

Wal-Mart opens its doors to state-run unions in China

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The largest US retail company Wal-Mart has recently allowed the Chinese government to establish branches of the state-run All China Federation of Trade Unions (ACFTU) in its stores across China.

Wal-Mart's practice in China is no different than in the US. Its stores mostly hire rural youth and initially, as in the US, rejected the involvement of the state unions. After the union's usual method of going to management did not work, the ACFTU persuaded 25 employees at a Wal-Mart store in Fujian province to sign up in late July and created a union branch.

Wal-Mart reacted by warning the union members that their contracts would not be renewed. A week later, however, Wal-Mart signed a memorandum with the ACFTU allowing local unions to have a presence in its Chinese stores, which employ 31,000 people. Now 62 of Wal-Mart's stores in China have been unionised, which Beijing and the ACFTU have hailed as a "historic breakthrough".

The decision in no way represents a gain for the workers. The Chinese regime is notorious for its police-state methods in suppressing any unrest among Chinese workers, including the jailing of activists calling for independent trade unions. The ACFTU "trade unions" function as an arm of the police apparatus, not to improve the lot of Chinese workers, but to impose the demands of investors and to discipline the workforce.

Wal-Mart's main aim in allowing unions into its stores was to secure Beijing's support for a huge expansion in China. In May Wal-Mart sold 16 stores in South Korea and 85 in Germany in July. It now wants to concentrate on China in order to compete against its French rival Carrefour SA. Wal-Mart plans to open 20 more stores in China this year. It has also made an offer to buy Taiwan-based Trust-Mart for \$1 billion.

Wal-Mart's bigger business in China is its gigantic

network of sweatshops in which wages and conditions are far worse than for its retail employees. Over 80 percent of the 8,000 factories supplying Wal-Mart stores around the world are in China, which produces most of its garments, toys, electronics, furniture and home appliances. Its total procurement from China was \$18 billion in 2004. In the next five years, the volume is expected to rise to between \$20 to \$25 billion.

Like other multinationals, Wal-Mart is notorious for pressuring its suppliers in China to lower the costs, by threatening to transfer orders to other plants or countries. As a result of low-wages, long hours and harsh conditions, strikes and protests frequently erupt, especially in foreign and private firms. Beijing is particularly concerned that the new sections of workers not under the direct control of state unions will become a source of social discontent.

The Chinese unions began to target Wal-Mart three years ago because of its high profile, seeking to make it an example for other transnationals. After stalled efforts, President Hu Jintao pressed for action in March from his "central office for maintaining stability". He argued that the expansion of state unions in foreign firms was essential to prevent social unrest.

The ACFTU's main task is to monitor 200 million-strong rural migrant workers who form much of the workforce in the cities. The figure is growing by 13 million a year. However, even with state backing, the ACFTU had only recruited 23 million rural migrants by the end of 2005. It is expected to register another 10 million members this year.

That is why the union hailed the Wal-Mart decision as "a breakthrough". The ACFTU calculates that other corporations from the global top 500 will now have to follow suit. Vice president Xu Deming blamed the resistance on a failure to understand the role of Chinese

trade unions. “A trade union should unite and organise workers, boosting the development of a company, guarding employees’ rights and maintaining harmony in the work place,” he said.

In the US, Wal-Mart’s decision barely rated a mention, despite the fact that Wal-Mart has been turned into an election issue by the Democrats and the trade unions. Leading Democrats, including Hillary Clinton, have latched onto the union-backed “Wake Up Wal-Mart”, in an effort to posture as defenders of ordinary working people against Wal-Mart’s low-wages, inadequate healthcare and other abuses.

As the icon of contemporary American capitalism, it symbolises the predatory character of the profit system resting on low-pay jobs in the US on the one hand, and in Chinese sweatshops on the other. But the Democrats and American unions are no more interested in the plight of Wal-Mart workers than the unions in China. The unions’ campaign is aimed at pressuring Wal-Mart to allow them to play a role similar to that of the ACFTU—to police the workforce in return for collecting union dues.

Like their Chinese counterparts, the American trade unions have presided over a social disaster. Millions of jobs have been destroyed, plants closed and conditions destroyed over the past three decades as corporations have slashed costs to boost “globally competitiveness”. Insofar as US unions refer to the plight of workers in China or Mexico at all, it is to make divisive appeals to American nationalism and call for protectionist measures.

In a comment on October 18 entitled “The Wal-Mart Posse”, the *Wall Street Journal* defended the corporation against the union campaign and pointed to the hypocrisy of the Democrats. It noted that Clinton for instance had served for a number of years on the board of Wal-Mart.

The newspaper then elaborated the absurd argument that Wal-Mart’s operations had brought great benefits to American working people. The “Wal-Mart effect”, it claimed, with its low-priced goods, had saved US households \$263 billion on costs of living a year—compared to \$33 billion of federal food stamp program for low-income families. “And typically when a new Wal-Mart store opens in a poor area it receives thousands of job applications for a few hundred openings. So Wal-Mart’s retail jobs of \$7 to \$12 an

hour, which unions deride as ‘poverty wages’, are actually in high demand,” it wrote.

The real “Wal-Mart effect”, however, is to help drive down wages. The cheap consumer goods in the US, which are based on ruthless exploitation of Chinese workers, are bought by American working families, not the wealthy elite in Wall Street. Lower prices give corporate employers room to depress wages even further. And when the American poor line up for a low-paid position in Wal-Mart, it is due to the lack of jobs and the desperate need to make a living. It is not unlike the Chinese workers who wait in long queues for a few dollars a day in sweatshops supplying Wal-Mart. The “high demand” for these jobs is created by deepening poverty.

The result in China and the US is an expanding divide between rich and poor. According to the US Census Bureau, the top 20 percent of American households received 50.4 percent of all household income in 2005—the largest since such records began in 1967. And the biggest gains of have been going to the very top. Wal-Mart made a profit of \$11.2 billion last year. According to *Forbes* magazine, seven descendants of the company’s founder Sam Walton now have a combined fortune of \$82.5 billion.

In China, the huge flood of foreign investment has only benefited a small minority of the population. Last year, the disposable income of the 10 percent of the richest Chinese families was eight times that of the poorest 10 percent, while 60 percent of the urban residents fall below the average level of disposable income. The social stress is aggravated by the rising housing costs as well as exorbitant healthcare and school fees.

The operations of global corporations like Wal-Mart, aided and assisted by the unions, systematically drive down the living standards of workers. To fight these corporate goliaths, workers need their own global strategy and organisations: for a joint struggle based on a socialist perspective to lift the wages and conditions and end social inequality in all countries.



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