

Investigation and Monitoring of the Post-MFA Impact in China

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Introduction

31 December 2004 marks the end of the Multi-Fibre Arrangement (MFA), a thirty-year old quota system for textile and garment exports from developing countries to developed countries. The common speculations prior to the MFA expiration have been that soaring Chinese and Indian exports, declining trade for smaller countries such as Bangladesh, Sri Lanka, cheaper prices for consumers in the developed countries, further job loss of textile and garment workers in the developed countries.

In 2003, fearing members in other countries would suffer from China's surge, the International Textile, Garment and Leather Workers' Federation (ITGLWF) started the lobbying to extend the quota system to avoid job losses in the other countries, yet unsuccessfully.

The Chinese government has been long anticipating the arrival of the Post-MFA era, the business leaders, as well as the Ministry of Commerce, made many predictions how the termination of MFA would benefit China. "It would be an opportunity for development (for China's textile and garment industry) once in a thousand year, but it would also stir jealousy and fear of the textile and garment industry in other countries and they would work together against their Chinese counterpart. Therefore, China's textile and garment industry must be well prepared, to encounter all the challenges while catching the opportunity in expanding exports", written in a briefing of the Ministry of Commerce in August 2004¹. The article also quoted that, the World Bank had predicted that by 2008, China's export on garments would reach 50% of the total world export; by 2010, 80% of the garments in the USA would be from China, when compared with 13% in 2004. All these news, indeed encouraged many producers in China, some seriously expanded their productivity in 2004 to get well-prepared, as well brought anxiety to other developing countries.

This research aims to analyse, shortly before the fifth anniversary of the Post-MFA era, what have been "accomplished" and how many of the speculations have become reality. It would look into the following aspects: 1) the reality of outputs, trade and productivity growth, as well as the number of enterprises of China's textile and garment industry; 2) the employment trend and the Post-MFA era's influence on the livelihood of the millions Chinese workers who are employed in the textile and garment industry, if any measures, have been taken by the government, factory owners, foreign buyers or workers themselves, to ensure them a decent work environment and living, or if the appalling labour conditions, which is commonly found in the textile and garment industry continue to prevail; 3) how the textile and garment industry in China weathers the stormy global financial crisis and its priorities.

Methodology

¹ Trade Development Bureau, Ministry of Commerce, <http://www.tdb.org.cn/statistics/7592.html>, released on 25 August 2004.

The research is conducted mainly through literature review, in Chinese and English language. The GM researcher went through news reports, research reports from non-government organizations (NGOs), trade unions, trade associations, research institutes, national customs and official statistics, issued between the period of 2003 and 2009. The trade statistics, due to calculated in different currencies and different time-frame between the exporting country (China) and the importing countries, would be quoted mostly from the Chinese sources, unless stated otherwise. Readers should also note that the Chinese official figures cover mainly companies with a designated size of 5 million Yuan revenue per year, so the footnotes serve an important role in clarifying if the figures cover the whole industry or the designated enterprises.

The immediate aftermath of the Post-MFA era

The Chinese government, as a friendly gesture to other exporting countries and workers in the developed countries, announced on 1 January 2005 to pose a 1.3% export tax on 148 types of textile and garment products. Soon afterwards, it again increased export tax on another 74 types of textile and garment products (except for those which were sent to Hong Kong for further processing, with a certificated called “OPA Textile certificate”), as a way to restrain the sudden jump of Chinese exports².

Yet the sudden increase of Chinese export to European Union and USA in early 2005 was too enormous for the receiving ends to accept. In June 2005, the EU imposed a quota on Chinese imports and 75 million items of Chinese textiles and garments were held at ports or warehouses, barred from entering the EU. The EU quoted WTO regulation, that it would take measures to reduce the sudden harm on the European producers. This specific safeguard clause appeared in the accession act of China to the WTO (2001), authorizing the Parties to take temporary measures to protect their national producers in the event of an abrupt rise in Chinese imports. This clause authorized cautionary short-term measures until the end of 2008³.

In early September 2005, a deal was finally reached that all held-products would be released but that half of them should count against the quota agreed for 2006. 10 items would be subjected to a new quota system till 2008, which are: pullovers, men's trousers, blouses, T-shirts, dresses, bras, flax yarn, cotton fabrics, bed linen, table and kitchen linen. Under the agreement, growth in these exports is limited to 8-12.5% per year in 2005, 2006 and 2007⁴. In other words, for these 10 items which are most likely to cause "market disruption" by undercutting European-made products, China cannot export them freely as it wished, not until 2008.

For the another major market, the USA, its customs data showed that in the first three months of 2005, imports of Chinese non-knit shirts increased 197% to US\$96.2 million. Chinese imports of knit shirts rose by 195% year-over-year to US\$142.1 million. Chinese imports of trousers increased 111% to US\$122.1 million. Chinese imports of yarn increased 62% to US\$1.6 million. Total Chinese textile imports have increased 54% year-to-date to US\$5.6 billion. Textile imports from all sources have increased 11.5% year-to-date to US\$22.6

2 <http://info.texnet.com.cn/content/2007-10-08/132208.html>, reported on 8 October 2007.

3 European Commission (2005), “Ending restrictions on trade in textiles and clothing” , http://trade.ec.europa.eu/doclib/docs/2005/june/tradoc_113529.pdf.

4 <http://news.bbc.co.uk/2/hi/business/4194474.stm>, reported on 5 September 2005.

billion⁵. The Bush Administration imposed a 7.5% quota on import growth on Chinese fabric made with synthetic filament threads as well as underwear, after failing to reach an agreement with the Chinese government⁶.

While the WTO measures were known to the Chinese side that they could be implemented, most Chinese enterprises were neither aware, nor informed about them. The Chinese media, on one hand, emphasized the rosy prospect for the Chinese exporters, while the Chinese Customs announced that no more quota restriction for exporting, without mentioning it would only be true for “no restriction from the Chinese side, but not the case for the destination countries”. Many Chinese enterprises reported that they suffered from this sudden imposition of quotas and felt unfair or even cheated over the behaviour of the EU and the USA, as since the second half of 2004, the Chinese producers have been producing and warehousing extra stocks, hoping to capture the European and American markets once the quotas was removed on 1 January 2005. For those stocks were kept at ports and warehouses, many of them were produced without referring to any concrete buying orders⁷. The re-imposition of quotas took many Chinese producers by “surprise”.

Therefore, it should be noted that it was not the case that from 1 January 2005, all quotas were automatically removed. The real impact of fully quota-free trading era is indeed delayed till 2008.

Textile and clothing industry in China: Output and economic significance

1) Production Output

According to the China Statistical Yearbook, the annual output of the textiles and garments has experienced rapid growth since 2000. The soaring output, as well as the growth in exports, is explained that in 2001, China has finally acquired the WTO member status, which entitled it for the Agreement on Textile and Clothing (ATC) integration benefit during its first two phases. When China was formally admitted into the WTO on 11 November 2001, the USA, for example, removed its imports quotas on Phase One and Two immediately⁸. Before then, even ATC started to relax the quota system phrase by phrase from 1995 onwards, China only got benefited since 2001.

The statistics of industrial outputs (see Figures 1 & 2⁹) also confirmed this observation. The growth has started since early 2000s. Since 2004, in the run-up to the Post-MFA era, the growth rate got more rapid but not as dramatically as many Prior-MFA predictions would have pictured it.

5 <http://www.marketwatch.com/story/us-imposes-quotas-on-more-chinese-textiles>, reported on 18 May 2005.

6 For the full table of “Chinese Quotas under US Safeguards between 2004-2008”, see pp. 29 of Brambilla, Khandelwal & Schlott (2007), “China's experience under the multi-fiber arrangement (MFA) and the agreement on textiles and clothing (ATC)”, http://www.nber.org/books_in_progress/china07/cwt07/khandelwal.pdf, National Bureau of Economic Research, USA.

7 <http://news.sina.com.cn/c/2005-08-17/15457523158.shtml>, reported on 17 August 2005.

8 Brambilla, Khandelwal & Schlott (2007), “China's experience under the multi-fiber arrangement (MFA) and the agreement on textiles and clothing (ATC)”, http://www.nber.org/books_in_progress/china07/cwt07/khandelwal.pdf, National Bureau of Economic Research, USA.

9 Both figures 1 and 2 are drawn based on industrial production outputs, China Statistical Yearbook 2001-2008 (section: Industry), National Statistics Bureau, Beijing.

Fig.1: Output of Chemical Fiber & Yarn 2000-2007 (100,000 tonnes)

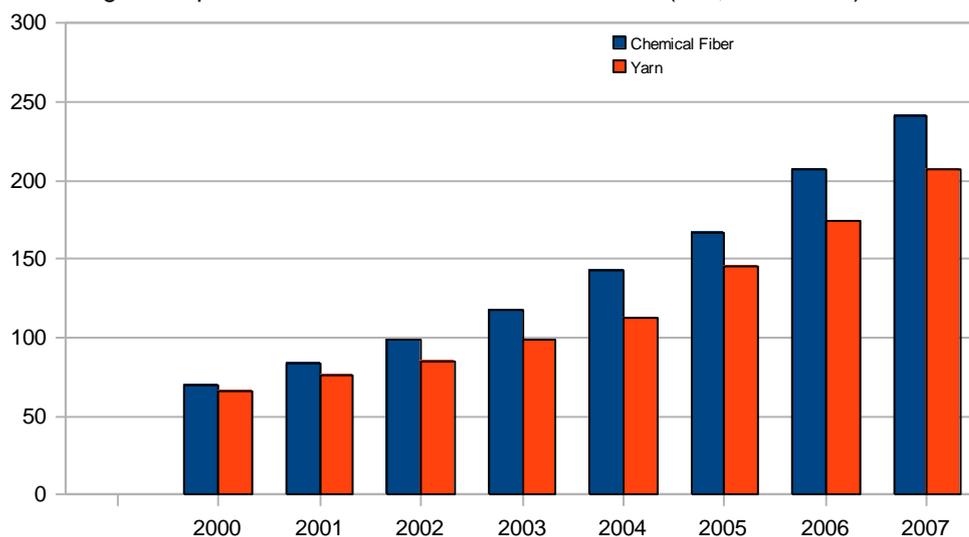
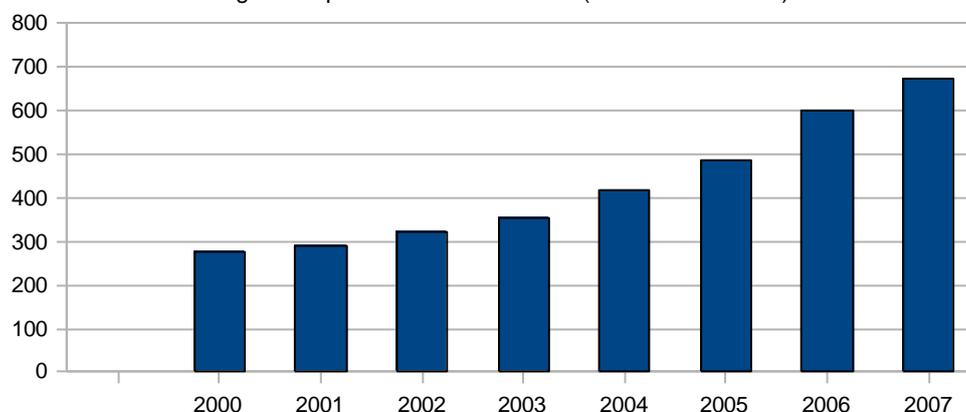


Fig. 2: Output of Cloth 2000-2007 (100 million meter)



It is noted that while the growth of absolute production volume did get stronger since 2004, as the three curves at Figures 1 and 2 became steeper when compared to prior 2004, the ratio of textile and garment's gross industrial output has been slowly declining against the national gross industrial output (see Table 1). One of the reasons, is that while the productivity and production volume of textile and garment increased, the industry, generally speaking is still at the low-end processing and their value-added is relatively low, when compared with other newly developed industries in China, such as electronics and automobiles.

Table 1: Textile and Garment's Gross Industrial to the National Gross Industrial Output (2003-2007)¹⁰

Year	Textile's Gross industrial output (billion Yuan)	Garment's Gross industrial output (billion Yuan)	National Gross industrial output (billion Yuan)	Ratio of Textile and Garment to National Gross Industrial
2003	110	100	1100	10%
2004	130	115	1300	10%
2005	150	145	1500	10%
2006	175	170	1750	10%
2007	210	205	2100	10%

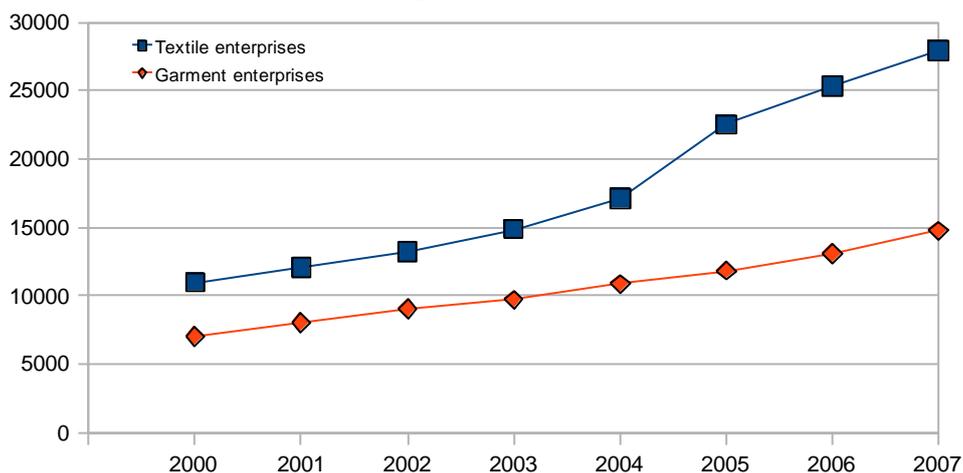
¹⁰ Statistics at table 1 are quoted from China Statistical Yearbook 2004-2008 (section: Industry), National Statistics Bureau, Beijing.

				Output (%)
2003	772.520	342.602	14227.122	7.838
2004	1165.512	466.852	22231.593	7.342
2005	1267.165	497.463	25161.950	7.013
2006	1531.550	615.940	31658.896	6.783
2007	1873.331	760.638	40517.713	6.501

2) Employment statistics

The numbers of textile & garment enterprises¹¹ and their employees show the same growth pattern as mentioned above. The numbers of textile and garment enterprises increased steadily between 2000 and 2004, from 10968 to 17144 textile enterprises and from 7064 to 10901 garment enterprises, 56.31% and 54.32% respectively. The growth trend continued when the Post-MFA era approached, at 62.82% and 35.49% for textile and garment enterprises respectively, between 2004 and 2007, as shown on figure 3¹². The official figures of 2008 and 2009 have not been made available at the National Statistical Yearbook, but according to the China National Textile and Apparel Council (CNTAC), the number of textile and garment enterprises above the designated size, has exceeded 50,000 in 2008. However, the number started to shrink seriously since the second part of 2008, given the declining exports as one of the outcomes of the global financial crisis, and it was at under 50,000 enterprises in the first quarter of 2009¹³.

Fig. 3: Number of textile & garment enterprises 2000-2007



As pointed out before, the official statistics only cover enterprises with an annual revenue at 5 million Yuan or above, which means the overall figure for textile and garment enterprises is far higher, as many small factories and family workshops would not be counted in the official figures. Zhao Linzhong, the director of Furun Group, one of the leading textile producers, and

11 The National Bureau of Statistics defines “industrial enterprises” as either “state-owned enterprises” or “non-state-owned industrial enterprises above designated size are those with annual revenue from principal business over 5 million yuan”.

12 Figure 3 is drawn, based on China Statistical Yearbook 2001-2008 (section: Industry), National Statistics Bureau, Beijing.

13 <http://www.ef1818.com/news/20098/cj9378908147.html>, reported on 22 August 2009.

National Peoples' Congress delegate reported in late 2008, there were some 400,000 textile and garment enterprises under the designated size, which means nearly 90% of the textile and garment enterprises in China, are indeed small enterprises with lower than 5 million Yuan revenue¹⁴.

In terms of employment, Figure 4 shows the number of employees at the textile and garment enterprises at designated size¹⁵. The growth rate between 2000 and 2002 was modest for the garment industry and a decline was found in the textile industry, as it was during the restructuring era of many Chinese state-owned textile enterprises, when many of them went bankruptcy and sacked millions of workers. Yet, the growth between 2004 and 2007 became more significant, at 20.63% and 29.37% for textile and garment enterprises. For the industry as a whole, which covers enterprises under the designed size, in 2004 some 18 million workers were employed¹⁶ and by 2008, more than 20 million workers were reportedly employed by the industry. Among them, 80%, or some 16 million are migrant workers. As latest statistics shown, in 2007, 206.29 million workers in China were employed in the secondary industry; it means that the some 20 million of textile and garment workers took up 10% of the secondary industry workforce.

On top of these some 20 million, 100 million Chinese farmers are involved in the raw materials production for textile and garment industry, such as cotton, silkworms and sheep farmers¹⁷. By the end of 2007, China has an economically active population at 786.45 million and an employed population at 769.9 million in all primary, secondary and tertiary industries¹⁸. In other words, 15.59% of the workforce in China, is directly or indirectly employed by the textile and garment industry. However this research paper would focus mostly on the textile and garment sector of the secondary industry.

14 Liaowang Weekly, http://big5.xinhuanet.com/gate/big5/chinaneast.xinhuanet.com/jszb/2009-03/11/content_15915769.htm, reported on 11 March 2009.

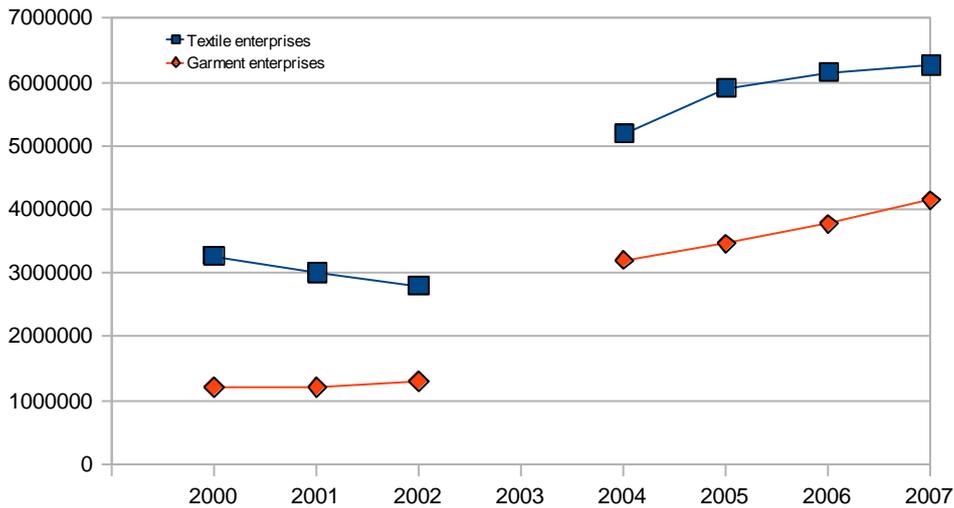
15 Figure 4 is drawn, based on China Statistical Yearbook 2001-2008 (section: Industry), National Statistics Bureau, Beijing. Unfortunately, the National Statistical Yearbook 2004 failed to provide the number of employees in 2003.

16 Trade Development Bureau, Ministry of Commerce, <http://www.tdb.org.cn/statistics/7592.html>, released on 25 August 2004.

17 Liaowang Weekly, http://big5.xinhuanet.com/gate/big5/chinaneast.xinhuanet.com/jszb/2009-03/11/content_15915769.htm, reported on 11 March 2009.

18 Economically Active Population refers to the population aged 16 and over who are capable of working, are participating in or willing to participate in economic activities, including employed persons and unemployed persons.

Fig. 4: Number of employees in the textile and garment industry 2000-2007



The figures of enterprises and workers shown on the two graphs could mainly represent enterprises with a better business standing, with a bigger size. However, a large number of smaller enterprises are not undocumented. The figure of some 20 million textile and garment workers suggests that nearly 50% of the workers in the industry are not being documented in the national statistical figures. What does it mean for workers who work at the poorly performing enterprises, with 0% or negative profit rate? If the better documented workers in bigger enterprises are earning only 55.5% and 63.54% of the national average income, how much are the workers in the worse-performing companies are receiving? (See Table 2, statistics from year 2008)

3) Gender composition

The China Labour Statistical Yearbook 2008 reflected that in 2007, as the latest figures available, female employees made up 65% and 70.2% of the workforce at “manufacture of textile” and “manufacture of textile wearing apparel, footwear and caps”, while the manufacturing, as a main category had an average 43.1% female employees. The trend for the previous years was similar. The proportion of female employment of the textile and garment industry stands out to be the highest among all other manufacturing sectors, such as food production (49.7%), paper (37.5%), furniture (36.4%) and electronics (56.8%). Catering and hotels, though as a main category had the highest ratio of female employees (54.2%) in 2007, it came behind the sub-categories of “manufacture of textile” and “manufacture of textile wearing apparel, footwear and caps”, in terms of the ratio of female employees. It is also noted that state-owned units and urban collective-owned units took in fewer female employees than the private sector.

4) Wages level

Compared with other manufacturing industries, textile and garment workers earn among the lowest, with only furniture and wood workers earning less than they do.

Table 2: Staff and workers' annual wages (Yuan) & annual growth rate by sector (2003-2007)¹⁹

	Textile	Garment	Manufacturing	National average of urban unit workers
2008	16222 (16.99%)	18572 (11.14%)	Not provided	29229 (17.23%)
2007	13866 (15.90%)	16711 (17.69%)	20884 (16.24%)	24932 (18.72%)
2006	11964 (12.90%)	14199 (14.17%)	17966 (14.02%)	21001 (14.10%)
2005	10597 (18.44%)	12437 (11.13%)	15757 (12.29%)	18405 (14.86%)
2004	8947 (10.74%)	11191 (10.91%)	14033 (10.75%)	16024 (14.13%)
2003	8079	10090	12671	14040

Table 2 shows that, in terms of growth rate of wages, only in 2005 and 2006 did the textile and garment workers respectively, caught up with the national wages growth. During the other years, they were behind the national wages growth rates. The same, or even worse pattern, applies to the manufacturing sector as a whole, in none of the years, it could catch up with the national growth rate.

In fact, it is justifiable to say that workers have not benefited since the Post-MFA era. In 2003, when the MFA was still intact, textile workers' income level was at 57.54% of the national income level, by 2008, it dropped to 55.5%. For garment workers, their income level dropped from 71.87% to 63.54% of the national income level during the same period. In April 2009, the textile workers made it to the headline, ranked as “one of the three poorest workers” in China²⁰. The highest income group is finance, which has an income 11 times higher than the lowest income group.

For manufacturing sector as a whole, the situation is also worsening. The sectoral income decreased from 90.25% to 83.76% between 2003 and 2007, which shows that the working class, the traditional so-called “leading class” of China, is losing out, instead of being benefited, from the soaring economic growth and China's entry to the WTO.

China's impact on other exporting countries

Many countries expressed grave concerns over losing to China. The International Labour Organization (ILO) also quoted a research from the Institut Français de la Mode (IFM), predicting that Turkey and North Africa would be most severely hit by the surge of China. Turkey's textile sector would lose about 12% and some 20% jobs at the textile and garment sector respectively, between the end of MFA and 2008; while for North Africa, some 8% and 15%²¹.

¹⁹ Data are collected from China Labour Statistical Yearbook 2004-2008, under the collection of wages in urban units (covering state-owned enterprises, collective enterprises and private enterprises). The 2009 version (which provides statistics for year 2008) has not yet been available at the time of writing, the statistics from 2008 is collected from various news releases of the National Bureau of Statistics and therefore is not yet completed.

²⁰ News release from National Bureau of Statistics, http://big5.gov.cn/gate/big5/www.gov.cn/gzdt/2009-04/09/content_1281099.htm, released on 9 April 2009. The other two poorest categories of workers are in “processing of timbers, manufacture of wood, bamboo, rattan, palm and straw products” and “processing of food from agricultural products”, 53.6% and 60.1% of the national average of urban unit workers respectively.

²¹ For details on other regions, please refer to: Nordås (2005), “Labour implications of the textiles and clothing quota phase-out”, <http://www.ilo.org/public/english/dialogue/sector/papers/textile/wp224.pdf>, pp.21, ILO, Geneva.

It also created a negative impact on other countries. For example, Bangladesh, a country relies seriously on textile exports and was named as a potential prey of China's surge, increased the legal maximum work hours to 72 hours per week. "The reality is even harsher. Even on Fridays, which is supposed to be their weekly day of rest, workers in hundreds of factories can be found working 18 hours a day. Sometimes workers are forced to work around the clock....It is regrettable that when so much effort has been made to try to stabilise and expand the industry in the Post-MFA climate, employers seem determined to shoot themselves in the foot", was written in a letter from International Textile, Garment and Leather Workers Federation (ITGLWF) to the Bangladeshi Prime Minister Khaleda Zia, urging the government to take immediate action to "clean up" the industry²².

Textile and clothing industry in China: Polarization of the industry

The polarization between large and smaller enterprises has grown bigger over the previous years. This was already predicted as one of the consequences of the termination of the MFA. The removal of export quotas makes prices, unit costs and volumes the crucial factors of global competitiveness for the textile and garment producers, in terms of competition among countries, as well as among individual producers. This inevitably causes a consolidation to larger, well established and low-cost producers, and leads smaller producers to lose in the competition²³.

It was reported by the Institute of Textile Economic Information that in 2007, one third of the textile and garment enterprises has taken up 80% of the total profit of the industry in China. For these well-performing companies, their profit rate was between 6% and 10%, while the profit rate of the whole industry was only at 3.9%²⁴.

As in 2009, the situation for the textile and garment industry continues to deteriorate. The global financial crisis hit China's export-oriented industry the most, given that orders from the developed world, where the crisis started, fall. The rise on production cost, falling of US dollars (for most orders are paid in US dollars) and national policies of reducing low-end production, are also the reasons for the textile and garment industry to relax its growth. The CNTAC, the national trade association conducted a survey in 17 provinces in late 2008 and 2009, showing that among the some 52,200 textile and garment enterprises it interviewed, 25% of them recorded loss, more than 30,000 of them had an average profit rate at 3.58% and only some 4,000 enterprises recorded profit rate at 10% or above²⁵. In the recent months, the CNTAC again conducted survey in six major provinces for textile and garment production (Jiangsu, Zhejiang, Shandong, Guangdong, Fujian and Hebei), and showed that two-third of them, survived on an average business profit rate at 0.62% and if they would close down, 15 million workers' livelihood would be in danger. The trade association said "nobody knows exactly how many small textile and garment factories (the official figure indicates that there are more than 40,000 enterprises with an annual sales volume at 5 million Yuan or above) are

22 <http://thedailystar.net/2006/05/28/d6052801106.htm>, reported on 28 May 2006.

23 Zhou (2006), "Seizing the big pictures in the Post-MFA era: managing competitiveness through strategizing in integration, coalition, and internationalization", http://www.unescap.org/tid/mtg/tradenv_s7.pdf, Peking University, Beijing.

24 http://www.cfd.com.cn/news/2008/0527/article_22.html, reported on 27 May 2008.

25 21st Century Business Herald, <http://www1.nanfangdaily.com.cn/b5/www.nanfangdaily.com.cn/21cn/200908110120.asp>, reported on 11 August 2009.

in China, we guess several hundred thousand of them. With the appreciation of Yuan, rising materials and labour costs, most of them are at '0% profit rate'."

As shown in the following two tables, the gross industrial output, value-added volume and the profit rate went up over the years, however, such a situation, according to the other sources, is only valid for the larger-scale companies.

Table 3: Gross industrial output, value added and profit rate of textile enterprises at designated size or above (2003-2007)²⁶

Year	Gross industrial output (billion Yuan)	Value-added of Industry (billion Yuan)	Profit to Industrial cost (%)
2003	772.520	190.670	3.42
2004	1165.512	Not given	3.09
2005	1267.165	324.019	3.68
2006	1531.550	396.299	3.95
2007	1873.331	491.392	4.46

Table 4: Gross industrial output, value added and profit rate of garment enterprises at designated size or above (2003-2007)²⁷

	Gross industrial output (billion Yuan)	Value-added of Industry (billion Yuan)	Profit to Industrial cost (%)
2003	342.602	91.654	4.28
2004	466.852	Not given	4.14
2005	497.463	141.986	4.54
2006	615.940	183.371	4.90
2007	760.638	226.511	5.20

Export Statistics and Trends

In order to provide consistent and comparable trade statistics over the previous years, and given that statistical differences between China's and USA's²⁸, China's and EU's²⁹ official trade data, and most likely between China and each other single country exist, the trade data used in the report, would be from the official Chinese sources, i.e. China Customs, unless stated otherwise.

²⁶ Statistics at table 3 are quoted from China Statistical Yearbook 2004-2008 (section: Industry), National Statistics Bureau, Beijing. Unfortunately the Yearbook failed to provide the "value-added of industry" for 2004.

²⁷ Statistics at table 4 are quoted from China Statistical Yearbook 2004-2008 (section: Industry), National Statistics Bureau, Beijing. Unfortunately the Yearbook failed to provide the "value-added of industry" for 2004.

²⁸ The constant and significant trade statistical differences between China and the USA have been examined and explained by the Congressional Research Service. What's the Difference? – Comparing U.S. and Chinese Trade Data., released on 10 April 2007. <http://www.fas.org/sgp/crs/row/RS22640.pdf>.

²⁹ The trade statistical differences between EU and China have been acknowledged by the Ministry of Commerce, as stated in its press release on 27 August 2005, <http://bg2.mofcom.gov.cn/aarticle/chinanews/200508/20050800332310.html>

The appendix one shows the growth on exports, as well as in imports, in terms of absolute values and growth rates, between 2005 and May 2009. The growth on each continent and the top five countries are listed, for comparison purpose. The growth rates on exports in the first three years after the removal of MFA were indeed significant, in 2005 at 20.9%, 25.2% in 2006 and 18.9% in 2007. However, with the downfall of the global economy from 2008 onwards, the export growth rate was only at 8.2% and even a loss of 11% was recorded for the first five months of 2009, when compared with the same period of the previous year.

1) Exports to all directions

It is also noteworthy that though there were a lot of positive, or even exaggerating trade estimations prior the end of the MFA, the growth for European Union and North America at the Post-MFA was impressive in the first two years (2005 and 2006) but became indeed slower from 2007 onwards, as shown by the appendix. It is also becoming a phenomenon that Africa, South-east Asia and Middle East have become the new destinations for China's textile and garment exports. Though in absolute values, they are still small potatoes compared with the EU, North America and even Japan markets, the growth rate suggests that they would make the future global trade network further complex.

According to Chinese customs, the exports to ASEAN countries in 2007 have reached US\$ 10.92 billion, a 53.2% jump when compared with 2006. Exports to ASEAN countries also constitute 13.3% of the total textiles and garments exports of China, while it was only 5% in 2006. The growth was induced by the rapid economic growth of the region. Yet, when the financial crisis comes, the decline was significant and rapid too. The first quarter of 2008 saw a high growth of textiles and garments exports at 48.1% (garments at 35.9%, compared with same period the previous year), but by the end of the second quarter, the growth rate has dropped to 16% (garments at a loss of 18.5%). The sudden drop was caused by the declining economic growth in ASEAN countries due to the financial crisis. Another factor is, in 2008, the high oil price led to a food crisis, in which the people in ASEAN countries spent then more on basic necessity consumption, instead of consumer products, or necessarily but not as urgently needed products, such as clothes³⁰.

The WTO's latest statistics show that China's share at the world's textile exports were at 6.9%, 10.3% and 23.5% in 1990, 2000 and 2007 respectively³¹. The annual growth rate of its world's textile exports of 2005, 2006 and 2007 are at 23%, 19% and 15%³². China's share at the world's clothing exports has also increased over the past years, the annual growth rates were at 20%, 29% and 21% between 2005, 2006 and 2007³³. It makes China's share at world's clothing climbing from 18.2% in 2000 to 33.4% in 2007³⁴, but still unlikely to be as high as the World Bank once predicted, to be at 50% by 2008.

30 "The slowing-down of textile and garment export to ASEAN", Taiwan Textile Federation, reported on 17 October 2008.

31 Unless stated otherwise, the WTO statistics of exports are valued at transaction value, including the cost of transportation and insurance to bring the merchandise to the frontier of the exporting country or territory ("free on board" valuation).

32 Statistics are quoted from International Trade Statistics 2008, World Trade Organization, <http://apps.ubmasia.com/files/MediaObjects/files/25/psf/08wtoint'ltradestatistics.pdf>, pp.108.

33 Statistics are quoted from International Trade Statistics 2008, World Trade Organization, <http://apps.ubmasia.com/files/MediaObjects/files/25/psf/08wtoint'ltradestatistics.pdf>, pp.116.

34 Statistics are quoted from International Trade Statistics 2008, World Trade Organization, <http://apps.ubmasia.com/files/MediaObjects/files/25/psf/08wtoint'ltradestatistics.pdf>, pp.116.

2) The rise of domestic market

Another visible trend is that over the past few years, facing fierce competition from other exporting countries, declining order prices, decreasing tax exemption for the textile and garment industry and growing national GDP, the Chinese producers have started taking the domestic market as its alternative for exports. The national policy calls this “walking with two legs”, meaning strengthening exports while promoting internal consumption.

It was reported that in 2006, more than a half of the textile and garment products was sold through exports³⁵. In 2007, the ratio between exports and domestic trade is at 1:1³⁶, and by the first five months of 2009, the domestic trade took up 78% of the total products sold by enterprises with a designated size³⁷, while the exports records a drop of 11%. Some analysis says that in fact, the domestic trade would have been bigger if those enterprises under the designated size were counted in, as most of them were not competitive enough for any export trade and their market was simply domestic³⁸.

3) Increase in export volume with a falling price

Both Chinese and western researches have pointed out that though the export volume had been increasing over the years since Prior- / Post-MFA era, the product price has decreased. “China's falling export prices are accompanied by rising U.S. market share”, wrote in a research report³⁹. According to the 2008 Annual Report of the CNTAC, the export price of textiles and garments in 2008, is in fact lower than the export price in 2005⁴⁰.

4) Other business “advantages”

The textile and garment sector in China is typically known for its low wages. However, many researches have shown that the wages in China are not the cheapest, when compared with some other Asian countries. A 2007 report covering the global comparison of primary textile industries' wages per hour stated that the average wages in South China's coastal cities has risen to about US\$1 per hour. But according to official statistics from Vietnam, Cambodia, Bengal and Indonesia, their average wages are respectively at US\$0.29, US\$0.36, US\$0.22 and US\$0.36 dollar per hour⁴¹. However, China is “strong” in other aspects as well, making its competitiveness beyond many other lower-wages countries.

The managers of many textile and garment companies in South China and north-east coast cities are with Taiwanese and Hong Kong, and Korean backgrounds, “who understand the global markets well and have a long history of doing business with the most demanding of

35 http://www.tpbjc.gov.cn/Article_Show.asp?ArticleID=22553, reported on 26 August 2006.

36 <http://realblog.zkiz.com/greatsoup38/5545>, reported on Hong Kong Economic Journal originally, 29 January 2008.

37 <http://info.textile.hc360.com/2009/07/30073178590.shtml>, reported on 30 July 2009.

38 <http://info.textile.hc360.com/2009/07/30073178590.shtml>, reported on 30 July 2009.

39 Brambilla, Khandelwal & Schlott (2007), “China's experience under the multi-fiber arrangement (MFA) and the agreement on textiles and clothing (ATC)”, pp.19,38,40, http://www.nber.org/books_in_progress/china07/cwt07/khandelwal.pdf, National Bureau of Economic Research, USA.

40 “The Annual Corporate Social Responsibility Report of China's Textile and Garment Industry”, <http://www.csc9000.org.cn/2009/090626report2.pdf>, p.3, reported on 26 June 2009.

41 <http://www.china.org.cn/english/business/229440.htm>, reported on 23 August 2007.

industrial markets, and who have mastered the capability to manage diversified production networks to deliver a wide quality products to its buyers in a timely way.⁴²”

Furthermore, the popular association between Chinese workers and endurance for hardship and disciplined labour, the lack of freedom of association and genuine workers’ representation, which means that though on papers, the Chinese workers’ wages are higher, the employers are not necessarily paying the legal minimum wages and workers have very limited channels to voice out. All these make Chinese workers still the “attractive workers” to work with in the investors’ eyes.

In other words, China is more capable to produce more different designs, satisfies more buying seasons, sends out shipments timely and makes itself overall cheaper for the global buyers.

Reflections on technological upgrade

1) For competitiveness reason

Foreseeing the complicity of the global market and the competitiveness of other exporting countries, trade associations, researchers, Ministry of Commerce have been calling for upgrading the technology of the sector before the MFA ended. “The appreciation of Yuan is only one of the problems. Most of the small and medium size enterprises in the sector produce for brands and earned a limited value-added price is the main problem.... China could produce the best products, but the most value-added procedures, such as technology, branding and international marketing are controlled in the hands of developed countries. China could only earn 10% to 20% of the total value chain. Without its own brand, only manufacturing for others, could never get a better price.⁴³”

Some researchers also argued from the ecological viewpoint, Lang Xianping, a well-known Chinese economist raised a concept of “6+1”, by breaking a supply chain into product design, material mechanising, production, warehousing and transporting, ordering, wholesaling and retailing, in total seven procedures. He argued that the western countries put the least value-adding and most polluting process in China, namely “production”, and hold the remaining six back for themselves. For producing a Barbie doll sold in Wal-mart, China gets US\$1 while Wal-mart sells it for US\$10. China also would suffer from the environment pollution and high energy consumption from the production process⁴⁴. Therefore, Lang suggested the Chinese enterprises should push for the other six aspects of the supply chain.

Voices for upgrading the industry has become more vocal, especially since the global economic crisis, when expanding the production volume is not longer the priority. Yet, upgrading the products, renewing the machineries are only possible for the winners in the market, while the losing companies are more concerned how to survive and do not have the capacity for upgrading. The 2009 Shanghaitex, an important trade fair for the industry, has been held with the upgrading theme⁴⁵. In April 2009, the Communist Party and the State

42 Tewari (2005), “The role of price and cost competitiveness in apparel exports, Post-MFA: a review”, Indian Council for Research on International Economic Relations, New Delhi.

43 <http://info.china.alibaba.com/news/detail/v5003008-d1002397477.html>, analysed and reported on 12 July 2008.

44 <http://www.ctei.gov.cn/zxzx/196762.htm>, reported on 11 September 2009.

45 “Shanghaitex sees signs of life in textile industry”, Journal of China Textile and Apparel, <http://www.adsaleata.com/Publicity/Focus/lang-eng/article-3328/Article.aspx>, Issue September 2009, pp.20-21.

Council jointly released a “Plan for Adjustment and Revitalization of Textile Industry, 2009-2011”, commented that there had been over-expansion in the industry. It planned to restructure the industry, and achieve a value-added of gross industrial output at 1,200 billion Yuan for enterprises at designated size and an annual growth at 10%, a total export at US\$240 billion and an annual growth rate at 8%, by 2011⁴⁶. The Plan includes encouraging industry moving to the western region, reducing pollution, expanding the usage of domestically produced machineries, etc., yet, the impact has to be observed in the future.

2) For the ecosystem

For the Chinese government, its attention, in terms of technological upgrading in the previous years, has been on energy conservation and pollution reduction. Within the industry, the processes of fabric bleaching, dyeing and garment blending (BDB) consume the largest amount of water, i.e. 80% of the dirty water from the industry comes from the BDB processes. From the National Statistics Bureau’s 2003 statistics, each day in China, the BDB processing produces 3 to 4 million cubic meter of wastewater and the discharge of the wastewater means to pollute water 20 times of its size, which means another 60 to 80 million cubic meter of water is polluted each day, only for this process, let alone other processes involved in garment making and other industries. The recent statistics show that the energy consumption, water consumption and wastewater discharge are at 4.3%, 8.5% and 10% of the national industrial use, respectively⁴⁷. All the top five producing locations of the textile and garment production, Guangdong, Zhejiang, Jiangsu, Shandong provinces and Shanghai municipality, amounting 80% of the national textile output are highly populated and located by the sea, which means the wastewater would, through the sewage systems or rivers, eventually reach the sea and become an enormous pressure for the ecosystem of the sea.

China has adopted ISO 14000, a set of environment standards and labels. In theory, the ISO 14000 environmental management standards exist to help organizations to minimize their negatively impact to the environment during their operations (cause adverse changes to air, water, or land), comply with applicable laws, regulations, and other environmentally oriented requirements, and continually improve on the above. However, like many other labelling systems in China, factory owners see the labels as a way to attract buyers and given the law enforcement bodies, especially the environmental bureau, are usually not strictly implementing the laws, they tend to do intensive preparatory work to get the ISO 14000 label and once receiving that, fail keeping up the standard.

Another obvious trend is, BDB factories are being pushed away from the prosperous Pearl River Delta to the inland cities, such as Heyuan city, Huizhou City of Guangdong, or even further north to Hunan Province. Officials in Pearl River Delta imposed more taxes, become stricter with these low-end processing industries and hope to replace them with the high-technology investment. The Guangdong provincial government calls this practice as “emptying the cage for new birds”. At the same time, the low-end processing industries realize that legal minimum wages and other costs are much lower in the inland areas.

46 “A Plan for Adjustment and Revitalization of Textile Industry, 2009-2011”, http://www.gov.cn/zwgk/2009-04/24/content_1294877.htm, State Council, released on 24 April 2009.

47 “A Plan for Adjustment and Revitalization of Textile Industry, 2009-2011”, http://www.gov.cn/zwgk/2009-04/24/content_1294877.htm, State Council, released on 24 April 2009.

Yet, moving away does not eliminate the problems; quite often it would get the opposite effect. Inland cities tend to be poorer and often more favourable terms to attract investment, including a lower environmental standard. That means pollution would continue and get worse in another place. Moving the BDB factories to the east or north Guangdong, for example, would pose a serious threat to the Pearl River, as its big branches are Dong Jiang (east river, along Heyuan and Huzhou cities) and Bei Jiang (north river) are very close to these newly-developed industrial cities.

Other business trends

1) Going west campaign

The strategy of developing West China was introduced in 2000 by the Communist Party's Central Committee and State Council of China, which stressed the importance of relocating economic activities from East China to the inland West. The “Going west campaign” was advocated by the government, in order to reduce the income gap between east coast and west region, to make use of the vast remote land and resources in the west. The government takes the lead in infrastructure building and providing many initiatives to attract investments. The campaign is attractive to the textile and garment industry for the following reasons, i) the solar energy, natural gas and petroleum-rich western region ensure energy supply for the industry, which is heavily needed by the industry but often lacked in the eastern coast; ii) while the eastern coast starts to take stricter measures against low-end processing, the western region welcomes them with favourable incentives for investment; iii) the legal minimum wages in the newly developed western regions are significantly lower than in the eastern coast; iv) closer to the raw materials supply, e.g. cotton, wool, cashmere, cocoon and camel hair; v) some old industrial cities in the west, such as Lanzhou, Chongqing were once strong producers (as state-owned enterprises) of textiles, as well as machineries for the textile and garment industry. The old SOEs would have the adequate technology and human resources, only at the fraction of the cost in the eastern coast.

Table 5: Examples of the industry's “Going west campaign”⁴⁸:

Province	Selling Points	Achievements	Plans / Remarks
Xinjiang	1) energy rich 2) close to natural fibres supply 3) cheap labour	Improved infrastructure: 10 hours' drive to reach a seaport in Guangxi province and 24 hours' drive to the seashore of Guangdong	1) Textile enterprises in Zhejiang and other coastal textile regions are encouraged to source and process there. 2) 12 key textile projects in Xinjiang province have been planned, including the textile reform project of Taichang Group; Youngor (Kuerle) Company's project to invest in compact spinning systems with 55,000 spindles; a renovation project of Akesu Giant Eagle Cotton Co Ltd involving

48 Some excerpts from “Pre-ShanghaiTex 2009 Report (3):

How do Chinese major textile provinces deal with global economic downturn? (West China)”, Journal for Asia of Textile and Apparel, Issue 5 May 2009, <http://www.adsaleata.com/Publicity/Focus/lang-eng/article-3152/Article.aspx>.

			carding production lines; and a project of 50,000-spingle combing production line by Bole Huyi Textile Co Ltd.
Sichuan	1) Abundant and cheap and skilled labour, many used to worked in Guangdong and returned 2) ex-textile state owned enterprises	In 2008, the Sichuan textile industry achieved a total industrial output value of 50 billion Yuan, up 23.6% from the previous year, and an industrial added value of 16 billion Yuan in 2008(+26.8%).	Fast-growing textile products manufactured in the province include chemical fibres, raw silk and garment. Major sectors include cotton spinning, and the manufacturing of silk products, chemical fibre textiles and garment.

2) The “Going out” strategy

While China has been at the receiving side of foreign investment in the past three decades, the “Going out” strategy intends for the opposite. It became a national policy to encourage strong Chinese enterprises to do foreign direct investment (FDI) in 2003. “The main motives of China to 'go out' and reform its relevant agencies are of pragmatic nature. Internally it has liberalised outward investment procedures and reorganised the system of checks and balances. One of the main reasons is the necessity to make the use of assets more profitable. Internationally, Beijing’s decision-makers seek to position promising Chinese enterprises globally and prepare them for competition in an increasingly liberalised domestic market. So far investment was primarily targeted at the resource sector. Regional and sectoral diversification of investment capital shall help to upgrade Chinese industries through cooperation in R&D and technology exchange....The amount of Chinese foreign investment has been rising slowly. According to official statistical data FDI rose from US\$16.1 billion in 2006 to US\$26.5 billion in 2007, as compared to less than US\$3 billion in 2003.⁴⁹”

While the FDI outflows focus mostly on finance and raw material sectors, textile, garment and footwear, production of chemical fibres and polyester are among the items being promoted by the National Development and Reform Commission, the central policy making body of China's FDI outflows. In 2005, the Ministry of Commerce formally encouraged the better performing textile and garment enterprises. It is especially announced after it was clear that Post-MFA era did not ensure quota free for Chinese enterprises' exports. By encouraging FDI outflows, Chinese-owned enterprises in foreign countries could export less restrictedly, and also release the pressure of employment⁵⁰.

There have been not many official figures on the volume of textile and garment FDI outflows and employees. The latest number from the Ministry of Commerce is that in 2005, some 40,000 Chinese workers, were dispatched to work in Chinese-owned textile and garment enterprises overseas. They were working mostly on Saipan Island, in Mauritius, Namibia, Jordan and Macau. However, their income level was not improving. Taking Mauritius as an

49 Berger & Berkofsky (2008), “Chinese outward investments agencies, motives and decision-making”, Centro Di Alti Studi Sulla Cina Contemporanea, http://www.ifsh.de/dokumente/artikel/172_cascc_briefing_paper.pdf.

50 <http://www.zftc.gov.cn/wjhz/tzdt/zjgd/T97930.shtml>, reported on 29 December 2005.

example, Chinese workers who went there in the 1990s used to earn US\$400 per month, but as the competitiveness of Mauritius dropped, their income in 2005 was at USD200 to USD250 per month⁵¹.

Combating the financial crisis

On top of the “Plan for Adjustment and Revitalization of Textile Industry, 2009-2011” and other policies mentioned above, from 1 April 2009 onwards, the tax rebate for textile and garment exports would be increased to 16%. Since the outbreak of the financial crisis, it has been four jumps of the tax rebate for exports, first in end of July 2008, from 11% to 13% and again on 21 October, from 13% to 14%, on 1 February 2009 to 15%. Such progressive and proactive jumps suggest that many textile and garment enterprises are in danger of shutting down and the government has been very concerned about their survival.

Labour standards of the textile and garment industry

1) The implementation of core labour convention

China is a member of the ILO and has ratified four of the eight ILO core conventions, namely Conventions No. 100 and No. 111 related to non-discrimination in employment and occupation and No. 138 and No. 182 relating to child labour. The Chinese government has not ratified core ILO conventions No.87 on Freedom of Association and Protection of the Right to Organize, nor No. 98 on the Right to Organize and Collective Bargaining. The Chinese government also has not ratified core ILO conventions No. 29 and No. 105 regarding forced labour. Until today, China’s *Trade Union Law* forbids any union activity outside the state-affiliated All-China Federation of Trade Unions (ACFTU).

Child labour, though strictly forbidden by law, is not uncommon in the labour-intensive industry. The cotton harvesting area takes children as seasonal workers on regular basis. Xinjiang and bordering Gansu province, tens of thousands of school children and students have been sent to the cotton fields during the annual harvest, under the auspices of “work-study” programmes. Though initially designed to offer students a degree of vocational training, these schemes are now reportedly extensively abused as using child labour and forced labour⁵².

As the world’s largest textile exporter and biggest cotton producer, but farmers in China’s largest cotton-producing region, Xinjiang, have no choice regarding what they can grow and are forced to sell their harvest at prices set by the government. In September 2007, a clash between cotton farmers and the police broke out, after farmers in Xinjiang were protesting against the government forcing them to sell their cotton at lower than market price and resold their cotton to the market at higher prices, which led to 40 injuries and some 20 arrested⁵³.

2) Other relevant labour conventions

One of the recent labour conventions China has recently ratified (in 2007) and being very relevant to textile and garment workers is No. 155, on occupational safety and health, as the production of textile involving many chemicals. Those include chlorine bleach, inks, chrome

51 <http://www.zftc.gov.cn/wjhz/tzdt/zjgd/T97930.shtml>, reported on 29 December 2005.

52 “The children behind our cotton”,

<http://www.ejfoundation.org/pdf/The%20Children%20behind%20Our%20Cotton%20FINAL.pdf>, Environmental Justice Foundation, 2007, London.

53 http://www.foxnews.com/printer_friendly_wires/2007Oct05/0,4675,ChinaCottonClash,00.html, reported on 5 October 2007.

salt, caustic soda, nickel chloride, nickel sulfate, copper sulfate, boric acid and electrophoretic lacquer, textile softeners, etc. Another dangerous division is the footwear and leather garment processing, while benzene, toluene, xylene, methyl-ethyl-ketone, acetone, n-hexane, and methylen-chloride, which are often widely and unsafely used⁵⁴. The problem with many textile and garment factories in China is that the workers are generally not informed about the characteristics and toxicity of the chemicals they work with, as pre-work training is seldom. Together with the classical model of long working hours, poor workflow designs, high stress level at workplace and inadequate facilities in the factories, making workers very vulnerable to benzene poisoning, chronic n-hexane poisoning.

Another problem is that migrant workers, who do not own any property in the cities they work and live in dormitories which are rented to them by the employers, often find themselves in a hazardous environment after work. Cases about workers being killed in unsafe workplaces or dormitories are often found in the media, such as a blaze in an underwear factory killed 7 female workers and injured some more as factory owner regularly locked them in the dormitory to prevent them from going out at night in early 2007⁵⁵.

3) Common labour rights violations

Apart from the concern of occupational safety and health, long working hours and low wages are the common problems workers in the industry face, and an issue even acknowledged by the Chinese official media. A 2004 survey by the National Statistics Bureau showed that migrant workers normally worked 11 hours a day and over 26 days a month, while China's *Labour Law* states that not more than eight hours a day, 5 days a week and no more than 36 hours of overtimes a month. Working overtimes should be compensated at a legal rate clearly spelled out in the *Labour Law*, but most workers receive no payment for them, some employers even hold out their pay to force them work overtime⁵⁶. The situation has not improved after the end of MFA or China's entry to the WTO. Quite the opposite, more business opportunities, stronger exports cause workers to face intense pressure and the long overtime hours.

In the recent years, under the codes of conduct, which most multinational companies have required their suppliers in China to comply, overtimes have been reportedly “cut”, mainly to entertain the codes and multinational buyers. However the production target remains the same. It forces workers to cut their lunch hour or breaks short. “Mid-shift breaks are often cancelled. Work that used to be done in ten hours is now expected to be finished in nine. While the factory can claim to have reduced overtime hours, as required in many brand codes of conduct, the workers are still expected to produce the same number of pieces, leading to exhaustion and burnout.”, reported in the Playfair 2008's *Clearing the Hurdles: Steps to Improving Wages and Working Conditions in the Global Sportswear Industry*. Such a practice does not only happen in small factories, but also in big companies, such as in Yue Yuen, a famous Asian transnational company.

Low wages is another core reason why workers have to work overtimes. For most textile and garment workers, the legal minimum wages are their maximum wages and can only be earned with overtime, often beyond the legal limits. Workers report that they receive wages lower

54 Meei-shi, “China Footwear Workers’ Health in Jeopardy”, *International Journal of Health Services*, Vol. 29, 17 April 2005.

55 <http://www.asianews.it/index.php?l=en&art=8289>, reported on 22 January 2007.

56 http://english.people.com.cn/200605/03/eng20060503_262794.html, reported on 3 May 2006.

than the legal minimum wages at regular basis, or they are paid according to a piece-rate system. Workers' pay is highly affected by order price, lead time, exchange rate, etc., and many do not know their piece rates in advance. At peak season and with long hours of overtime, they may earn around about 1,000 Yuan but during low season they earn much lower, around 700 Yuan, in Pearl River Delta, one of the most expensive areas in China.

In 2007, after knowing that the Shenzhen government intended not to raise the legal minimum wages for that year, the migrant workers started a letter campaign:

“In the past year, we feel the pressure of inflation much much more than usual.”

“Rice used to be 2.6 Yuan per kg, now it is 3.6 Yuan”

“Pork cost 9 Yuan per kg and now it is more than 20 Yuan”

“We could feed ourselves with 200 Yuan per month (in the past), but now it has gone up to 400 Yuan, even the price of instant noodles has increased by 20 percent”

“Statistics showed that the consumers' index has increased by 4.4 percent in June 2007, when compared with the same period last year. For food and rent, the increase is more than 10 percent... if our wages remain the same or are reduced, how can we support our families? How can we save money? If we can't support our families and save money, then what is the point of working here?”⁵⁷

The following table of legal minimum wages and average urban workers' wages demonstrates the income gap between migrant workers, the majority of textile and garment workers and the better protected urban workers. It shows that migrant workers, who work longer hours (36 hours overtimes and if they are paid with a proper overtime), earning generally less than a half (such as in Chengdu) or even only one third of the urban workers (in Beijing, Guangzhou).

Table 6: Legal minimum and average urban workers' wages in major industrial cities⁵⁸

City	Implemented Since	Minimum Wage per month	Minimum Wage per hour(RMB)	Monthly wages for a minimum wage-earner (Min wages + 36 hours at overtime compensation 150%)	Monthly average wage-Urban Workers 2007 (official figures)
Beijing	1 July 2008	800(city area)	4.6	1,048.4	3,322
Shanghai	1 April 2008	960(city area)	5.7	1,267.8	2,892
Chengdu	26 December 2007	650(city area)	3.74	851.96	1,828

⁵⁷ Original reported in Nanfang Daily on 6 August 2007, excerpts are taken from “Give it or we leave it: migrant workers' quest for higher legal minimum wages”, <http://ihlo.org/LRC/WC/281107.html>, IHLO.

⁵⁸ The legal minimum wages and monthly average wages of urban workers 2007 were found at official media and websites of the labour bureau of the cities on the table. The “Monthly wages for a minimum wage-earner” is GM's own calculation, based on the legal minimum wages for normal work hours and overtime compensation.

Guangzhou	1 April 2008	860(city area)	4.94	1,126.76	3,349
Dongguan	1 April 2008	770	4.43	1,009.22	2,940
Shenzhen	1 July 2008	900(Zone 2)	5.18	1,179.72 (Zone 2)	3,233
		1,000(Zone 1)	5.75	1,310.5 (Zone 1)	

4) Violations on women workers' rights

Women workers, making up the majority of the textile and garment workforce, enjoy far fewer benefits than what they are entitled to. The national legislations, *Law on the Protection of Rights and Interests of Women* (1992) and *Law of Anti-discrimination of Employment and Occupation* (2008) both have clauses to protect female workers, from equal rights to work, to be protected from dismissal or mal-treatment due to marriage, pregnancy, maternity leave or baby-nursing. However, the reality is far from this. Female workers in the textile and garment industry take up the low-paid jobs while the few managerial jobs are mostly taken by men. Dismissal without compensation or leave without any pay is very common among female workers when they leave for marriage or go into labour.

Furthermore, all female, married migrant workers, aged between 18 and 49, are required to present their birth control and pregnancy test results to their hometowns' family planning commissions regularly as a part of national family planning policy⁵⁹. Though in 2007, the National Family Planning Commission has issued document to prohibit forcing women to return to their home villages for pregnancy-test and encouraged the tests to be conducted in the cities and the migrant women can post or email their test results to their home villages, the situation has not improved for the female migrant workers. Returning to one's home villages for such a test is a mission impossible for many female workers, as travelling back and forth would cost them several working days and several months of income. Many local governments, usually at county level, impose fine (at about 200 Yuan each time) if a woman fail to perform this "duty". However, not many inspection centres have been built in the cities, except for big cities like Beijing, and to make the situation worse, many rural areas simply ignore such a document, as it would reduce their income, as the fine is a source of income for them⁶⁰. Not many female workers ever question such a family planning regulation, though it jeopardizes their lives and violates their privacy.

5) The impact of the *Labour Contract Law*

The *Labour Contract Law* (implemented since 1 January 2008) has been exaggerated in both directions, some optimists believed it would automatically improve the workers' conditions and solve many of the sorrows of the workers; while the business camp claimed that it would increase the labour costs enormously and push them out of business. Since 2008, it has also become a very convenient excuse for factory closures, while increasingly high and rising inflation, shortage of skilled labour, the appreciation of Yuan, rising taxes, tougher

59 Clause 4 of the original Regulation on Certificate of Marriage and Birth of Floating Population. The State Council revised and released a newer version of the Regulation in late May 2009, changing Clause 4 to "the authorities of the migrants' current residence should take the lead in implementing family control of the migrants. The authorities of the migrants' places of origins should provide necessary assistance.". The new regulation would only be implemented from 1 October 2009 onwards.

60 A worker's complaint on this measure, saying that though his wife sent back the electronic test result, her home village refused to accept and still charged her 200 Yuan. <http://people.rednet.cn/PeopleShow.asp?ID=341412>, posted at an internet forum, on 16 May 2009.

environmental standards, rising costs of raw materials and the end of local subsidies, are not openly mentioned⁶¹.

The Law, in fact, does not directly bring up the labour costs, but makes it more difficult for arbitrary layoffs, forced overtimes and gives better guidelines on proper contracts. In other words, it is neither a heal-it-all magical pill for the labour problems in China, nor a rat poison for the employers.

The implementation came nearly hand in hand with the outbreak of the global financial crisis, time-wise. While in the March 2009 National People's Congress (NPC), China's legislative body, the deputy director of the Legislative Affairs Commission of the Standing Committee of the NPC said, "The *Labor Contract Law* has nothing to do with the financial crisis and won't be revised for it"⁶², studies have shown that at local levels, many provincial governments have relaxed the labour protections, such as allowing employers to delay payment for social insurance contribution⁶³ and took very lenient measures on unlawful practice of employers.

Over the last one year, factory closures have become a common phenomenon in South China. Many factories ignore the legal procedures of factory closures, and some even just send a text message to workers' mobile phones, telling them not to return to work any more⁶⁴. In the past, the local governments usually took no action on this. Yet, in late 2008, when the scale of factory closures became in full-gear and many workers protested daily outside the city governments, they started to set up task-forces and funds to pay the workers. However, it should be noted that the compensation workers end up receiving, is inadequate when compared with the legal compensation they are entitled to. The logic of the local governments has been, to pay each worker a few hundred Yuan and send them to their home villages, where they would spend the Chinese New Year, instead of having them to linger in the cities to create troubles.

6) Corporate social responsibility

Corporate social responsibility (CSR) has become a popular term in the past 15 years for multinational companies, and today, many of them have their codes of conducts posted on the walls of the Chinese supplying factories. The question is, how effective they are, in protecting the workers. Many labour activists have criticized that CSR was used as a window-dressing gesture. Instead of CSR, the multinational companies should reflect more on their unjustifiable low order prices, short lead time and ever-changing purchasing practices. Nevertheless, CSR goes ahead in China and has a strong business case there; despite China has a set of relatively complete labour legislations, if they are fully enforced. SA8000, UN Global Compact, Fair Labor Association, Ethical Trading Initiatives, Fair Wear Foundation, etc., have all set foot in China. The other criticism for CSR is that it is not binding, not stipulated by the law, and not even necessarily a response to the public demand. Therefore, they live on the mercy of brands and interest-calculation of suppliers. That is also why CSR

61 Wong (2008), "Impacts of the Financial Crisis on Labour Conditions in China", http://eu-china.net/web/cms/upload/pdf/materialien/wong_2008_impacts_of_the_financial_crisis.pdf, Werkstatt Oekonomie, Heidelberg.

62 http://www.china.org.cn/government/NPC_CPPCC_2009/2009-03/10/content_17412057.htm, reported on 10 March 2009.

63 http://www.fairlabor.org/images/WhatWeDo/CurrentIssues/china_response_to_crisis.pdf

64 "Economic crisis and job losses in China: Blame victims, threaten crackdown", IHLO, <http://www.ihlo.org/LRC/W/070509.html>, reported on April 2009.

stays mostly at the level of occupational safety, complaint handling mechanism and communication skills, instead of democratic election of workers' representatives.

Since 2005, CSC9000T, a home-grown code of conduct from the CNTAC, has also entered the game of CSR in China. The CSC9000T is indeed a copy of the *Labour Law* in China and have reportedly 300 member-companies by late 2008. However, the General Secretary of the ITGLWF, Neil Kearney criticized the CSC9000T, "With even a good code, who would trust the Chinese authorities to implement it when they don't enforce their own labour legislation and they collude with factories to gain certification under external codes through cheating? One recent study suggested that nine out of every ten Chinese factories were breaking the law and that seven out of eight were maintaining falsified records of their employment practices"⁶⁵. Lack of genuine workers' representatives, being only represented by the state-affiliated ACFTU, strongly developed and led by the business leaders, CNTAC, are the common criticisms against the CSC9000T.

Industrial actions

Statistics show that in 2004, throughout China, there were over 70,000 collective actions involving 100 people or more. In 2005, this number of collective actions exceeded 87,000. On December 8, 2006, the Xinhua Network, the official media agency, reported that, "major group actions continue to occur, and are becoming broader and broader...the degree of violence in the confrontations is clearly stepping up, and there exists the potential for bloody incidents to develop." Experts estimate that of these group incidents, over 30% were actions involving the defence of migrant workers' rights, and more than 20% were actions by workers in which migrant workers were involved⁶⁶. These actions sometimes involved tens of thousands of people.

Low wages, unpaid overtimes, wages arrears and forced overtimes are the common reasons for industrial actions. Industrial actions vary from strikes, road / railway blockade or protest at the local government. Workers participated in the industrial actions are often not well organized, and sometimes take action out of desperate. Their fates vary from being sacked, detained for a short period, or arrested and charged by "assembling to disturb social order", a common blame for anyone organizing collective actions.

Some cases to demonstrate the outcomes of industrial actions:

1) Ding Xiulan and Liu Meifeng

Two female workers at the Zhongheng Textile Factory in Funing County, Yancheng City, Jiangsu Province, reportedly led laid-off factory workers to stage protests at the factory's entrance and demand reasonable compensation following the privatization of the former state-owned enterprise. After receiving no response from the company, on 2 October 2004, Ding and Liu led several hundred workers to demonstrate outside the Yancheng City government building in an attempt to get the local government to intervene with the company on the workers' behalf. On 20 October, both Ding and Liu were arrested for "assembling to disturb social order." There has been no further news of their fate since then⁶⁷.

65 http://www.businessrespect.net/page.php?Story_ID=1503, reported on 20 October 2005.

66 Cai (2007), "Why Can't Regulations Safeguarding Labour Rights be Implemented?", <http://www.china-labour.org.hk/en/node/44889>, China Labour Bulletin.

67 From List of imprisoned workers, <http://www.china-labour.org.hk/en/node/100014>.

2) Stella Shoe Factory Case

Seven young workers, aged between 16 and 24, were charged by "intentional destruction of property" in connection with two mass protests involving thousands of workers at the Xing Xiong and Xing Ang factories owned by the Taiwanese company Stella International on 21 and 23 April 2004 respectively. The protest was triggered by excessive working hours, low pay, frequent wage arrears and the poor quality of food provided at the factories' canteens. After international campaigns and lobbying with the brands, the seven workers' sentences were shorted from up to three-and-a-half years' imprisonment were reduced to nine-months, suspended for one year. Three under-aged workers were also released and their original suspended prison sentences dropped. Yet, they were arrested from late April till 21 December 2004 and were not re-employed, nor compensated by the factories after then⁶⁸.

3) Heze Cotton Factory

In February 2006, over 1,000 workers, mostly women from Heze Textiles in Shandong Province went out on strike for a raise in wages, it was reported that each worker was only given a little more than 300 Yuan each month (far lower than the legal minimum wages). A message posted on a mainland-based online forum said that the workers in the Heze factory could only earn less than 5,000 Yuan per year, but each of the eight factory managers earned 500,000 Yuan a year⁶⁹. The last news from this strike was that the management issued a notice, calling workers to return to work or they would be considered as voluntary resigning and therefore, sacked.

4) Panyu Li Chang Footwear

On February 13 2008, some 700 workers at the Panyu Li Chang Footwear Co. Ltd in Panyu district of Guangzhou City returned from their New Year holiday. They were expecting to receive their back wages, estimated to be around 2,000 Yuan per worker, and resume work. Instead, they found that the owner had stolen their wages, closed the factory and sold all the equipment. The gates to the factory and their living quarters were locked. Dozens of long-term workers discovered that the owner had not paid their social insurance and other entitlements for ten years. Others found that social insurance premium had not been made for the last nine months despite being deducted from their monthly wages.

In an attempt to seek justice, approximately 400 workers peacefully walked from the factory to the Guangzhou Municipal government offices. The police stopped the workers and detained about 50 of them. Five were formally arrested and detained on criminal charges for "illegal assembly and demonstration"⁷⁰. Despite international campaigns, neither the Guangzhou government gave further information on the fates of these workers, nor did the Guangzhou city's ACFTU speak on behalf of these workers.

68 For details, please see Clean Clothes Campaign's website, <http://www.cleanclothes.org/news/619>.

69 <http://libcom.org/news/article.php/china-vietnam-strike-textile-210206>, reported on 21 February 2006.

70 <http://www.cleanclothes.org/component/content/article/8-urgent-appeals/87>, reported on 17 March 2008.



Photo: the five shoe workers of Li Chang Factory being publicly humiliated, without any legal proceeding taking place.

There is no statistics available to record the industrial actions of the textile and garment alone, but as its low-wages, long overtimes and usually lack of contracts business practice, textile and garment workers make up a high proportion of industrial actions.

Conclusions

The Post-MFA, though highly anticipated by the Chinese government and business sector, does not bring the textile and garment industry the golden apple. The falling business profit rate, the falling export price level, the stress to compete with many other exporting countries, leads China into the “race to the bottom” game. The game also comes at the expenses of the Chinese workers, declining wages level (against the national wages level), high stress level to finish the same work requirement within a shortened time limit, all prove that the Post-MFA has failed to benefit the workers. It also forces workers at other developing countries to join such a vicious cycle. It is especially true for female workers, who make up the majority of employees of the industry. The energy consumption and the pollution, if being taken into consideration, would show that the gain from the Post-MFA is furthered cut.

When the financial crisis came, once again, it showed that workers are the first being affected, sacked and uncompensated. Over the past five years, there has been no practical measure, no matter from CSR, *Labour Contract Law* and the ACFTU, provided to safeguard the workers when a downturn of the business comes.

71 The table was reorganized, based on the Taiwan Textiles Foundation (<http://monitor.textiles.org.tw/>), which compiled the lists of the imports of exports of People's Republic of China, by statistics offered by China Chamber of Commerce for Import and Export of Textiles and the China Customs.

Year	Trading Partner	Exports (USD million)	Change (%) ⁷²	Imports (USD million)	Change(%) ⁷³
Jan-May, 2009	Total	58,866.77	-11	6,212.52	-17.2
	Asia	27,011.80	-10.2	5,401.19	-16.2
	SE Asia	3,756.95	-8.8	377.24	-0.3
	Middle East	4,197.52	6.9	36.21	25.3
	Africa	3,149.69	-8.7	24.84	32.5
	Europe	14,593.38	-17.1	577.36	-21.9
	EU 27	12,233.17	-10.3	561.42	-21.7
	EU 15	11,512.27	-9.8	525.47	-22.6
	EU 12 new states	720.90	-17.7	35.95	-3.9
	Latin America	2,781.22	-20.5	8.98	-37.2
	North America	9,900.03	-0.5	187.41	-31.4
	Oceania	1,430.66	-9.8	12.44	-13
	USA	8,755.47	1.2	175.15	-32.4
	Japan	8,190.87	2.3	1,058.57	-19.1
	Hong Kong	5,119.72	-17.2	360.27	-41.3
	Germany	2,585.72	-7.7	83.43	-30
	United Kingdom	1,894.46	-11.9	32.72	-33.2
2008	Total	185,217.12	8.2	18,535.93	-0.5
	Asia	83,426.43	7.7	15,810.21	-3.6
	SE Asia	11,196.07	3	963.53	18.2
	Middle East	11,525.48	4.3	78.82	66.2
	Africa	9,001.93	0	51.66	66.6
	Europe	50,387.58	17.4	1,911.88	25
	EU 27	38,883.98	37.9	1,850.29	25.4
	EU 15	36,488.38	38.8	1,745.10	23.9
	EU 12 new states	2,395.61	25	105.20	55.2
	Latin America	9,489.64	4.9	33.43	-1.9
	North America	29,061.57	-1.2	691.02	15.9
	Oceania	3,849.98	15	36.28	-10.9
	USA	25,373.01	1.8	656.31	15.2
	Japan	21,326.64	8.3	3,411.54	3.9
	Hong Kong	15,996.65	-11.9	1,425.59	-19.2
	Germany	7,937.90	30.6	278.26	14.9
	Russia	7,124.82	-29.1	2.21	-62
2007	Total	171,206.06	18.9	18,636.24	3.0
	Asia	77,460.76	17.7	16,403.67	1.0
	SE Asia	10,875.64	53.2	815.18	12.3
	Middle East	11,056.19	49.0	47.45	54.3
	Africa	9,004.95	34.4	31.03	85.4
	Europe	42,920.52	16.5	1,529.36	22.8

72 "Change (%)" refers to the change when compared with the same period of time of the previous year.

73 Same as above.

Year	Trading Partner	Exports (USD million)	Change (%) ⁷²	Imports (USD million)	Change(%) ⁷³
	EU 27	28,205.78	-1.7	1,475.31	23.4
	EU 15	26,289.30	23.5	1,407.53	22.6
	EU 12 new states	1,916.48	-74.1	67.78	42.2
	Latin America	9,047.69	34.9	34.07	0.0
	North America	29,425.59	17.3	595.96	15.5
	Oceania	3,346.55	18.8	40.76	-0.6
	USA	24,941.44	13.7	569.74	15.9
	Japan	19,713.05	4.3	3,284.66	-0.6
	Hong Kong	18,144.92	0.9	1,765.08	-3.8
	Russia	10,045.93	101.8	5.82	-6.9
	Germany	6,079.48	28.3	242.06	22.5
2006	Total	143,967.48	25.2	18,088.90	5.6
	Asia	65,797.38	20.2	16,234.66	4.1
	SE Asia	7,099.63	26.2	725.86	5.8
	Middle East	7,420.37	18.3	30.76	14.2
	Africa	6,702.48	37.4	16.74	19.9
	Europe	36,854.07	34.4	1,245.83	18.5
	EU 27	22,292.00	21.7	1,173.16	17.2
	EU 15	21,287.75	21.9	1,147.85	17.4
	EU 12 new states	1,004.24	16.7	25.30	11.2
	Latin America	6,709.30	45.7	34.07	28.1
	North America	25,087.83	20.6	515.96	26.4
	Oceania	2,816.42	9.8	41.00	0.2
	USA	21,934.01	17.7	491.73	25.6
	Japan	18,899.10	7.9	3,305.52	-1.8
	Hong Kong	17,982.26	21.3	1,834.12	-1.2
	S Korea	5,209.39	27.2	2,577.56	-2.3
	Romania	5,082.93	704.4	17.92	61.1
2005	Total	115,033.37	20.9	17,136.19	1.7
	Asia	54,747.80	2.9	15,594.08	0.3
	SE Asia	5,625.73	23.2	686.11	5.4
	Middle East	6,271.36	14.7	26.93	20.6
	Africa	4,878.31	20.2	13.96	64
	Europe	27,429.01	45.2	1,051.04	20
	EU 25	18,323.20	56.9	1,000.57	20.3
	EU 15	17,462.98	66.2	977.80	19.3
	EU 10 new states	860.22	-26.6	22.77	89
	Latin America	4,604.39	4.6	26.59	22.8
	North America	20,808.66	68.6	408.27	18
	Oceania	2,564.78	15.2	40.91	-18.7
	USA	18,638.12	70.5	391.51	20.4
	Japan	17,521.11	5.6	3,364.83	-4.1
	Hong Kong	14,826.23	-14.5	1,856.75	-6.3

Year	Trading Partner	Exports (USD million)	Change (%) ⁷²	Imports (USD million)	Change(%) ⁷³
	Russia	6,212.81	35.4	4.80	-21.6
	S Korea	4,096.48	-1	2,637.76	0.9