Fair and Unfair Competition

THE EU-CHINA TRADE RACE AND ITS GENDER IMPLICATIONS

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China has emerged as a global player on the international trade map but is often depicted as a giant economic monster. As the world's workshop, the country has become one of the main sites for transnational corporate investment and one of the main exporters of manufactured goods. Its growth rates stun its competitors, its weight in global trade scares its trade partners. From the outside, its astonishing impact on each and every sector and region of the world economy is perceived at the same time as a model and as a threat.

The fact that during its transformation from a state-led to a market-oriented economy it could lift nearly 200 million people out of extreme poverty has made China a showcase for trade liberalisation and export-led growth benefiting the poor. However, the social and ecological costs of this Manchester-capitalist accumulation system are skyrocketing, the exploitation of human and natural resources is alarming, social disparities are growing.

> *"Europe must get China right, as a threat, an opportunity and a prospective partner."*
>
> **Peter Mandelson, Wolfsberg/Switzerland, 4.05.06**

Against these ambivalences, in October 2006 the European Union set up a new policy for building the EU's trade and investment relationship with China. This document called "Competition and partnership" accompanies a communication from the Commission to the Council and the European Parliament on "EU – China: Closer partners, growing responsibilities". The overall tone of both these documents echoes mixed feelings of admiration and respect on the one hand, anxiety and fear on the other.

The two documents set out a framework for future EU-China economic relations with the first and foremost objective to improve and balance trade relations through further opening of the Chinese markets and adjustment to the international standards and legal requirements of the WTO. Against the backdrop of China's economic transformation and the re-invention of gender inequalities in the "socialist" market economy, this paper explores the gender implications of the Chinese trade race and the EU's push for further rapid liberalisation by focussing on the trade-labour and the trade-equality nexus.

China's WTO accession - Landmark in EU-China trade relations

The landmark event in China's trade relations was its accession to the WTO. After 15 years of negotiations, China became a WTO member on 11 December 2001. The EU welcomed China's accession for three main reasons:

- The multilateral trading system of the WTO could not be complete and universal without China,
- WTO accession would make the economic liberalisation in China irreversible as it "has to abide by the rules of the game" and to strengthen the rule of the law,
- China should "ensure a level playing field for our industry" (Beseler 2002:5).[1]

The negotiations followed a dual track strategy of bilateral negotiations with China's largest trading partners along with multilateral negotiations. The bilateral EU-China agreement on the WTO, signed in May 2000, was a milestone in the accession process. The **EU's interest** focussed

- in the **service sector** on insurance, banking, distribution, and telecommunications (the EU is the world leader in the mobile phone sector and covers 90 per cent of the Chinese market),
- in **manufacturing** on motor vehicles, machinery and chemicals,
- in **agriculture** on wine, spirits, butter and pasta, as well as on sanitary and phytosanitary measures.

Before WTO accession, the percentage of European-owned companies in China was only 14 per cent of all foreign funded companies. **China's attractiveness** for EU-based companies mainly consists of a) the extended **low-cost assembly** line or - as Deutsche Bank says - "Fierce global competition is literally forcing international producers to exploit China's low wage costs", b) the Chinese **market** of potentially 1.3 billion consumers or "WTO-membership now enables foreign companies to benefit from China's vast appetite for foreign products." (Deutsche Bank research 2004). Foreign investors are allowed to repatriate profits.

China's interest in continuous foreign investment is threefold:

- expansion of its **export production** and access to foreign markets,
- **import of know how** and technology (in particular from EU-based corporations),
- **job opportunities** for its surplus, low-skilled or retrenched labour.

China's **WTO commitments** secured better access for EU firms, a more attractive and "predictable" environment for investments by EU companies, and a reduction of import tariffs. It agreed to open key service sectors such as insurance, banking and telecommunications which earlier were completely closed to foreign companies, in a sequenced reform by 2007. However, China insisted on some steadfast principles: joint venture requirements of 51 per cent in the mobile phone sector, 50 per cent for life insurance and for car production. A big controversy between the EU, US and

1 *Hans-Friedrich Beseler, former European Commission Director General for Trade, served as Chief of the China Negotiating Team until May 2000*

China arose around the only exemption made for the US life insurance company AIG which was established in Shanghai with full foreign ownership and branching rights. Due to massive pressure exerted by the EU, two European insurance companies, Allianz (German) and Axa (French) were allowed to remain 51 per cent foreign-owned (Matoo 2002).

As the accession agreement gives China the status of a developing country it has been allowed longer transition periods for implementing its liberalisation commitments. On the other hand, countries where the rapid increase of Chinese imports cause a threat to domestic industries and labour markets can use special safeguards and unilaterally apply restraints to Chinese imports until 2008 or even up to 2013 – a clause which has been already used by the US and the EU after the termination of the textile agreement in 2005. Additionally, WTO member countries have the option of anti-dumping investigations and charges until 2016 in case they feel that cheap Chinese imports constitute dumping (Li 2002).

China complied quickly with its commitments to cut tariffs from an average of 15.3 per cent in 2001 to 9.9 per cent in 2006, and passed more than 3000 legal provisions and regulations to protect foreign investment and business. While the average agricultural tariff worldwide is now 62 per cent China reduced its tariff to 15.2 per cent in 2006. No other WTO member has ever made such drastic cuts in such a short period of time. Five years after its accession, WTO director Lamy gave China's performance and structural reforms an "A+". However, the US and the EU complained about non-compliance with regard to intellectual property rights and ongoing product piracy, about "unfair discrimination in favour of Chinese business" and barriers to market access in a number of service sectors (World Bank News 12.12.06). Additionally, the EU argues – like the US – that the weak value of the Yuan has given China an unfair advantage on the world market, making its goods extremely inexpensive. Even after China revalued its currency in 2005, the EU and the US repeatedly pressurised China to further appreciate the Yuan in order to curtail Chinese exports and allow for more imports. For these reasons the EU still refuses to recognise China as an open market and to grant it market economy status.

The EU supported the social and economic reform in China, in particular the implementation of its WTO commitments with **trade-related co-operation** projects which complement more than 20 bilateral sectoral dialogues, from space technology to education, from enterprise regulation to environmental problems, in order to "explore new areas of common interest", exchange know-how and "pave the way for business and other operators by eliminating potential regulatory obstacles". This indicates a shift in the co-operation programme, away from traditional development projects toward sectoral interventions with strong training, institution building and research components, e.g. round tables with business involvement in the Financial Services

Project (Commission 2002). Capacity building on trade policy issues is supported with 15 million Euro for the period 2004-2009.[2]

Brief history of Chinese liberalisation and its gender implications

China's accession to WTO was a milestone in its economic and political reform and re-integration into the world market and international politics.

Liberalisation started in China in the agricultural sector with the approval of individual production and sale to farmers. Different from the shock-therapy-like economic reform in the former Soviet Union, liberalisation was gradually extended to other economic sectors on an experimental basis as kind of locally confined trial-and-error projects which in case of failure were discontinued or revised, in case of success quickly expanded. The success story of export production started in 1980 with the establishment of four **special economic zone**s (SEZ) in the Pearl-River-Delta and with granting foreign investment a legal status. From 1984 onwards, China was determined to expand its export production and especially the concept of SEZs, and scale up its industrialisation and technological development. In order to attract more investment, foreign companies were provided with preferential tax treatment, freedom to import inputs and the right to retain foreign exchange.

Investments in labour-intensive manufacturing and assembling were the engine behind China's integration into the world market. Export industries are highly **gender segmented economic areas**. Like in free trade zones in other countries of the global South, in labour-intensive sectors preference is given to women because of stereotypes attributed to them, such as "nimble" fingers, patience and the ability to concentrate for long hours. Soon it was apparent that hard-working women - mostly young docile migrants from the countryside - were a comparative advantage which attracted foreign investment. The **female-labour-directed investments** and **the feminised export industrialisation**, in particular in clothing, textiles, shoes, toys and electronics, contributed substantially to the amazingly high growth rates of 9 per cent per annum (see Seguino 2000).

At the same time, as part of the economic reform state-owned enterprises were dismantled and state-owned property privatised. The collapse of the state sector caused a massive **gendered process of retrenchment**: women who had made up 40 per cent of its labour force made up 60 per cent of the retrenched 30 million people. Often they

2 Financing for co-operation with China under the 2002-2006 Country Strategy Paper was put into action through the National Indicative Programmes (NIPs) and amounted to 250 million Euro.

were sent into early retirement with "working women go home" slogans and got less opportunities to be retrained or re-employed than men.[3]

Those tendencies of gender differentiation in the economy and discrimination of women indicated a **backlash against** the **socialist era of gender equality.** Based on Mao's saying that "whatever a comrade can do, a female comrade can do as well", during the socialist era policies and laws were aimed at giving women a higher status. With the integration of women into the *danweis*, the labour collectives, and through its rigid population control, the socialist party aimed at breaking up the old gender division of labour and the Confucian patriarchal gender relations. Gender roles were desexualised through a uniform dress code and hair style which actually implied a masculinisation of women's roles.

However, the gender egalitarianism imposed by the state and the party remained highly contradictory. Women's emancipation was equated largely to economic activity and was promoted for the sake of socialism and the nation. Women's nearly systematic exclusion from political leadership was an indicator that the gendered power relations had not really changed. Participation of women in state-owned industries and *danweis* was high but still asymmetric. Women's battalions in steel production, mining and ship construction were set up but no men were obliged to work in the danwei kindergartens. Similarly, the target of equal pay and equal recognition for all kinds of work was not fully met. Most of the care work in the private households was done by women, with a particular care role assigned to grandmothers who after retirement at the age of 50 were expected to take care of the grandchild(ren) so that the mother was able to continue working in the danwei.

The still ongoing collapse of the state-owned sector means for the retrenched workers not only the loss of their job and (small) wages, but more importantly the loss of a complex system of social security and basic facilities from housing to health care. Liberalisation, privatisation and market competition did open new chances and liberties in the emerging labour market but did not substitute the old "iron rice bowl" regime of social provisions. With regard to gender, in the transformation process a **re-invention of gender differences** emerged along with the labour markets becoming segregated and hierarchically organised according to a new valuation of work (Lau/Liu/Zhang 1999). The majority of women are placed at the bottom end of the value chain and once again in care work. The majority of the export workforce consists of migrants from rural areas, *dagongmei*, "working girls", whose remittances

3 Chinese economic statistics and data on employment are inconsistent and seldom gender disaggregated. This holds very much true for poverty indicators. The official Chinese poverty line is 25 cent income per day, far below the UN-drawn poverty line of 1 US dollar per day.

back home help millions of rural households to survive at the subsistence level. The gender wage gap increased between 1990 and 1997 in the country side by 5 per cent, in the cities by 7 per cent. According to UNDP it presently stands at 64:100 (UNDP 2006). Ageism in the labour market - discrimination based on age - is much stronger for women than for men so that the employment rate of women is falling rapidly after the age of forty. Altogether, the economic activity rates of women are on a decline. Due to the collapse of the *danwei* system and the privatisation of public services, care work has been relocated to the private households and has become "naturally" a female task. With regard to children, work-life balance is once again an individual problem. In the new urban consumer class, the institution of the domestic worker – tabooed in the socialist era – is revitalised and this form of informal and invisible employment in the private service sector has spread fast.

> *"The femaleness of the workers had to be reinvented and regulated… Capitalist production in Shenzen relies on gender as a basic constituent in developing a new system of workplace hierarchy. The rural women were imagined to be more obedient, tolerant and conforming to the factory regime."*
>
> **(Pun 1999:14,18)**
> **Pun Ngai, a Hong Kong-based scholar worked in an electronic assembly line in the feminised export region of Shenzen.**

The birth sex ratio rose between 1980 and 2000 from 108 boys:100 girls to 120:100. The 20 million "missing women" – as Nobel Prize winner Amartya Sen called the phenomenon – show the continuous preference given in society to sons which has been reenforced by the one-child policy. All together the developments caused China's Gender Development Index to fall: In 1994, UNDP ranked China 74, in 2003 it had fallen to rank 83. (Beijing Today, 17.9.04) [4]

These tendencies resulted in an increasing refeminisation of women's role in society, a resexualisation of gender roles and a kind of rediscovery of gender differences. While the Chinese leadership claims to agree to principles of gender equality and equal opportunities, its top priorities are economic competitiveness and growth. For the sake of an increase in productivity, policy makers overlook pro-active policies to prevent wage and workplace discrimination of women and neglect to enforce women's rights.

> *The imperative of competition increasingly takes precedence over the protection of equality rights… State affirmative action policies have receded while traditional gender stereotypes and values have reemerged, including increasing gender discrimination in the labor market.*
>
> **The World Bank, 2002:14**

EU-China trade after WTO accession

The WTO accession gave another boost to foreign direct investments, merchandise

4 *From 2004 onwards the rank improved once again.*

trade and growth rates in China. It intensified the “flying geese model” of capital and investment: China is at the receiving end of a fast relocation of labour-intensive industries mainly from other cheap labour countries, as well as modern industries from the north. The fast shift of manufacturing sub-contracts to China resulted lately in a defeminisation of the labour force in other export-oriented countries of the South. Presently, the “flying geese” are moving onward within China from the coastal area to the less developed countryside in the west and to smaller cities.

	FDI	Exports	Imports	Trade surplus	Foreign currency reserves
2001	50 billion US $	247 billion $	225 billion $	22 billion $	250 billion US $
2005	70 billion US $	762 billion $	660 billion $	102 billion $	794 billion US $

Source: NYT 11.1.06

At the same time, WTO accession promoted a two-pronged competition by China on the world market: a race to the bottom and a race to the top (Guan 2003:214f). In order to remain competitive with regard to other cheap labour economies, China strives to minimise production costs by keeping the wages for labour-intensive work low, increasing productivity and externalising social and ecological costs (Chan 2003). Low-priced export goods and an economy of scale make for a race to the bottom, stiff price competition on the world market. This translates into pressure on wages in other countries, in cheap labour countries as well as in highly industrialised countries.

China’s interest in import of technology, know-how and knowledge is to catch up with the technologically advanced economies in Asia, like Japan and South-Korea, and with the knowledge societies in the west. This leads to the much lamented product piracy and the violation of intellectual property rights and to investment in high-tech sectors, aiming at continuous industry upgrading and a technological take-off. China’s spending on research and development is growing even faster than the economy, and China now ranks second, behind the US, with 926 000 researchers. Simultaneously, it has invested heavily in higher education resulting in more than 4 million graduates annually. The rapid expansion of the research and development sector might even imply the risk that in the future high-skilled knowledge production could be outsourced to China as well.

The “flying geese” as well as China’s dual competition have strong ramifications on labour markets, investment and trade in countries of the South and the North. Already in 2004, China became the world champion in receiving foreign direct investments, total foreign trade topped $1.4 trillion, making China the world's third-largest foreign trader after the US and Germany.

The massive increase in investment and expansion of industrial capacities resulted in an **overheating** of the Chinese economy with overcapacities and overproduction in a number of sectors. In order to correct the world-beating pace, the government tried several times to control and limit investments and balance them with a domestic consumption structure. The goverment raised interest rates, supports domestic demands by consumer credits, and raises wages in the new middle class, and more recently it has heavily promoted outward investment.

EU-China trade doubled between 2000 and 2005, reaching 209.4 billion Euro in 2005.

	EU	**China**
Trade partners	1) US 2) China 3) Russia	1) EU 2) US 3) Japan
Trade balance (2005)	EU's trade deficit with China: 106 bn Euro	China's trade surplus with the EU: 56,5 bn Euro
Imports/ Exports	EU imports from China 2001: 81.6 bn Euro 2005: 158.0 bn Euro	EU exports to China: 2001: 30.5 BN EURO 2005: 51.7 bn Euro
Main exports	EU's main exports to China 1) non-electrical machinery 2) transport equipment 3) chemical products	China's main exports to the EU 1) office & telecommunication equipment 2) textiles & clothing
Export in Services	2003: 6.7 bn Euro 2004: 8.6 bn Euro	
Investment	3.1 billion Euro in 2004	

Source: Eurostat http://ec.europe.eu/trade/issues/bilateral/countries/china/index_en.htm

In the service sector, EU exports to China expanded six-fold in 1994-2004 (Commission 2006b:5). While presently investments still focus on industries, services are the fastest growing sector in China. This ongoing restructuring of the economy is in perfect compliance with European interests in the service sector, and EU investors contribute to the expansion of the service sector. The restructuring is reflected both in the share of employment in services and in the economic output of the sector.

Share of Employment	**Primary Sector**	**Secondary Sector**	**Tertiary Sector**
1990	60%	21,4%	18,3%
2002	50%	21,4%	28,4%
Share of GDP			
2003	15,2%	53,9%	31,9%
2004	13.1%	46,2%	40,7%

Sources: China Labour Statistical Yearbook 2003:16, World Bank News 19.12.05

Competition of partners in globalisation

While the multilateral negotiations at the WTO came to a stalemate and the Doha Development Round is unlikely to come to an end in the given time frame, in October 2006 the **EU** launched a new trade strategy "Global Europe: competing in the world" which calls China a key area of action for safeguarding the EU's external competitiveness. China had already earlier embarked on "exploring the route" of bilateral and regional free-trade agreements (Zhang 2006:422).[5]

The starting point for an **intensification of trade relations** is the assumption that "the EU and China benefit from globalisation and share common interests in its success… Europe and China can do more to promote their own interests together than they will ever achieve apart." (Commission 2006a: 5). At the 9th EU-China Summit in September 2006 in Helsinki, leaders agreed to launch negotiations on a bilateral Partnership and Co-operation Agreement (PCA). These will build on the two EU documents published in October 2006: EU - China: Closer partners, growing responsibilities and the accompanying policy paper on EU/China trade and investment: Competition and Partnership.

1985	1998	2000	2003	2006
Trade and Economic Cooperation Agreement	Communication "Building a Comprehensive Partnership	Bilateral EU-China agreement on WTO	Policy Paper "A maturing partnership"	Communication: EU-China: Closer partners, growing responsibilities + Policy paper on trade & investment: "Competition and Partnership"

5 As a "prelude to China's FTS campaign" at the end of 2004 China and ASEAN signed a letter of intention to form a free trade area within ten years. Presently, nine treaties are under negotiation, involving 27 countries and regions including Chile, Pakistan, Australia, South Africa, the Gulfs etc. Additionally, China is interested in trade agreements with Russia and North-Korea. (Zhang 2006:422).

While in earlier policy papers on the EU-China-relationship "partnership" was the leitmotif, the latest document on trade and investment puts **"competition" first** – very much in compliance with the recent communication on "Global Europe: competing in the world". The EU's main concern is China's growing competitiveness on "unfair terms" which in the EU's perception prevents "a genuinely reciprocal trading relationship" and distorts trade. Thus, "fair" and "unfair" have become new key words.

"Europe has to accept fierce competition. China has to ensure it is fair competition."

Peter Mandelson
Strasbourg, 24.10.06

Additionally, it raises concerns about the sustainability of China's development path because of the wealth disparities, "social, regional and gender imbalances", and the enormous environmental costs. As the EU considers China's disregard for social and environmental standards as unfair competition, its co-operation programme is set up to support domestic reform, to promote corporate social responsibility, ensure energy supply and combat climate change.

However, the **EU's core interest** is to "seek tougher protection of the **legal rights of EU companies**" and "assist EU companies on the ground" (Commission 2006b: 3).

- It assumes that China will increase "unjustifiable **non-tariff barriers**", and European exporters and investors face "unreasonable" sanitary and health requirements as well as non-uniform application of laws,
- It demands adequate protection of **intellectual property rights** because they are crucial to exercising Europe's comparative advantage, and seeks to "end the forced technology transfers for European investors",
- It complains that many **procurement markets** remain closed to European business,
- It blames Chinese **domestic regulations** and policies for **discriminating against foreign operators**, "imposing local content requirements …and unfairly aiding local industries."
- It opposes **investment restrictions** in key industries such as automobiles, petrochemicals and steel as well as in telecommunications and financial services.
- It realises that China has become a fierce competitor in the world market for **natural resources and energy** while it restricts access of foreign exporters to its own natural resources.
- In case trade frictions cannot be resolved through dialogue the EU threatens to use **trade defence measures** to protect its interests.
- It proposes that further dialogue should include: decent work, social and environmental standards "by **adopting European norms**, eco-technologies and standards of corporate social responsibility".

The crucial arguments of both documents accommodate earlier attempts made by the EU to push China beyond its WTO commitments.

- After China's WTO accession, the EU asked China in a number of GATS requests to "improve" the commitments made in 12 **service sectors**, in particular in order to eliminate restrictions on foreign entry, ownership (joint ventures) and national treatment, particularly in the retail, the finance and insurance, and telecommunications sectors.
- In 2003, at the 4th WTO-Ministerial in Cancun the EU insisted on the so-called Singapore issues including **investment, government procurement, competition and trade facilitation**.
- In its new trade policy "Global Europe: competing in the world", launched after the breakdown of the multilateral negotiations of the Doha Development Round, the EU promotes regional integration, bilateral and biregional agreements and new trade instruments which should ensure the opening of markets for European business abroad. Once again services are called "the cornerstone of the EU economy…an area of European comparative advantage with the greatest potential for growth in EU exports."

  The EU plans to
    a) target **non-tariff barriers** and trade-distorting **domestic regulation**,
    b) ensure the necessary supply of natural resources and energy,
    c) focus on growth sectors such as **intellectual property, services**, conditions for investment, government procurement and international regulations for competition.

Thus, in its two recent policy papers on China the EU sticks to its long-standing trade interests. However in China, EU investors have already contributed to overinvestment and overproduction in key sectors. Ignoring the risks of overheating the economy, the EU further embarks on an aggressive liberalisation and growth path of development. While it asks China to act upon its responsibilities and ensure sustainability, it promotes **economically unsustainable development** by advancing more and more European investments in China for the short-sighted purpose of fast turn-over and to secure access to emerging markets. Domestic and foreign investment strategies reinforce each other in their obsession with fast accumulation rather than sustainability.

Another great leap of liberalisation and its gender implications

The EU launched this major offensive towards further liberalisation of the Chinese economy and improved investment conditions after China announced a great geographical step forward: the **opening of its hinterland**. China's government is trying to redirect domestic and foreign investments, in particular labour-intensive manufacturing, to inland areas and relatively smaller cities, leaving higher value-added activities like research, management, finance, insurance and design in the big cities. This diversification of the economy is an answer to the growing disparities between the prosperous coastal strip and the underdeveloped western and north-eastern regions, and to the social unrest articulated in thousands of riots, demonstrations and strikes against the growing social insecurity and new polarisations in society. Immediate causes for public protests are the corruption of officials in the countryside or in the management of a company, unpaid wages or pensions, mass retrenchments or evictions due to dam construction or development projects, health hazards because of frequent accidents or use of toxic materials in industries, mining and construction work.

This progressive liberalisation is also a reaction to a shortage of labour in the Pearl River Delta since 2003. Meager wages of 50 Euro per month, police harassment of migrants, sweatshop conditions with a high risk of accidents and occupational health hazards, and cramped dormitory accommodation caused 10 to 15 per cent of the migrant labourers to stay back in the countryside (World Bank News 26.08.04). The government reacted by increasing the wages, by giving migrant workers for the first time access to the new social security system and by shifting investments to the hinterland. There **labour is abundant** and docile, mostly young girls from villages, and production costs - wages, land, energy, water - less than half compared to the Pearl River delta, meaning that a woman working at the assembly line earns only 30 US dollars per month. This salary would not help her to cross the UN-drawn poverty line of 1 US dollar per day (Chan/Gu 2006). Thus, globalisation and foreign investment may create new jobs for women, however at the same time creating a new class of “working poor”.

Imports of cheap agricultural products under the WTO agreement, e.g. subsidised cotton, wheat, soybean and cooking oil from the US, resulted in 2005 in an estimated loss of 720.000 jobs in the poorest regions of the country. After accession to WTO the producer price of sugar decreased by 35 per cent due to annual imports of 1.6 million tons of sugar. The sugar price on the world market ranges below the Chinese producer price because of the high subsidies of the EU (Oxfam 2003). Since grains are increasingly imported and outcompete local production, the plots traditionally used for grains are giving way to horticulture for export and for greenhouses. However, the job losses in agriculture are much higher than the current job creation capacities in agriculture, e.g. through export-production in vegetables and fruit mostly done by women (FT 9.12.05). Therefore in the countryside, local governments compete for investment, ready to intensify the **race to the bottom** and neglect legal regulations and social provisions.

Despite the Chinese leadership’s claim of a “socialist market economy” and of a “harmonious society” as overall goals, intensified liberalisation after WTO accession and the phenomenal growth rates did not result in a more equal distribution of resources. On the contrary: the wealth gap is widening. Geographical, development and income **disparities** are **growing.** In 2004, the average per-capita-income in Beijing rose by 12.6 per cent, while the standard of living in the countryside fell by 6 per cent (World Bank News 22.02.05). In the same year, wages of assembly line workers had not been substantially increased for fifteen years, while living costs in the coastal cities had skyrocketed and wages of skilled labour had multiplied to 500 Euro (Wen 2005). According to the World Bank, there is ample evidence for a feminisation of poverty (2002:6). Between 2001 and 2003 the real income of the poorest 10 per cent of the population declined by 2.4 per cent while the richest 10 per cent enjoyed a 16 per cent increase (FT 22.11.06). These recent findings of the World Bank deal a blow to the neoliberal myth that liberalisation is a win-win-game or as the Chinese government always assumed, "a rising tide lifts all boats".

„China, in the 90's of the 20 century, began to undergo a drastic process of class differentiation while its social institutions were restructuring and the intervention of the globalisation process in Chinese society was deepening. Women have undoubtedly been chosen to be the social group to be sacrificed in this process."

Dai Jinhua 2003:138

Gender nowadays plays a significant role in the making of new labour regimes and in the „politics of **making and unmaking of classes**" (Lee 2005:6, Dai 2003). Liberalisation "has **engendered social stratification** or disintegration" comments Liu Bohong, director of the Women Research Institute at the All China Women's Federation (Liu 2005:253). In the intensified process of "structural adjustment" to a market economy, some **global patterns of gender inequalities** and women's discrimination in the labour market occurred in Chinese society. These patterns resulting from the neoliberal restructuring of economies can be found all over the world:

- **informalisation** of employment as well as self-employment or one-woman-entrepreneurship,
- **feminised labour-intensive export-production**,
- a **gender gap in wages** and social security, in particular pension,
- a **feminised care** network of paid and unpaid work. (Jin 2002:13)

These global patterns are framed by the neoliberal slogan of "**self-responsibility**". During the transformation the All-China Women's Federation preached „*self-respect, self-confidence, self-reliance, self-improvement*" in order to re-educate women that they cannot rely any more on the socialist party and state to take care of their well-being from cradle to grave. With slogans like „*Be a self-empowering and self-reliant retrenched person*" (Dai 2003:148) women are trained to strive for economic independence and entrepreneurship. The ideology of "self-responsibility" makes them attribute success or failure to themselves rather than to the economic and social conditions. (Zhang 1995:39).

On the one hand "well-paid jobs show a lack of female personnel, while positions with comparatively low income display a high proportion of women" (Government's 2002 report on Population and Labour, quoted in: Jin 2002:12), on the other hand some of the "socialist **achievements**" with regard to gender equality in the economy persist and social differences among women are on the increase:

- the rate of **female economic activity** at 69.2 per cent is still higher than in many European countries,[6]
- more women than in most western countries get education and employment in so-called **male skills and professions**,
- more women than in most western countries are in **leading positions**. According to the Chinese federation of female entrepreneurs, women manage 40 per cent of private companies. In foreign corporations e.g. in financial services high-skilled young women enjoy good employment opportunities.

The one-child-family makes parents spend a lot on the education of girls as well as boys. Female graduates, however, complain about a recruitment discrepancy they have encountered which seems to reflect a global pattern of corporate hiring policies: even with better degrees than male students they face more problems in getting a job.[7]

The disparities between rural women, migrant workers, domestic workers, high skilled students and women in management positions are growing, not only in terms of income but as well in terms of identity and subjectivity, and re-enforcing social differentiation among women.

Women get new chances in the expanding **service sector**, however, particularly in informal employment. Besides the growing sector of casual and precarious employment in private households, according to official statistics women are strongly represented in the following service sectors:

2003	Health	Catering	Tourism	Education	Financial Services
Female rate of employment	58%	55,5%	47,5%	46,1%	37,8%

6 *E.g. Sweden 58.8%, France 48.2%, Italy 37%, see: UNDP 2006: Human Development Report, New York*

7 *Employers fear loss of work time of young women not only because of pregnancy and delivery (this would happen only once due to the one-child-norm) but additionally, it is normal for a young married woman to have several abortions per year because abortion is often the only available form of birth control in China.*

Countervailing trends are significant in financial services: while the state-owned banks lay off hundreds of thousands of employees all over the country, the private insurance sector is fast expanding; because of their communication skills and their credibility women are given preference as sales agents who walk from door to door and work on commission. Already in 2003, in urban areas irregular employment accounted for more jobs than traditional formal employment (Ghose 2005:27).

The new **social security** system covers the formal sector in urban areas only. Generally, privately funded pension or health systems are a business opportunity for insurance companies but they **disadvantage women** because women are likely to work informally and be self-employed, earn lower wages and retire earlier than men. In 2003, out of the 250 million formally employed workers in Chinese cities only 60 per cent were covered by a pension system, only 43 per cent by a health scheme and only 17 per cent by an accident insurance. A survey by UNDP et al. found a considerable gender gap in social security with 12-22 per cent less women being insured than men. This adds to women's vulnerability and their risk of old age poverty (UNDP et al. 2003:84, 88, 192f). Till recently, because of local registration, the *hukou-system*[8] , migrant workers were not allowed to participate in the social security system at their work place. Lack of or low contributions to social security make for low production costs and contribute to the attractiveness of female- dominated industries for investors.

> *"Welfare based on employment rather than on universal citizenship… means that women are more likely than men to fall through the cracks of social safety net."*
>
> **Lee Ching Kwan 2005:9**

The investments redirected to the Chinese **hinterland** target cheap female labour as a competitive advantage, partly for labour-intensive production in the sunset industries or the more capital- and technology-intensive manufacturing of cell phones, TVs, PCs, household equipment, or in the service sector, in particular retailing, financial services and tourism.

The new leap of liberalisation is to a large extent a **female-based growth strategy** which allows the progressive penetration of China's rural inland by the capitalist market economy, and the construction of a new working class in the latest Chinese and global division of labour. There is a strong **convergence of Chinese and EU trade ambitions**: Interests of the Chinese leadership match up with the interests of European and other foreign investors in the efficient utilisation of human and natural resources for the sake of capital accumulation and acceleration of growth.

8 *The hukou system is a registration at the residence place which gives citizens a right to live, work and to social security only at his/her place of original residence. It was established in 1958 in order to prevent rural-urban migration and progressively relaxed from 1984 onwards but has not been abolished. Presently an estimated 150-200 million people with a rural hukou migrated for work into cities.*

Social standards and labour rights

The Chinese government reacted to the many requests from the EU and the US to adopt **international labour and environmental standards** and the many **protests** and strikes all over the country. In 2004 alone, more than 74.000 “incidents” of protest were reported officially. In the industrial sector the government urged firms with more than 25 employees to allow a representative of the All China Federation of Trade Unions (ACFTU). The ACFTU, however, is the only legally recognised trade union and a prolonged arm of the party, whose crucial task is to mobilise workers to increase productivity as “heroes of work”, not to represent genuine workers’ interests vis-à-vis the employers. In the textile and clothing sector, a code of conduct was introduced in 2005 by the government and has been signed by 170 Chinese companies and two major foreign investors. Also, a **new labour contract law** was drafted in 2006. The new law would slightly improve workers’ rights but still not ensure freedom to organise or the right to strike. This draft law was opened for public comments in China, and US- and EU-based transnational corporations joined the debate.

On the whole, EU-invested companies have a reputation for providing better working conditions than domestic Chinese or other Asian-owned corporations. While on the one hand it is clear that the Chinese government is not giving up strict control over workers for the sake of productivity, growth and social stability, on the other hand it is revealing that the US and the EU Chamber of Commerce in China are critical about the new labour legislation (Global Labour Strategies 2006). The EU Chamber of Commerce, representing 1100 EU-based companies in China, acknowledges that the law stems from labour laws in Europe. Based on experience in European countries, the Chamber of Commerce however feels that the law tends to “over-regulate the employment relationships” and proposes more flexibility “to apply to various business situations”. In particular in the service sector it favours operation on a flexible schedule in order to reduce costs. This should apply for lay-offs likewise so that companies would be able “to preserve their business interests”.

While the EU in its policy papers proposes dialogues on decent work and social standards, this intervention by EU companies indicates that their principal corporate interest is freedom from regulation and more specifically, to achieve greater flexibility to adjust labour relations to market requirements and company interests. European Employers’ Federations, e.g. German companies, oppose the introduction of an international norm for social accountability, called ISO 26 000, by the International Organisation for Standardisation in Geneva. The reason for their objections is that they are unwilling or unable to make sure that in the whole production and supply chain social and ecological standards, such as freedom to join independent trade unions, collective wage bargaining etc., will be observed.

Monitoring Chinese subcontracting factories which supply to transnational corporations revealed that in many cases enterprise managers were planted as representatives of the trade union, double book-keeping was common and workers received fake pay slips which show the correct remuneration of overtime. The workers were instructed to give incorrect answers when auditors turned up at the factories to monitor codes of conduct which are widespread among foreign corporations and part of their marketing policies. The suppliers were willing to offend against the codes for the sake of just-in-time production requirements. Local governments are deliberately reluctant to supervise the factories and in return receive bonuses from prosperous enterprises. (FT, 21.04.05)

The case of textiles and clothing

On 1 January 2005, the **end** of the 30-year-old **Multi-Fiber-Arrangement** (MFA), all quotas were lifted on imports of textile and apparel products by countries of the South to the rich markets of the North. However, according to the MFA, until 2008 countries can apply "safeguard quotas" which limit the annual growth of Chinese imports to 7.5 per cent in order to limit the competition for domestic production. When those safeguard quotas will be eliminated, China will likely produce more than half of the global textiles and garments and the estimated 15 million jobs in the Chinese textile sector will increase by 3.8 million (UNDP et al. 2003:205). The win in jobs for Chinese women means a loss of jobs and a rollback of the earlier feminisation of the industries in neighbouring cheap labour countries. In the beginning of 2005, according to the International Textile, Garment and Leather Workers' Federation (ITGLWF), 25 000 jobs were lost in both Cambodia and Sri Lanka. The intensified competition also caused deregulation: In Bangladesh the 72-hours-work-week was legalised, in the Philippines a regulation for basic income was lifted. (www.maquila-solidarity.org).

The just-in-time work regime in the garment sector

Most of the migrant workers do not have a labour contract and are not covered by any social insurance. Although Chinese labour laws stipulate that overtime must be limited to a maximum of 36 hours per month, an average working day lasts 12 to 14 hours, seven days a week. Just-in-time availability of the workers is ensured by accommodation in crowded dormitories close to the factories. Thus, the dormitories are part of the authoritarian labour regime. The overtime payment and the piece rate system are not transparent to the workers and are incorrect. They get fined for mistakes and for giving "wrong" answers to factory auditors. After a few years of over-intensive labour, most of the migrant workers leave the factories with burnt-out syndrome and health problems.

(Chan 2006)

The **comparative advantage** of China in the textile and clothing sector is complex. Apart from the complete product cycle, modern technology, and recent improvements in quality, it consists of cheap hard-working female labour, increased productivity and the enormous economy of scale. Hourly wages of Chinese textile workers are higher than those of their colleagues in Bangladesh, Indonesia, Vietnam, India and Pakistan, however the piece rates are lower because of higher productivity of the Chinese workers[9] (Ferenschild/Wick 2004:24).

In 2005, China's textile exports to the EU and the US increased by 50 per cent while prices declined by 30 to 50 per cent. Both the EU and the US intensified their complaints about trade distortion, plant closures and job losses in their countries, and their questioning of the grim working conditions on the shop floor in China. In 2005, increased imports from China were said to put 165 000 jobs in the EU at risk. In August 2005, millions of trousers and sweaters piled up at EU customs and were not allowed through to the shops that had ordered them. The European Commission got trapped in a paradox situation between European textile producers, particularly those based in southern European countries that get outcompeted by the cheap Chinese imports, and European retail companies in particular from northern European countries that order and import goods produced in China. After China agreed to observe the protectionist **safeguard clause** vis-à-vis the EU and to restrain its imports till 2008, the goods that were stuck at the borders were allowed into the EU. It is expected that in the future the importers' lobby will be stronger than that of the producers. This is an indicator for the restructuring of the European economy and a shift of focus from production to services.

Resistance and transnational solidarity

All through this trade war, in Europe China was called the biggest winner of the MFA phase-out. However, the Chinese perception is different: with regard to employment the prevailing feature in the country is retrenchment from state-owned enterprises and a high rate of unemployment. The official news agency Xinhua complains about a "new quota era" and "protectionism" imposed by the EU and US, and more generally about an increasingly "hostile trade environment" for Chinese companies (11.12.06). The Hong Kong-based Globalisation Monitor rightly hints at the fact that foreign companies directly benefit from the Chinese expansion of exports because they account for one quarter of all export earnings from textile products and more import of textile machinery takes place. Germany is leading in the export of textile machinery. Taking a more socially differentiating look at the **wins and losses**, it appears that companies - Chinese, EU and other foreign investors – are "winners

9 Compared to seamstresses in Latin-American countries, in 2002 Chinese workers earned only 28 to 45% of the hourly wage of Latin-American workers.

while workers are losers, albeit to different degrees under different time frames". (Au 2006)

In this **pronounced competition**, workers in different countries are made each others enemies: one is blamed for **stealing the other's job**. Trade unionist struggles against the downward pressure on wages, standards and jobs have become futile, in China the ACFTU does not represent workers' interests against the companies or the government. What are Chinese women workers' strategies and instruments against global capital's strategic policies in the production chain and accumulation regimes? What kinds of transnational solidarity can women extend despite being divided by neoliberal competition regimes, culture and class?

Increasingly, women rely on collective protests against despotic factory regimes and frequent accidents. Mobilisation takes place at the workplace and dormitories rather than across factories (Lee 1998, Pun 2005). Health is more often the entry point than wages, and organising is more based in the community than on the shop floor.

Chinese Working Women Network (CWWN) started its empowerment work with women workers in Shenzhen after a fire in Zhili toy factory killed more than 80 workers, all but two women, in 1996. CWWN runs a hot-line on health and safety issues and trains women on occupational health and legal rights. It provides cultural space, trains and sets up workers' committees in the industries to monitor codes of conduct, promote corporate social responsibility and articulate labour rights. It has set up collective purchasing networks in dormitories and a shop which provides for the needs of the migrant women. In 2005, it joined a campaign for a living wage initiated by the Bangkok-based Committee for Asian Women in nine Asian countries.

Thus **new forms of labour organising** and women's empowerment are explored, different from the conventional trade unionist model. One example is the co-operation with transnational networks e.g. the Clean Clothes Campaign in Europe which addresses transnational corporations to make sure that codes of conduct are adhered to all over the production and supply chain.

Conclusions

This paper wishes to highlight some critical areas of gender concern related to EU-China trade. In China, gender differences have been re-discovered in the course of liberalisation, privatisation and the marketisation of the whole economy. Women's contributions to the economy are a comparative advantage for China as it competes in the world market. At the same time, gender has become a significant marker in the creation of new social classes in post-communist China. The long standing claim of socialist policies for equal rights has been subordinated by the imperative of fast economic growth. While these processes were initiated by the Chinese government's "open door" policies to set up a market economy, after China's WTO accession they have been increasingly driven by a complex interaction between domestic policies, and foreign trade and investment policies.

China remains to a large extent a blind spot in the gendered analysis of neoliberal globalisation. Only a few in-depth studies on women workers in export production have been published recently. In particular the service sector and care economies are unknown territories which, however, are increasingly affected by transnational trade regimes. News about resistance against the restructuring of the economy and its high social and environmental costs are hushed up. This paper tries to map out areas for further gender research rather than attempting to provide comprehensive information.

WIDE's advocacy work on gender equality and global social justice vis-à-vis the EU's trade and development policies has a role to play in exploring opportunities to exchange experiences, build civil society alliances and network with China. The core activity must be capacity building to challenge the EU and China's trade race, and to make the EU aware of the adverse social, gender and environmental effects of rapid liberalisation and intensified investment by European companies in China. Not only the Chinese government and Chinese corporations are to be made accountable for corporate interests and the growth doctrine taking precedence over social and economic rights of Chinese people, and over gender justice and social equality in Chinese society. The EU's new trade policies focusing on competitiveness and ensuring corporate rights of European business in China contribute to growth and development dynamics which are unequal, unsustainable and unjust.

The short-term objective of transnational solidarities would be to carve out glocal strategies – meaning from the local to the global - for awareness raising about neoliberal policies, and global social and economic rights. Based on common concerns and common values, transnational democratic spaces have to be opened for voices and resistance which link gender justice and global economic justice.

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