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Congressional-Executive Commission on China

“Working Conditions and Worker Rights in China: Recent Developments”

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Mr. Chairman, Mr. Co-Chairman, distinguished members of the Commission, thank you for the opportunity to speak to you today on behalf of the twelve million working men and women of the AFL-CIO on this very important topic.

The U.S. trade relationship with China is enormously imbalanced and problematic. In 2011, the United States ran a goods trade deficit with China of \$295 billion – up from \$273 billion the previous year. This is the largest bilateral trade deficit between any two countries in the history of the world, and it is long past time for the U.S. government to rebalance this trade relationship, including by addressing several key sources of unfair and illegal competitive advantage.

As this commission has documented thoroughly, the Chinese government has violated its international obligations with respect to currency manipulation, export subsidies, and intellectual property rights, among other things, contributing to the loss of millions of American jobs, mainly in the manufacturing sector.

However, there is an additional issue that does not receive adequate attention, from our own government or from the media, and that is the subject of today’s hearing: the ongoing and systematic repression of internationally recognized workers’ rights in China. This involves both labor laws that deny Chinese workers fundamental freedoms, including most notably freedom of association, and the Chinese government’s egregious failure to enforce its own laws in a number of crucial areas – including maximum hours, minimum wage, child labor, forced labor, and occupational safety and health. For the American labor movement (and for unions globally), addressing the Chinese government’s massive violations of human rights and workers’ rights is a top priority.

This is both a moral and an economic issue, impacting the daily lives and well-being of Chinese workers, the quality and composition of American jobs and the health of the U.S. economy, as well as trade and investment flows for many developing countries.

We would like to see our own government, both the Administration and the Congress, put protecting workers’ rights at the center of the U.S. and Chinese governments’ dialogue – not as an afterthought behind other trade and foreign policy concerns. Protecting workers’ rights is an essential cornerstone of any democracy, and without democratic freedoms, it is impossible to imagine Chinese workers and citizens building a healthy, robust, sustainable, responsible future. Independent and democratic unions in China, together with more consistent and aggressive enforcement of Chinese labor laws, would rebalance the economy in a way that most economists agree is long overdue – towards building a strong middle class and strengthening domestic consumption and away from over-reliance on export-led growth and a weak, disenfranchised and politically unstable work force.

Violations of Workers' Rights

The Chinese government's systematic and sometimes brutal repression of fundamental workers' rights is a key contributor to the unfair advantage Chinese exports enjoy in the U.S. market and in third-country markets. Chinese workers' most basic rights are routinely repressed, and they do not enjoy the political freedom to criticize, let alone change, their government.

Chinese workers do not enjoy freedom of association or the right to organize. According to the State Department's 2011 Human Rights Report, "workers are not free to organize or join unions of their own choosing. Independent unions are illegal, and the right to strike is not protected in law." The single labor organization in China, the All-China Federation of Trade Unions (ACFTU), is legally subordinate to the government and the Chinese Communist Party (CCP), not accountable to its members. It is chaired by a member of the Politburo.

While Chinese labor law now allows for election of some trade union officers, the 2011 State Department Human Rights Report says that:

Most factory-level officers were appointed by ACFTU-affiliated unions, often in coordination with employers, and were drawn largely from the ranks of management. Direct election by workers of union leaders continued to be rare, occurred only at the enterprise level, and was subject to supervision by higher levels of the union or CCP. In enterprises where direct election of union officers took place, regional ACFTU offices and local CCP authorities retained control over the selection and approval of candidates.

The Chinese government also fails to enforce its own laws with respect to minimum wages, maximum hours, child labor, forced labor and health and safety rules, as recent high-profile media accounts have amply demonstrated – much to the chagrin of some marquee U.S. brand names.

Migrant workers face particularly harsh and precarious conditions, often facing deportation if they complain to authorities about abuses by employers. Child labor is becoming more common, as labor shortages increase turnover in some regions. Forced labor remains a significant, if difficult to measure, problem.

Chinese government policies amount to a deliberate and artificial suppression of wages below what a freely bargained wage would be, and even below what would be efficient in the Chinese context. This exploitation artificially lowers the price of Chinese exports in the U.S. market – harming American workers and American businesses competing with Chinese exports domestically or in third markets. It also harms workers and businesses around the world, in both industrialized and developing countries.

These abuses allow producers in China, including many multinational and U.S. corporations, to operate in an environment free of independent unions, to pay illegally low wages, and to profit from the widespread violation of workers' basic human rights.

The Chinese government's poor enforcement record is not simply a result of a lack of resources, but rather reflects a conscious economic strategy chosen by the Chinese government, silently supported by multinational corporations, and ignored by the U.S. government. Voluntary

corporate codes of conduct are structurally incapable of remedying this problem and wildly inadequate to the scale of the problem.

As we have seen, in the wake of the FoxConn scandal that revealed worker suicides, unacceptably long hours, unsafe working conditions, and low pay – even with top corporate attention to the problem, remedies are slow and incomplete. One company, no matter how well-intentioned and high-profile, simply cannot fix a problem that is systemic to the economy.

The Chinese government has made an implicit bargain with multinational corporations: they bring much-needed jobs to China, and agree to export the bulk of their output and to transfer technology where possible. In exchange they enjoy access to a large and relatively inexpensive workforce with no independent union representation and little effective protection under the law. Consumer and environmental protections are also enforced erratically, contributing to artificially low prices and long-term human costs, both in China and elsewhere.

On the face of it, the current situation in China may appear to be extremely favorable to the corporations operating there, as well as to the leadership of the Chinese Communist Party, which has successfully achieved extraordinarily rapid aggregate economic growth over several decades without significant challenges to its political dominance. Many argue as well that workers in China have benefited from the rapid economic growth, job creation, and market access achieved by the current economic and political model.

However, in many ways, China's economic model is showing signs of stress – even for those often considered its chief beneficiaries -- and I believe it is very much in the interest of the U.S. government to press for improvement in China's worker rights sooner rather than later.

For the Chinese government, widespread worker unrest and regional labor shortages are signs that as the country grows and develops, workers will naturally demand more voice, better wages and working conditions, and more freedom. These demands will not be satisfied for long by cosmetic changes or rhetorical sops. And in the international arena, including at the G-20 meetings, the Chinese government will come under increasing pressure to reduce “external imbalances,” that is to say, to reduce its current account surplus. Allowing workers more economic and political power is the surest way to boost domestic consumption in a sustainable way.

For multinational corporations, producing in China is not a bargain if their international reputation is tarnished by bad publicity around abuse of workers. Many companies reflexively resist union organizing or labor law changes that would facilitate the formation of unions. The irony, however, is that allowing workers the freedom to form their own unions, without interference from the government or management, might actually be the only way for companies to produce in China without the constant and justified fear that unsavory production conditions are occurring and could be revealed. Thousands of corporate monitors who jet in and out of a factory cannot possibly replace a union on the ground, made up of workers, with democratically elected leadership.

And Chinese workers deserve to have their internationally recognized human rights respected. They deserve the right to form their own organizations at their workplaces – free of interference from their government or employer, free to set their own priorities at the bargaining table, free to demand consistent enforcement of labor laws from their government.

American workers are not ambivalent on this matter. We want to see the rights and dignity of our Chinese brothers and sisters respected. We want to see American corporations held accountable for their actions in China, as well as in the United States. We want our own government to fight hard to protect our jobs and our rights – including by insisting that one of our largest trade partners live up to its international obligations with respect to worker rights, among others. And we want to see China fulfill its promise as a great nation, but one that achieves its success through hard work and ingenuity, not by repressing the voice, the rights, and the democratic aspirations of its own citizens.

Time to Act

The AFL-CIO calls on the Obama administration to raise the profile of workers' rights in its bilateral dialogues with the Chinese government; to insist on achieving concrete progress on the full range of workers' rights issues, including freedom of association; and to keep open the option of using every tool available, including a self-initiated Section 301 workers' rights case, to pressure the Chinese government to act in a timely way. Congress can provide welcome and needed pressure to move forward, including by supporting a 301 petition, as has been done in the past.

We simply cannot afford more years of inaction and empty promises. We cannot afford another year of watching working conditions in China worsen, as good jobs continue to leave the United States.

The AFL-CIO remains committed to fighting for America's working families and America's manufacturing industries.

Thank you for having me here today and thank you for the important work you do. I look forward to your questions.