

# Sweatshop scandal puts black mark over Beijing Olympics

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The Chinese government is facing embarrassing accusations that the licensed merchandise for the 2008 Beijing Olympics is being manufactured in sweatshops, in some cases using child labour. While the issue has created something of a scandal in Olympic circles, low pay, long hours and difficult, dangerous conditions are the norm in Chinese industry and have fattened the profits of global corporations for more than two decades.

The Playfair Alliance, which includes various trade union groups, made the allegations in a report entitled “No medal for the Olympics on labour rights,” released on June 10 as the International Olympics Committee (IOC) was gathering in London. The report was based on a study of four factories in Guangdong province that are making bags, headgear, stationery and other goods for the 2008 Olympics.

The Playfair Alliance alleged that the Lekit Stationery Company, Yue Wing Cheong Light Products (Shenzhen), Eagle Leather Products and Mainland Headwear Holding had seriously violated China’s minimal labour regulations. The infringements included imposing forced overtime, poor health and safety conditions, as well as forcing employees to lie to inspectors about their wages. The firms were controlled by investors from Hong Kong and Taiwan.

The Taiwanese-owned Lekit in Dongguan allegedly employed 20 children, as young as 12, during their school holidays to do adult work for 15 hours a day. Their parents, who were desperate for money to pay school fees, brought the children to the factory. The firm had no employment contracts with any of its 400 workers, paid less than half the legal minimum wage of \$US90 and imposed fines for various infractions.

The largest of the four firms, Mainland Headwear, employed 3,000 workers at its Shenzhen facility,

producing sporting caps for well-known international corporations. It paid its workforce only 45 percent of the legal minimum wage and instructed employees to lie to labour inspectors about their pay and conditions.

Many workers complained the inadequate and unsafe working conditions. A female employee at Egale Leather declared: “The things cooked there [in the factory canteen] are not for people to eat. Even a pig wouldn’t eat it.”

Management at each of the four factories immediately rejected the report’s findings, but the Playfair Alliance insisted their information was accurate. Researchers had gone undercover to each of the workplaces and had taken photos of children working on the factory floor and overcrowded workers’ dormitories. A Lekit manager later admitted that one of its subcontractors had used child labour, paying them just 20 yuan or \$2.50 a day.

The International Olympics Committee immediately denied any responsibility. “The IOC does not directly manage and control the production of Olympic-related products across the world,” a statement declared, adding: “It matters to us that sourcing is done ethically”.

Jiang Xiaoyu, the vice-president of Beijing Olympics Games Organising Committee (BOCOG), promised to investigate the allegations, “in order to protect the reputation of the Olympic Games and the Beijing Olympics committee.” The Chinese government announced that it would severely punish the companies if the findings were true. The Dongguan government, which presides over one of the world’s largest collections of sweatshops, suddenly started a campaign “to fight child labour” in the city.

There is considerable hypocrisy surrounding the whole scandal. The Chinese government and the

BOCOG are counting on a slice of the profits from the sale of Olympics merchandise to assist in defraying the costs of staging the games. Some 130 enterprises have been licensed to produce 4,000 items. According to the Playfair report, the sale of official games mascots alone will generate profits of \$300 million.

The Playfair study pointed out that China's economic "miracle" was based on "exploitation and suppression on the largest scale possible". It noted that around 250 million Chinese still live on less than \$US1 a day and close to 700 million people live on less than \$2 a day. Rather than the operation of the capitalist market, however, the report blamed the conditions in China on the lack of "corporate social responsibility".

In fact, the firms involved in producing Olympic goods are far from being the most exploitative. Only recently a group of parents exposed the operation of a widespread slave trade in children, some as young as eight, to provide labour for brickworks in Shanxi province. The country's coal industry is notoriously unsafe, claiming thousands of lives each year. Futile appeals for global corporations to be "socially responsible" ignore the fact that cheap labour is the main reason for their investments in China.

The Chinese government, the IOC and BOCOG are all trying to bury the scandal to protect the huge economic interests involved. Beijing has spent an estimated \$40 billion on preparations for the Olympic Games to showcase China to the world and to global business. An estimated 800,000 foreign visitors are expected to attend the games, which will also be watched by a huge audience around the world. Any stain on the games could undermine the ability of the IOC and BOCOG to cash in on contracts not only for Olympic souvenirs, but corporate sponsorships and TV rights.

A year after the 2004 Athens Olympics, the global athletic goods market had reached a new record of \$US74 billion. Sales of branded sportswear in China sharply increased from nothing a decade ago to \$3 billion in 2005. Global producers such as Adidas, Nike and Puma, all of which manufacture in low-wage countries such as China, pay large sums to be featured as an official Olympic sponsor. As part of its deal with Beijing Olympics, Adidas reportedly paid \$80-\$100 million in cash and products. The IOC has already signed 11 international sponsors for a total of \$866

million.

The Playfair Alliance, which includes peak union bodies such as the International Trade Union Confederation, the International Textile, Leather and Garment Workers Federation and Britain's Trade Union Congress (TUC), is not primarily concerned about the appalling conditions facing workers in China. Rather the union leaderships have seized on the issue to push for greater protectionism for firms, particularly clothing and footwear manufacturers, facing stiff competition from cheap Chinese imports.

TUC general secretary Brendan Barber cynically declared Chinese workers "are being grossly exploited so that unscrupulous employers can make more profit. Their actions tarnish the Olympics ideal, and we don't want more of the same when the Olympics come to London." The EU's estimated trade deficit with China this year is expected to balloon to 170 billion euro or \$US227 billion—on par with the US trade deficit with Beijing. Like US trade union bureaucrats, their European counterparts are taking the same path of "China bashing"—pressuring their governments to assist employers facing "unfair" competition from China.

For the more "globally competitive" corporations, cheap labour in China has been a boon. In commenting on the Playfair report, Britain's conservative *Telegraph* pointed out: "Our prosperity in recent years has depended on the fact that there are hundreds of million people out there working very hard for very little money to enable us to buy rubbish cheaply. This has kept inflation down, and interest rates down, and thus also increased the average price of British homes by more in a day than they earn in a month."

In the midst of this debate, the real concern is not the conditions facing working people in either Britain or China, but maintaining the profits flowing to different sections of British and European corporations and companies.



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