6.6 million college graduates among 24 million job seekers rush to job fairs in June and August to compete for 12 million jobs». Jobs that in most cases, however, does not guarantee the economic independence. The wave of suicides has caused concern and anxiety in major clients, for example Apple or HP (Jason Dean, «Apple, HP to Examine Asian Supplier After String of Deaths at Factory», Wall Street Journal, May 27, 2010). Apple, in particular, has commissioned to the Fair Labor Association (FLA) a report regarding working conditions in Foxconn's three factories located in China (Foxconn Verification Status Report, August 2012). The Cupertino giant concern is understandable: what would happen if fans of the apple in the developed countries should realize that their iPad and iPhone are full of blood? Fans that live as well, now that the crisis bites harder, the tragedy of unemployment and frustration of wages. The risk is that the global wave of resentment that could lead to a boycott of Apple products (the Economist article «Light and Death», 27th May 2010).

Implications

To be clear, isn't just a matter of showing more concerns and interest in Chinese workers. The improvement of working conditions and welfare of Chinese citizens is a priority for Beijing authorities. An economic priority: disengaging from exports and connecting growth to domestic consumption. Hence the necessity to increase wages and reduce the saving tendency of Chinese families.

How? The CCP has correctly identified the proper tool: ensuring rights, in particular for the purpose of this paper, social rights.

Independent unions are probably the most effective policy to guarantee wage increases and the improvement of working conditions. At the same time, the best way to reduce the saving propensity of Chinese families is to build a powerful Welfare State (pensions, health care, public education), as the main reason why Chinese save money is to have a safety net against the blows of fate (health), to ensure a respectable old age (pensions) and to ensure their children a sufficient level of education to reach a proper position in the future China (education). If the state provides these «public goods» savings will turn into consumption, which, in the end, will support the growth of the country.

The line of reasoning of Beijing policy maker is clear, the choice is correct (it is possible to come out the crisis with more rights and Welfare State, not with austerity and cuts) and it's impressive how quickly China is implementing this social agenda.

Recommendation

However, this choice puts the CCP at a crossroads. One of the factors that supported the Western miracle is the process of modernization. Modernization (which doesn't mean industrialization) could be intended as the progressive delimitation of power, namely the strengthening and expansion of freedom and autonomy of civil society. Ensuring rights (labor and social) means to restrict the free action of the absolute power of the Chinese Communist Party. In addition, the establishment of free and independent trade unions can represent the first step toward the creation of additional parties to the CCP.

It is then possible to conclude that, in order to continue growing, the CCP has to quickly limit its powers, almost a self amputation. At the current stage this means that social and economic reforms represent policy reform as well, as it led to the reduction of the CCP's sphere of action and the possible loss of political leadership.

Hence the doubts and a question: the trade union and social reform are linked to political reform in glove. Can the Party work hard and alacrity to carry on its political death? Or rather, to fulfill its normalization within a broader political pluralism? Anything can happen, therefore no one can affirm that such a process is highly unlikely.

Author

Nunziante Mastroli

Correspondence

ECIA
23, Rue de la Tourelle
1040 Brussels, Belgium
mastroli@european-centre.org

Biographical Note

Nunziante Mastroli, Senior Fellow at the ECIA, is a Senior Researcher at the Military Center for Strategic Studies (CeMiSS) in Rome and he has been adjunct professor of Political and Economic Geography at LUISS Free University of Rome. He is the author of «Chi comanda a Pechino? Il potere il consenso e la sfida all'Occidente» (Castelvecchi, 2008), of «La grande transizione: dalla crisi economica alla globalizzazione dello Stato sociale» (Rubbettino 2011) and of «Dalla società aperta alla società chiusa» (Rubbettino 2012).

ECIA

The European Centre for International Affairs (ECIA) is an independent, non-profit policy think tank. Its core mission is to provide innovative analyses of global issues from a European perspective. On key issues, ECIA supports policymakers in searching for, and evaluating viable policy alternatives, reconciling European values and interests.

The opinions expressed in this briefing are those of the author and are not necessarily shared by ECIA, its staff, associates or Council. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and European Centre for International Affairs should be credited, preferably with the date of the publication or details of the event.

For more information

comm@european-centre.org