

# China's World

Vol 2 Issue 1 2017

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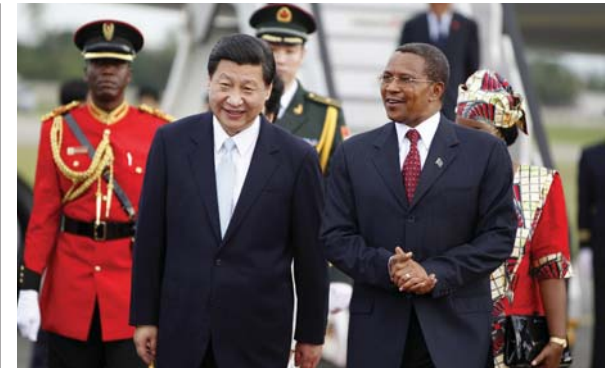
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## AUTHORS DETAILS



### David Armstrong

BSc (Econ), MSc (Econ),  
PhD, FRHistS  
Editor & Director of Research

David Armstrong has held senior academic posts at Birmingham, Durham, Exeter and Buckingham Universities. His many publications include books and articles on China's foreign relations as well as international organization. He is a Fellow of the Royal Historical Society. He has previously edited two journals: *The Review of International Studies* and *Diplomacy and Statecraft*.

### Barry Eichengreen

Barry Eichengreen is the George C. Pardee and Helen N. Pardee Professor of Economics and Professor of Political Science at the University of California, Berkeley, where he has taught since 1987, and Pitt Professor of American History and Institutions, University of Cambridge, 2014-15. He is a Research Associate of the National Bureau of Economic Research (Cambridge, Massachusetts) and Research Fellow of the Centre for Economic Policy Research (London, England). In 1997-98 he was Senior Policy Advisor at the International Monetary Fund. He is a fellow of the American Academy of Arts and Sciences (class of 1997).

### Heidi Dahles

Heidi Dahles is Professor and Head of Department of International Business and Asian Studies at Griffith University, Australia. Her research interest is in social and economic transformation, small-scale and micro business, and the informal economies of Southeast Asia. Heidi published in peer-reviewed journals such as *Asia-Pacific Business Review*, *Culture & Organization*, *East Asia An International Quarterly*, the *Journal of Entrepreneurial Communities*, the *Journal of Small Business and Entrepreneurship*, *Journal of Contemporary Asia*, the *Journal of Social Entrepreneurship*, *Voluntas International Journal of Voluntary and Non-Profit Organisations* and *Studies in Higher Education*. Among her recent co-edited volumes are *Capital and Knowledge. Changing Power Relations in Asia* (2003) and *Multicultural Organizations in Asia* (2006).

### Sara Hsu

Sara Hsu is an Assistant Professor of Economics at the State University of New York at New Paltz and Research Director at the Asia Financial Risk Think Tank in Hong Kong. Dr. Hsu specializes in Chinese economic development, informal finance, and shadow banking. She has published one of the only English-language books on the topic of Chinese informal finance, *Informal Finance in China: American and Chinese Perspectives*, as well as one of the only Chinese-language books on Chinese shadow banking. She has also published a number of articles and books on the topics of sustainable development, financial crises, and trade.

### Andy Kirkpatrick

Andy Kirkpatrick is Professor in the Department of Humanities, Languages and Social Science at Griffith University, Brisbane, Australia. He has lived and worked in many countries in East and Southeast Asia, including China, Hong Kong, Malaysia, Myanmar and Singapore. He is the author of *World Englishes: Implications for ELT and International Communication* (CUP) and *English as a Lingua Franca in ASEAN: a multi-lingual model* (Hong Kong University Press). He is the editor of the *Routledge Handbook of World Englishes*. His most recent books are *English as an Asian Language: implications for language education*, co-edited with Roly Sussex and published by Springer, and *Chinese Rhetoric and Writing*, co-authored with Xu Zhichang and published by Parlor Press. He is a Fellow of the Australian Academy of the Humanities.

### Reza Hasmath

Reza Hasmath is a Professor in Political Science at the University of Alberta. Prior to this appointment he held faculty positions at the Universities of Oxford, Melbourne and Toronto. His award-winning research is supported by various multi-year large grant schemes, and can be summarized in threefold: (1) unpacking the behaviour of policy actors/entrepreneurs in the policy making process in China; (2) examining the education and labour market experiences of ethnic minorities in China and Canada in a comparative manner; and (3) analyzing Chinese NGOs' activities domestically and internationally.

### Jenny Chan

Jenny Chan is an Assistant Professor of Sociology at Hong Kong Polytechnic University. She is also an elected board member of the International Sociological Association's Research Committee on Labor Movements, an editor of the *Global Labour Journal*, and a contributing editor of the *Asia-Pacific Journal*. Between 2014 and 2016, she was a Lecturer at the University of Oxford's School of Interdisciplinary Area Studies, and held a Junior Research Fellowship at Oxford's Kellogg College. She is co-author of *Dying for an iPhone* (with Ngai Pun and Mark Selden, forthcoming). Her publications on Chinese labor politics, written in Chinese and English, have been translated into Italian, Spanish, French, German, Polish, and other languages.

### Gordon C. K. Cheung

Gordon C. K. Cheung is Associate Professor and Director of the Centre for Contemporary Chinese Studies at the School of Government & International Affairs, Durham University and Editor-in-Chief of *East Asia: An International Quarterly*. He was the author of *Market Liberalism: American Foreign Policy toward China*, *China Factors: Political Perspectives and Economic Interactions and Intellectual Property Rights in China: Politics of Piracy, Trade and Protection*. He is working on a new book about China and the global political economy.

### Weihuan Zhou

Weihuan Zhou is a lecturer at UNSW Law and a member of UNSW Law's China International Business and Economic Law (CIBEL) Initiative. He publishes widely in the areas of international economic law, the laws of the WTO, and the regulation of Australia-China trade. His current work includes a co-edited volume on the China-Australia Free Trade Agreement to be published by Hart Publishing in December 2017. He consults for law firms and governments on cross-border trade and investment issues.

### Heng Pheakdey

Heng Pheakdey is founder and chairman of Enrich Institute, Phnom Penh, Cambodia. He has long-standing professional experience in leading non-government organizations, managing large scale projects and conducting research for various national and international organizations in the field of climate change, energy, green cities, financing for development and youth development. Pheakdey published in *Southeast Asia Research*, *Journal of Current Southeast Asian Affairs*, and the *Cambodian Review of Language Learning and Teaching*.

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### HEAD OFFICE

#### China's World

7-8 Stratford Place, London W1C 1AY

TEL: 020 8099 0999

info@huawen.ac.uk

customerservices@huawen.ac.uk

david.armstrong@huawen.ac.uk

ADVERTISING:

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pr@huawen.ac.uk

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Executive Editor: David Armstrong

#### Authors

Heidi Dahles

Andy Kirkpatrick

Barry Eichengreen

Sara Hsu

Reza Hasmath

Weihuan Zhou

Heng Pheakdey

Jenny Chan

Gordon C. K. Cheung

#### Design Team

Quanshan Chu

Jing Gong

Xiaojue Wang

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skills upgrading. Spending on education as a percentage of GDP really needs to rise further.

#### • Skills Pool

Developing a larger pool of skills and people for all to draw from is another option. One way to do this is to encourage skills-upgrading and investment by all companies, usefully reducing the 'free rider' problem. This includes imposing a levy or tax on those who do not train. This action needs to be seen as not 'revenue raising', but as 'behaviour changing' with such monies used to train a skills pool available for all organisations to draw on.

#### • Employee Relations

Another option is better employee relations. This includes stronger labour unions and greater compliance with minimum wage laws, especially for migrant workers. This will encourage not only improved conditions and boost domestic consumption, but stimulate companies to look to other ways to get the best out of their now more expensive, but valuable, human assets, such as by innovation and value-added strategies and increase productivity. Furthermore, this will encourage longer

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[www.cia.gov/library/publications/the-world-factbook/geos/ch.html](http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html)

term behaviours, allowing in turn returns on training investments, rather than companies treating labour as easily obtainable but equally disposable, commodities. There could also be 'flexicurity'-type labour market policies to provide flexible labour markets dove-tailed with social protection to reduce fear of labour flexibility.

#### • Infrastructure

A further option is to invest in physical infrastructure projects, such as communications, to aid business development. Building more and better roads and rail will enhance competitiveness.

In short, even as the labour force declines, increased expenditure on education and infrastructure will raise labour productivity. Of course, much infrastructure expansion has been financed by the credit boom and slowing down of the easy credit expansion will impact here.

#### Conclusion

There are two areas of concern. First, maintaining employment is critical for stability. The lack of social security in old age means many need to keep working or fall back on reliance on families, but which in turn are in decline. Second, ending up in a 'nutcracker', squeezed from one side by low wage cost economies and from the other side by more developed, skills-based and value-added economies. This leads to the need to explore challenges in China's labour market and possible interventions. There has been the earlier fall from grace of the supposedly unstoppable Japanese economy – recall all those hagiographies of 'Japan as Number 1'. The next in line of the succession of Asian Tigers and Dragons may turn out to be less fierce than first thought. ■



## The Apple Way to Make Products: Response to Apple's 10th Supplier Responsibility Progress Report, 2016

Jenny Chan



In March 2016 Apple released its 10th Supplier Responsibility Progress Report. "There's a right way to make products," proclaims Apple. "It starts with the rights of the people who make them."<sup>1</sup> Currently Apple has 346 suppliers in China alone, more than those in Japan (126 suppliers), the United States (69 suppliers), Taiwan (41 suppliers), Korea (28 suppliers), Malaysia (23 suppliers), Thailand (19 suppliers), the Philippines (19 suppliers), and Vietnam (18 suppliers) combined.<sup>2</sup> Are Chinese workers enjoying their rights in Apple's supply chain? What is the responsibility of Apple to the workers who make its products 24 hours a day around the world?

Apple boasts that its supplier code is "one of the strictest in the industry."<sup>3</sup> In 2015 Apple conducted 640 audits against its own standards, far surpassing the 39 audits in 2007.<sup>4</sup> It reported that 97% of its audited suppliers in 25 countries achieved compliance with its requirements of a "60-hour maximum workweek."<sup>5</sup> In the words of Jeff Williams, Apple's Chief Operating Officer reporting to CEO Tim Cook, the nearly 100% compliance in work hour is "a number that is virtually unheard of in our industry."<sup>6</sup>

Let us clearly explain that legal standards in



Photo: Local and mainland Chinese university students, in the role of Foxconn workers, lie on the floor as they act out being chemically poisoned during a street drama in Hong Kong, May 7, 2011. REUTERS/Bobby

China are higher than Apple's. The Chinese law stipulates a "40-hour regular workweek."<sup>7</sup> With employee's consent, working hours can be extended to a maximum of 3 hours a day or 36 hours a month.<sup>8</sup> In October 2015, a survey showed that 71% of the 1,035 workers at Pegatron Shanghai, one of the major Apple suppliers, worked more than 60 hours a week on

average.<sup>9</sup> Workers at Foxconn and elsewhere also reported that, in the face of Apple deadlines, overtime work was compulsory.

In the wake of the widely publicized 2010 Foxconn workers' suicides in China, Apple simultaneously expanded production and diversified its risks by moving some of its contracts away

from Foxconn. Today, Pegatron is assembling iPhones and iPads; Wistron is assembling iPhones; Compal Electronics is assembling iPads; Quanta Computer is building Macs, Watches, and iPods; Inventec Appliances is building iPods; and BYD is making accessories. All seven giant manufacturers compete for orders from Apple and other brands, trans-

ferring pressure to workers on the frontline.<sup>10</sup> This buyer-driven purchasing model results in long working hours and intensive work during peaks of demand. But Apple's report does not disclose the unit price for device assembly and the product delivery time which directly impact on workers' fundamental rights.

Under pressure from Apple and other brands, some suppliers have turned to the fast growing "student labour market" in China as a means to lower production costs while enhancing human resource flexibility and increasing corporate profits. Wistron recruited 2,000 to 3,000 "student interns" from four schools in summer 2015.<sup>11</sup> Interviews with interns reveal that they were paid below the local minimum

*Aggrieved workers and student interns, in China and other countries, have participated in slowdowns, strikes, riots, demonstrations, protests, and even committed suicides to express their discontent.*

wages and were required to do the same job on the assembly line for the standard 12-hour shift day and night. According to the Chinese law,

not only must interns' shifts be no more than eight hours,<sup>12</sup> all their training is required to take place during daytime to ensure students' safety and physical and mental health.<sup>13</sup> Above all, these technical school students were deprived of their right to an internship in favour of working on the line with no training in their fields of study.



In response to public criticisms, from 2013 to 2016, the Electronic Industry Citizenship Coalition, an industry association of 100-plus member companies including Apple, joined forces with Stanford University's Rural Education Action Program (REAP) in an attempt to "protect student workers" and to "raise the quality of vocational education" in China.<sup>14</sup> The brands and manufacturers have reiterated that the interns should have the right to choose where they work and when to resign.<sup>15</sup> The fact remains that teenage interns are not only forced to do assembly work but risk not graduating if they refuse to undertake the regular one-year-long internship program. This is not free labour; nor is it an internship.



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Many more workers are subjected to dangerous, unsafe, and unhealthy conditions in global electronics production. Aggrieved workers and student interns, in China and other countries, have participated in slowdowns, strikes, riots, demonstrations, protests, and even committed suicides to express their discontent. They neither have access to effective workplace-based grievance mechanisms, nor genuine worker representation. For example, the Foxconn union—the chief supplier to Apple and the largest trade union with more than one million members in China—has been chaired by CEO Terry Gou's special assistant from 2007 to the present. Therefore, Apple's claim of "freedom of association and collective bargaining" at the supplier level is a sham.<sup>16</sup> ■

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