



CHINA

Response to the Public Consultation of the European Commission by the European Trade Union Confederation (June 2006)

The ETUC is pleased to provide this preliminary response to the public consultation of the Commission on a strategy for the trade and economic relations between the EU and China. We look forward to pursuing our reflections in the context of discussions we hope will be held with all stakeholders over the Commission Communications on China expected later this year.

This contribution is by no means exhaustive, but at the same time it seeks to link trade and economic issues with wider considerations, in line with our consistently-argued support for coherence in EU policies.

Coherence

That aspiration towards coherence has been adopted by all EU institutions in a number of documents, such as the Commission's Social Agenda, and most recently in its Communication on Decent Work. The Council in March 2005, recalled "*its commitment to promoting core labour standards and to improving social governance in the context of globalisation, including within the framework of its existing trade policies and initiatives*". The European Parliament has also adopted positive reports on the matter, as has the EESC.

We ask again that the EU should more actively use its weight in the arena of trade to promote social progress. We do not approach the issue from a protectionist perspective, but rather from one aimed at promoting human and trade rights and sustainable development everywhere.

The Case of China

The ETUC subscribes to the position of the international trade union Movement, most recently summarised in its submission to the G8 summit meeting in St Petersburg:

*"China's continuing high rates of growth and the associated increase in foreign direct investment have turned out to be **the** economic phenomenon of the 21st century. Yet the Chinese growth model is threatened by serious imbalances – between regions, as a result of growing inequality, due to capital inefficiency and insolvency of the banking system, as well as resource depletion and environmental pillaging. A generation of migrant workers, young and old, within China constitute an exploited underclass. Meanwhile, the Chinese model of export-led growth has increased competitive pressures on markets in the OECD countries. The net effect of China's conduct is to undermine labour standards in other developing countries while raising demand for commodities. The export orientation of growth is*

based upon the suppression of workers' core rights, all in order to obtain labour-cost advantage coupled with an administered foreign exchange rate and a foreign investment regime "à la carte".

"The priority for China must be to evolve from being an outlier in terms of respect for internationally recognised standards and to shift to better balanced and qualitative growth that is sustainable both socially and environmentally. With the growth of the private sector, state authorities should acknowledge the need to strengthen their capacity to introduce and enforce decent labour-market regulation to protect workers against the extremes of the market system and to manage change in a socially sustainable way. This cannot be done from the "top down" – it needs vibrant civil society, fundamental civil and political liberties plus strong and effective unions operating on ILO standards of freedom of association and the right to strike."

The recent report by the International Confederation of free Trade Unions on the application of internationally-recognised Core Labour Standards in the People's Republic of China, and the accompanying report on trade, labour and development in the PRC substantiate those positions:

<http://www.icftu.org/www/pdf/clschinacor2006.pdf>

<http://www.icftu.org/www/pdf/chinatradeemploymentanddevelopment.pdf>

At the same time, China's opening and apparent wish to engage in the multilateral system of governance, not only by joining the WTO but also in relation to UN covenants, albeit on its own terms and excluding freedom of association, can provide opportunities to advance our case. So does the development of EU-China bilateral relations. We are glad that Commission concerns about the lack of free trade unions in China are raised in the framework of the EU-China Human Rights Dialogue, but feel that the issue is significant in relation to trade and should be incorporated in that context.

Europe's response

The challenges posed to Europe by China's increasing weight on the world stage are often used by employers and politicians as reasons to bring the European Social Model into question. The issue was at the centre of discussions of the special Hampton Court summit in November 2005, to which the ETUC contributed. It is not the purpose of this paper to rehearse actions we have proposed to improve EU competitiveness. In relation to the external dimension, our contribution identified the need for Europe to promote its model powerfully and confidently in driving a coherent and integrated approach to trade and sustainable development policy, where social rights should be central, not marginal, in future; and for European companies to behave outside Europe as they are supposed to do inside, following European values of corporate governance, the environment and labour standards, including collective bargaining.

Social dialogue is a central feature of the European social model and we insist that it should also be a central tool in seeking to meet the China challenge. The concerns of European workers about a range of economic

and social issues in our relations with China, and their political repercussions at home, can only be deepened if it is perceived that the voice pressing for liberalisation is the one driving EU public policy. We are concerned at the pre-eminent position given to employers, and in particular CEOs of multinational companies, in accompanying official contacts, bypassing normal social partner arrangements. The recent suggestion of the British Chancellor of the Exchequer that a high-level group of CEOs should meet in parallel to each ECOFIN meeting to advise on globalisation issues is in line with that approach and should be rejected firmly.

Memorandum of Understanding

As part of the EU-China summit in September 2005, a Memorandum of Understanding on Employment was agreed between China and the EU. Key points are that:

- the parties "agree to set up a structured EU-China dialogue on labour, employment, and social affairs. This dialogue includes labour, employment, human resources development, social protection, labour legislation, labour relations and social dialogue."
- and that "it is understood that the Parties will call upon relevant stakeholders to participate in the dialogue, both horizontal and sectoral as well as in the specific events. In particular, the Parties may invite contribution from the representatives of workers and employers through the respective appropriate mechanisms."

A seminar on life-long learning was held in conjunction with the summit including ETUC participation, but a meeting on Corporate Social Responsibility was also held to which the ETUC was not invited.

It is clear that the Chinese authorities are interested in promoting CSR, possibly with a view to presenting an acceptable face internationally (notably in the context of the Olympic Games in 2008 and the Shanghai World Fair in 2010) while excluding trade union participation. The ETUC is already critical of Commission approaches to CSR at home, and the EU authorities should not compound their mistakes in this area by providing China with undeserved credibility. The Chinese authorities should be persuaded to engage in discussions on substance – for example as a starting point in relation to the OECD code of conduct for multinational companies – rather than a CSR 'soft option'.

The EU social partners should be fully involved in the MoU processes, including the setting of agendas. This may provide a platform for them to elaborate agreed positions about how to approach i.a. investment in China.

The Commission has undertaken interesting work in relation to the impact of trade on sustainable development (SIA) and this could be deepened in the context of EU-China trade.

We recognise that social dialogue approaches on the Chinese side are hindered by the lack of autonomy from the Chinese Communist Party of the official All China Federation of Trade Unions. It is clear that economic liberalisation is creating internal tensions, manifested in particular by increasing industrial unrest. The Chinese authorities seek to manage these developments by urging the ACFTU to 'represent workers', but this is not working. The level of unionisation in the growing private sector is low, and indeed is hardly recognisable as unionisation as we know it: 'organised' companies give the ACFTU apparatus 2 per cent of the total wage bill but few collective agreements actually talk about wages. Helping the development of collective bargaining, starting in TNCs operating in China, is an avenue being pursued by a number of international trade union organisations.

The development of free collective bargaining should be a priority issue to be tackled under the MoU.

Another aspect is the appalling health and safety situation in China, particularly in the extractive industries, and possible ways of introducing some form of industrial democracy through the institution of independent worker safety representatives. We would be interested in discussing how we and our industry federations can cooperate with the Commission in developing this work.

Specific Initiatives

We support the development of work on the issues at sectoral level. For example, the European Metalworkers' Federation, is currently undertaking a project with EU assistance (description attached) on industrial policy in the steel, ship and auto sectors.

We have noted with interest that Eurochambres are currently developing a policy towards integrating European Chambers around the world in a common platform, with common standards and visibility. We hope that this will lead to agreement on basic European values that would prevent disgraceful occurrences such as the recent pressures exerted by European companies seeking to stop the government in Vietnam from raising the minimum wage, and threats by the European Chambers of Commerce in Beijing to reconsider new investment or continuing their activities in China in response to proposals to improve labour laws.

Market Economy Status

One of the key issues of the EU-China talks is China's request to be extended Market Economy Status. The Commission has been reluctant to extend MES to China particularly because of 'state interference' - but that refers to discrimination against private or foreign-owned companies vis-à-vis state enterprises; interference in the allocation of raw materials; export or other sales restrictions; and price fixing. Interference in trade union affairs and the lack of free collective bargaining has not been discussed in this context and the ETUC raised the issue with the Trade Commissioner.

We drew attention to the fact that the United States Department of Commerce examines in the context of graduating a country to MES “the extent to which wage rates [...] are determined by free bargaining between labor and the management” and asking that the EU should take an analogous approach. He replied i.a. that the underlying idea of the EU's criteria for extending MES was to determine if the prices and costs of companies in a transition country can be relied upon for the purposes of anti-dumping investigations and that, while the Commission was aware of the importance of the role of trade unions, it did not think that it fitted in the logic of the MES exercise. However, the Commission did not ignore the labour issues in that under the criterion of state influence they did check whether workers could be recruited freely from the labour market and if wages were arbitrarily influenced by the state.

The ETUC believes that this important issue needs further examination. While maintaining our position, we would be interested in reviewing with the Commission the data relating to the labour market and wages referred-to by the Commissioner. These issues should also be incorporated in the work of the Commission's China Economic Observatory.

ASEM

The Commission's Communication on Decent work draws attention to its cooperation on employment in the context of the Asia-Europe Meetings (ASEM). This is currently the only multilateral forum in which the ETUC maintains some contacts with the All-China Federation of Trade Unions. One of the trade union objectives has been to press for regular meetings of ASEM Ministers of Labour to be institutionalised with the involvement of the social partners – an objective that has been pursued by the German Government in particular. We would appreciate Commission support in that direction.

Annex: EMF contribution



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