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RMB Appreciation will Hurt Labor Rights in China

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For 30 years, China's economy has grown rapidly. This has been especially true in the past decade, during which time the United States awarded China permanent normal trade relations (PNTR) and China joined the WTO.

Recently, international discussion has tended to focus on whether China's development is sustainable and whether it poses a threat to other countries. Less analysis has focused however on how the fruits of China's growth have been allocated internally. Chinese workers have so far not enjoyed a fair share of their country's rise and will be the first to feel the impact of any recession.

In order to create the Chinese economic miracle, over a 100 million migrant workers have worked the worst available jobs for 60 cents an hour, typically without health insurance or pensions. Some have labored seven days a week for a total of over 300 work hours and only two rest days per month, doing so simply to provide food for their families.

If China allows its currency to appreciate, as some in the West are arguing it should, its exports will drop. Workers, in turn, will suffer job losses—workers without savings and with family members who count on them. Lacking independent unions to protect labor rights, enterprise managers will, moreover, transfer any new cuts to their bottom line onto their remaining employees' backs, making them toil for even lower wages.

How Did We Get Here?

The Tiananmen Square massacre of June 4, 1989 challenged the legitimacy of the Communist Party of China like never before. In order to maintain a modicum of stability at home, the Chinese government initiated its first post-reform redistribution of wealth: paying off domestic economic elites. This quieted calls for rapid political reform from the country's urban areas.

The second redistribution benefited multinational corporations. Faster growth was deemed necessary to maintain stability at the grassroots. Rather than substantially opening its markets, the Party allowed foreign companies to exploit Chinese workers. Multinationals are now among the government's greatest supporters.

In May 2000, the U.S. Congress debated giving China PNTR status. I testified before Congress then and said that Chinese workers work like machines and that trade and human rights are intimately linked. Clearly, voices like mine did not win out.

Today, the United States is discussing the appreciation of China's currency. If Western countries only argue that the renminbi must rise in value, with no other concomitant adjustments—and if their arguments carry the day—the first to suffer will be Chinese workers. Instead, we should ask that the Chinese government first raise minimum wage standards, thereby increasing domestic consumption and reducing China's trade surplus with the U.S. and other countries.

A decade ago, in an effort to satisfy American multinationals, Washington disregarded human rights and labor rights and bestowed PNTR status on China. Today, again for purely economic reasons, the U.S. is pushing China to allow its currency appreciate, with no more consideration for human rights and labor rights than before.

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