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Taiwan: The Consolidation of a Democratic and Distinct Society

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### China Analysis

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## The Chinese financial press is euro-pessimist

**Analysis by François Godement based on:**

- He Fan, "The Greek crisis and Chinese countermeasures," *Jingji guancha bao*, 21 May 2010
- Chen Jibing, "The euro crisis and the diversification of Chinese currency reserves," *Shanghai shangbao*, 25 May 2010
- Xie Guozhong, "The euro's crash," *Xin Shiji*, 24 May 2010.

At the height of the Greek crisis and the markets' distrust of the euro – that is, during the second half of May 2010 – the Chinese economic press tried to outdo each other in their pessimism not only on the issue of the Greek case, but also on the future of the eurozone as a whole. The reasons quoted, in particular by He Fan,<sup>(1)</sup> to back up this pessimism were sometimes financial in nature, sometimes more widely macro-economic and linked to a fall in European competitiveness, and sometimes political: the potential break-up of the eurozone would first of all be the result of the divergent interests of its members. A more ideological, even apocalyptic vision, that of Xie Guozhong,<sup>(2)</sup> draws a parallel between the fall of unregulated capitalism that the American crisis of 2008 is supposed to symbolise and the fall still to come of the European welfare state that the Greek crisis heralds. In contrast, the reader is led to salute the performance of the large emerging economies, which are apparently exempt from any reproach. This flight of fancy concludes, however, with the prediction of an uncontrolled explosion in global inflation. The only journalist in this selection of commentators also appears to be the one whose judgment is the most balanced: Chen Jibing<sup>(3)</sup> highlights both the interdependence of the European crisis and the slowdown in Chinese exports, underlines that the attitude of the Chinese monetary authorities has been to "neither sell off, nor to buy" the euro or European assets, and emphasises that a stabilisation of the European currency would offer Chinese interests an excellent opportunity for raids, albeit high risk, to get a foothold in European capital. With varying degrees of precision, these analyses share the same central theme: the Greek crisis and the euro crisis, with Europe's shilly-shallying followed by the different deci-

sion-making phases concerning intervention and a communal guarantee, as well as the participation of the International Monetary Fund (IMF). Without knowing the figures from the Bank for International Settlements (BIS) published at the end of July 2010, the Chinese analysis correctly point up Europe's interdependence – at the level of sovereign debts and in the name of a general scheme that wants northern Europe to lend a lot to the south. All note that the adoption of a guarantee plan has not been enough to restore confidence – even if He Fan and Chen Jibing nevertheless ascertain that this is at least a short-term solution. Xie Guozhong goes further, leading one of his sections with the headline: "Saving (Greece)? No, saving yourself!" For all that, no one believes that there will not be further twists and turns on the road to finding a long-term solution to the Greek crisis.

Beyond this central theme, the analyses effectively diverge. He Fan is extremely pessimistic about the eurozone. Not only is a restructuring of Greek debt unavoidable, but an all-encompassing crisis is also just around the corner: if he does not appear to make a specific distinction with regard to the situation facing Portugal or Spain, he believes that the whole of Europe is heading towards a sovereign debt crisis similar to the one that hit Latin America in the 1980s, requiring concerted global action. He is, on the other hand, more moderate when it comes to the repercussions that will be felt outside the eurozone, including in the United Kingdom and the United States. China, certainly, has been hit by a de-

1. He Fan is a researcher at the Institute of World Economics and Politics of the Chinese Academy of Social Sciences.
2. Xie Guozhong (Andy Xie) is a director of Rosetta Stone Capital Ltd. and former head economist for Asia at Morgan Stanley.
3. Chen Jibing is editor-in-chief of the *Business Daily* in Shanghai.

cline in the European market for its products. It will have to be careful about intervening directly to support Greece or Europe. It can, on the other hand, take decisions that He Fan describes as “indirect support”: increasing the number of Chinese tourists going to Greece, conducting commercial purchases, and seizing the chance to encourage its companies to set up abroad (走出去, *zouchuqu*) by making acquisitions in Greece. A slight impact will be felt on global growth, but a second recession or a new global financial crisis is not to be feared. Finally, He Fan anticipates less international pressure to revalue the yuan.

A very different analysis is provided by Chen Jibing, who underlines the Chinese dilemma based on the new interdependence that exists between China and Europe. Europe is, of course, China’s number one export market. But above all, the European crisis has stopped in its tracks, at least for a time, China’s policy of diversifying its foreign exchange reserves that was implemented in the second half of 2009. With some irony, he forecasts that the second meeting of the US-China Strategic and Economic Dialogue (which actually took place at the end of May 2010) will include a joint phrase on the stability of the European currency. In the short term, China has not had any other choice, since March, than to resume massive purchases of American debt instruments; and, to absolve China, Chen points out that Russia and South Korea have announced that they are doing the same, and that even the American debt held by Japan increased in the first quarter of 2010. The choice of foreign exchange currencies is very limited – and the Japanese yen, for example, has for a long time not offered any returns to its holders. From a less pessimistic perspective, he notes that the measures Europe is taking may again stabilise the euro; there will then be opportunities to mount raids to acquire European capital, or “high-risk shopping” (冒險血拼, *maoxian xuepin*). China may also, in the future, resume its policy of purchasing the euro by entering the market at an excellent level. In short, the sensible Chinese investor who, for the moment, is neither selling off nor making purchases of the euro should be on the look-out for opportunities.

Finally, Xie Guozhong offers a radical viewpoint that resembles that of the end of capitalist models – whether it is untamed Anglo-Saxon capitalism or the European welfare state. What we can take away from a long and sometimes verbose analysis, in which the break-up of the euro, the eurozone, and European integration frequently resurfaces, is above all that our author ticks almost all of the boxes in the negative column that involve what he describes as “pitfalls”.

That of deflation is noted – Europe will not be able to reduce its deficits by its own measures for cutting back on spending in a period of recession, in contrast to the “IMF method” applied in Asia after 1997 in a context of global growth. If the weak competitiveness of the deindustrialised countries of southern Europe is underlined, the erosion of competitiveness of the north (as far as machine tools and cars are concerned) will also result there in a fall in purchasing power and a sovereign debt crisis – and, in any case, northern and southern Europe are interdependent, with the euro described as a “two-headed monster”. As for the United Kingdom, whose public deficit exceeds Greece’s in percentage terms, it is certainly taking measures to promote its export competitiveness. But it “has nothing to export” and now only keeps up the appearance of having an industry. Finally, Xie Guozhong settles account with the United States: by monetising its public debt, it has launched an inflationary wave that will gain the upper hand over the deflation brought about by the fall in demand. This is a new global crisis that Xie is announcing, without expanding even the slightest bit on its consequences for China nor on any attitude to take to it.

None of these sombre predictions result from a defensible economic analysis. But, by aligning them with a certain delight, one indeed ends up at the suggested prognosis, without apparent regret, of the disappearance of Europe – and this in an influential economic review that is often considered liberal. An inhabitant of the Old World will derive from this in particular how important it is, in the European system, to reinforce the speed and the visibility of the co-operation and of the communal measures, so easily can the contagion of panic – which our authors sometimes evoke – insinuate itself into Europe’s complex deliberations. •

# The wave of suicides among Foxconn workers and the vacuity of Chinese trade unionism

**Analysis by Anne Rulliat based on:**

Primary source:

- Qian Chuanshui, "The trade unions: seven important problems to rectify," *Nanfang Zhoumo*, 20 May 2010.

Complementary Internet sources:

- "The ten suicides in succession at Foxconn triggers a controversy, the experts are asking 'But what are the unions doing?'," *Zhengyiwang*, 21 May 2010.
- "Foxconn, stop! Give the workers back the dignity they deserve," *Renminwang*, 25 May 2010.
- Wu Shaomin, "Opinion: how many problems do the nine successive suicides at Foxconn reveal?," *Renminwang*, 19 May 2010.
- Xu Xiaojun, professor at the department of trade union studies at the Institute of Industrial Relations, discusses again the wave of suicides and responds to netizens on *Qiangguo luntan*, the online discussion forum of *People's Daily*, 18 May 2010.

The absence in China of trade unions,<sup>(1)</sup> in the sense that we understand them, is in no way a revelation for Western observers. However, the recent wave of suicides<sup>(2)</sup> among employees of the Foxconn group<sup>(3)</sup> has provoked numerous commentaries on the question of workers' rights, the defence of their interests and the reactions of the authorities. The article by Qian Chuanshui, published in the weekly newspaper *Nanfang Zhoumo*, shows no deference in detailing the inadequacies and the weakness of China's trade unions. The elements that support his analysis are certainly well known, but the identity of the author, vice-director of the college for trade union cadres in the province of Anhui, and the publication of the text in an important newspaper grant it particular significance. Of the articles approved on this subject, this one seems the most original by virtue of its candour.

In China, the right to work and more especially the rules concerning the establishment of trade unions within companies have been progressively expanded. The Trade Unions Act (工會法, *gonghui fa*) of 1992 and the Labour Act (勞動法, *laodong fa*) of 1994 continue to be enhanced. In 2001, in particular, the Trade Unions Act specified, in article 6, that the primary function (基本職責, *jiben zhize*) of the unions is to defend the interests of employees and workers. Previously, their role had consisted certainly in protecting workers' interests but also in respecting those of the Chinese people as a whole. This new law<sup>(4)</sup> – in force today –

imposes the establishment of trade unions in all types of enterprises – including foreign companies – and in all local administrative structures that employ more than 25 staff. To ensure compliance with the law, the All-China Federation of Trade Unions (中華全國總工會, *Zhonghua quanguo zonggonghui* – ACFTU) encourages workers to appeal to the Communist Party cell in their enterprise, to the Ministry of Human Resources and Social Security, or to the Ministry of Commerce in order to enforce the creation of a trade union cell.<sup>(5)</sup> In parallel with the implementation of the law, a slogan has come into vogue over the past few years: "Everywhere there are employees and workers, a trade union has to be created." Furthermore, even when they do

1. Although trade union plurality does not exist in China, this article uses the plural form "the trade unions" to designate the Chinese trade union organisations, which all originate in a single trade union.
2. From 1 January to 31 May 2010, 12 employees at Foxconn's factory in Shenzhen made suicide attempts (10 of whom died).
3. The Foxconn group (富士康科技集團, *Fushikang keji jituan*) was founded in Taiwan by the tycoon Terry Gou (郭台銘). It is one of the largest manufacturers of electronic components in the world and employs 800,000 people, 300,000 of whom are in Shenzhen. Terry Gou has implemented a military style of management system that has led to the enterprise's success and allowed massive profits to be made. It produces electronic components for major IT companies such as Dell, Apple, HP and Sony.
4. Trade Union Law of the People's Republic of China of 2001: [http://www.gov.cn/ban-shi/2005-08/05/content\\_20697.htm](http://www.gov.cn/ban-shi/2005-08/05/content_20697.htm).
5. In 2004, the giant American retailer Walmart, already well established in China, refused to allow trade unions to be set up in its enterprises, explaining that its employees had not expressed any demand for it. In the face of criticism in the media and from the government, which accused it of violating the law, Walmart had to give in.

not have a union, companies are obliged to pay dues. If the election of trade union members is mentioned in the law, the whole arrangement is subject to the approval of the higher union level, from which it “enjoys” support and advice, in a system that is totally comparable to the election of Party delegates at all local levels: the centre remains in control. In 2006, the chairman of the ACFTU, Wang Zhaoguo, declared that China could not blindly copy the trade union model of the West, thus moderating these initial developments. What’s more, even if the new law has provided for the participation of the trade unions in collective wage bargaining, the results remain debatable insofar as the choice of the union representatives in the talks is not free. In an article in December 2009,<sup>(6)</sup> Xu Xiaojun recalls that the role of the trade unions is to enable a balance to be found in social relations. The way in which the law is written suggests that the trade unions serve as a bridge between the managers of a company and its workers: in the unconditional defence of the interests of the latter, the unions have to favour consensus. In 2008, the Labour Contract Law (勞動合同法, *laodong hetong fa*)<sup>(7)</sup> was promulgated at a time when relations between bosses and workers were coming under increased strain and mass incidents were on the rise. Several articles thus aim to protect the rights of workers and to ensure job security for them. For example, article 14 of the law provides the right to open-ended contracts when the employee has worked for more than 10 years in the same enterprise. Inevitably, this law has occasionally led down the wrong path, with companies forcing their salaried workers to resign after having employed them for eight or nine years. The Labour Contract Law thus reaffirms the role of the trade unions in the negotiation of collective contracts as well as in the protection of the interests of workers.

Although to all outward appearances the role and the place granted to the trade unions have grown over the past few years, it seems that both the presence and the effectiveness of the trade unions are severely limited. This is illustrated by the current wave of suicides.

As the macabre book-keeping of the suicides is updated every day, the media voices its surprise at the silence of the trade unions, while representatives of the ministries have expounded on the subject. The content of the ACFTU’s website is very revealing in this regard. There is no mention of the current wave of suicides. On 30 May, the homepage announced the publication of an important text by the Federation: it is calling for improvements in the protection of workers and (in particular) the maintenance of social stability.<sup>(8)</sup> Of the different criticisms expressed in the press, that of Qian

Chuanshui is the most virulent and leads to an irrefutable conclusion: the Chinese trade unions serve no purpose.

Qian Chuanshui first of all highlights the impossibility of distinguishing between Party and union – the latter being a subordinate organisation of the former. The managing cadres of the unions thus wear two hats: they are Party or government cadres and trade union cadres at the same time. “Like the mask changing in traditional Sichuan opera, they put on a different face depending on the circumstances.” When it comes to defending the interests of the workers, they are confronted at core by their contradictions and do not know which side to choose.

Furthermore, Qian notes the total lack of interest on the part of workers, employees, and sometimes even trade unionists themselves when it comes to the unions, which weakens their role still further. This indifference is increased by the deduction at source of the compulsory trade union dues. Despite everything, the author acknowledges that, in certain companies, the unions do significant work and conduct “moving” campaigns (感人, *ganren*). The use of this adjective reflects a particular vision of trade unionism that is associated more with social welfare than with a struggle for workers’ rights. More cruelly, Qian Chuanshui recognises that the role of the trade union is generally limited to preparing assembly halls or making visits to the sick. Echoing these observations, Wang Xiangqian<sup>(9)</sup> observes that at Foxconn the trade unions have not played the role they ought to have: the labour law fixes the working week at 40 hours, yet some employees are working up to 100 hours a week after signing overtime agreements that are in contravention of the legislation in force. The workers should be able to request assistance from the unions. Most often, however, they do not. Xu Xiaojun explains, for his part, that the trade unions at Foxconn, established only recently, have not been able to win the confidence of the workers.

Even when the political and trade union responsibilities are distinct, the unions cannot take any initiatives without the

6. Xu Xiaojun (許曉軍), “Lun gonghui zai laodong guanxi zhong de dulixing yu daibiaoxing” (On the independence and representativeness of unions in labour relations) *De la représentativité et de l’indépendance des syndicats dans les relations sociales*, December 2009. Xu Xiaojun is a professor at the Department of Trade Union Studies of the Institute of Industrial Relations.
7. The Labour Contract Law came into force on 1 January 2008: [http://www.molss.gov.cn/gb/news/2007-06/30/content\\_184630.htm](http://www.molss.gov.cn/gb/news/2007-06/30/content_184630.htm). See also Camille Bondois, “La presse économique s’attaque à une loi sur le travail à la française,” *China Analysis*, no. 17, January-February 2008.
8. <http://www.acftu.org/>, consulted on 30 May 2010; <http://www.worker.cn/>, consulted on 30 May 2010.
9. Wang Xiangqian is head of the research unit for labour law at the Institute of Industrial Relations.

prior agreement of political figures, Qian Chuanshui indicates. He adds: "The unions do not have their own vision of things; most often any vision is reduced to doublespeak (官話套話, *guanhua taohua*), sometimes to lies: a veritable waste of energy and money. The trade unions are useless, they have no place and, even if they do have one, they serve no purpose." Qian Chuanshui also criticises the bureaucracy of their leaders, who arrange meeting after meeting and circulate "documents" without end. The way that "fieldwork" is conducted generally boils down to stays at luxury hotels and meals at gourmet restaurants. Meetings with union cadres lower down the ladder are rare, rarer still meetings with actual workers. If, by chance, these meetings do take place, everything has been agreed in advance. More often, when a local trade union has to rule on a situation involving employees in difficulty, those in charge at a higher level are not available for their members.

Qian Chuanshui continues his disillusioned analysis of Chinese trade unionism: the market economy has brought with it great mobility among employees and workers. Yet the latter derive no benefit from their trade union membership, so it is impossible to secure their loyalty. No follow-up support is possible when salaried employees change jobs so frequently.

Finally, the forced establishment of trade unions has turned out to be counter-productive. Qian Chuanshui likens these trade unions to temples that have monks, but where no ceremonies are conducted and no sacred texts are read. In some places, trade unions have been created without the secretary general of the union knowing what his duties are! It seems that this situation is worse in private companies. The majority of trade union delegates are close to the bosses and have in no case been freely selected by the employees, with the result that it is an extreme rarity if the unionists can represent the interests of the employees. A more fundamental question, in the end, is asked by the author with regard to the trade unions at joint ventures: "The foreign capital comes from capitalist countries, the Chinese capital comes from a socialist country, yet the trade unions at joint ventures are much stronger than those in private Chinese companies. This is worthy of some reflection... why is this the case?" With this rhetorical question, the author goes beyond the issue of the trade unions and seems to call into doubt the entire system and the detours and dead ends that stem from it. Could this formal criticism of the trade unions imply a much deeper criticism of the system?

Despite the emotion and the scandal, Foxconn, symbol of Taiwanese success, is one of the largest enterprises in China. All year round, migrant workers queue up at its re-

cruitment offices, even if working conditions are difficult and the management of the units is still conducted in a military style. Xu Xiaojun explains, for his part, that the salaries at Foxconn are not the lowest on the market, nor are the conditions offered by the company the worst. Some media outlets have suggested that the suicide rate is in line with that of the general population, with the result that the Taiwanese media<sup>(10)</sup> and commentators on Internet forums have put forward the thesis that the highlighting of these dramas has undoubtedly revealed a conspiracy woven together by jealous competitors wishing to gain market share or a political plot implemented by China in the context of Beijing's desire to accelerate the transition to a growth model driven by domestic consumption. The latter presupposes that workers' salaries would be increased, something to which Terry Gou, Foxconn chairman, has submitted by doubling wages (from 1,000 to 2,000 yuan per month).

However observers interpret this wave of suicides, it is playing a revelatory role in terms of the problems that exist in China's labour environment and, beyond that, in Chinese society.

Wu Shaomin,<sup>(11)</sup> in an opinion piece published on the *Renminwang* website, believes for his part that the affair is a more general social problem: he lays the blame on the lack of corporate social responsibility, social pressures caused by rapid economic development, and the lack of education as well as the weak psychological strength of some individuals. He first of all criticises the cruelty of the enterprise, which can sack its employees without notice and imposes on them hellish work schedules. But, according to him, the causes linked to the model of today's Chinese society should not be ignored. Children too spoiled by their parents are supposedly less inclined to bear life's inevitable setbacks. In his opinion, a suitable measure would be to make Chinese youngsters stronger. At the same time, Wu Shaomin proposes "offering one's hand to people in difficulty" and "being attentive."

Beyond the individual tragedies, the wave of suicides involving Foxconn employees is seen as symptomatic of the tensions that run through the Chinese working environment and more generally of the crises germinating in society. The freedom of the trade unions is certainly not on the agenda, but the criticisms expressed in the press and on Internet forums bear witness to an uncompromising analysis of the current situation and the dissatisfaction that it is generating. •

10. <http://www.taiwanus.net/news/press/2010/201005281237321526.htm>, consulted on 28 May 2010.

11. Wu Shaomin is a journalist at the *People's Daily*. He is based in Hong Kong.