

mouvement communiste and kolektivne proti kapitalu

WORKERS AUTONOMY

STRIKES in CHINA



PRESENTATION

This document is simultaneously published in three languages: Czech, English and French. This is not because we are such efficient translators but because it is the result of a common work by speakers of these three languages since its very conception. It is a work jointly performed by comrades from KpK, MC and others. We hope that this first step of a common political work will be confirmed and amplified in a way which tends towards the unification and centralization of communists.

DEDICATION

We would like to pay tribute to our comrade Daniel Bénard (1942-2010) by dedicating this work, to which he contributed, to him. An inflexible fighter for many years against Stalinism and for workers' autonomy, he was defeated by cancer in late April 2010.

You're always here, "Bill".

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WORKERS' AUTONOMY STRIKES IN CHINA

Introduction

On strike for two weeks in a modern Honda car equipment factory, 1,900 workers have won a massive wage rise after having stopped four car assembly plants. It is probably the first recent victorious offensive strike against a major international company.

The strike, staged by local workers to protest low pay and harsh working conditions, has cost the automaker thousands of units in lost production in the world's biggest auto market. The walkout began on May 17 at Nanhai Honda Lock's transmission factory in Foshan (south-eastern China) near Guangzhou¹ and shut down all four of the Japanese car maker's factories on the mainland. This factory produces automatic and manual transmissions and parts of engines used by the four Honda² assembly plants.

This strike was followed by a wave of strikes in other car plants, Honda, then Toyota, but also in various industries, electronics, plastics, and breweries...both in manufacturing plants and in suppliers.

One more proof that, once triggered, workers resistance can transform itself into a workers' offensive...

Our chronology is as detailed as it is so as to give a flavour of the real strike "contagion" that gripped the Chinese coastal industrial belt in the summer of 2010, and how it caught the state and the bosses off guard.

The text therefore includes:

- A detailed chronology in two parts,
- The extension of strikes to other factories,
- The living conditions of Chinese workers,
- A presentation of the automotive industry in China,
- A glimpse into the history of class struggle in China since 1949,
- An analysis of the strike at Honda,
- What's happened since the summer of 2010,
- An attempt at a conclusion
- Appendixes.

¹ China is administratively divided into provinces, prefectures, counties and districts, townships and finally, villages. The term city (Shi) encompasses several realities: city-province (like Beijing), prefecture-level city, district or city-urban part of an administrative unit. See full list at the end. And Foshan is one of the 21 prefectures-cities that divide the Guangdong province and Nanhai is one of five city-districts within the prefecture of Foshan.

² See list of Honda plants in the appendix.

Chronology - First round

Strike at Honda transmission plant in Nanhai

Monday 17 May

Start of the strike.

“Everybody remember to bring your umbrellas tomorrow,” read the posting on the internet chat room. “Don’t get tricked into going to the canteen or the workshop - tomorrow we go sit at Honda’s main entrance and wait for reporters.”

“On May 17, we started the strike by pressing the emergency button in the AT1 workshop,” said Tan Zhiqing, one of the strike leaders at Foshan. He was fired the next week for what he says the company claimed was sabotage and for leading the strike. “The AT2 workshop did the same thing. Then 20 of us went to other production departments to persuade people to join us.”

“We saw over a hundred of them walking over to our division but we thought they were only taking a break to visit us”, one intern from Hunan province said of the action. “It turns out they were coming to inform us about the strike.” The next day, strikers return to work.³

Friday 21 May

The strike resumes at Foshan. With average monthly wages for factory employees at the supplier plant of 1,500 Yuan (indeed, although belonging to Honda, the Nanhai factory is a subcontractor factory with regard to the Honda assembly plants), workers are seeking a raise from 2,000 Yuan to 2,500 Yuan, which is on a par with what employees at Honda’s auto-assembly plants in China receive. “The salary for us Chinese employees is very low. But Japanese staff can each earn 300 U.S. dollars a day, and their job is just to give us training,” said a striking worker surnamed Ma. “We are wearing masks because the company has used cameras to photograph or video us recently,” he said.

Monday 24 May

Honda suspends some vehicle-assembly operations in Guangzhou on Monday. Output has been suspended since Monday’s night shift at both the Zengcheng facility (east of Guangzhou), which produces the mainstay Accord sedan, and the Huangpu facility (south east of Guangzhou).

Wednesday 26 May

At the Wuhan facility, which churns out the Civic and other offerings, production came to a standstill, beginning with the night shift. A Honda spokesman said local-government officials in Foshan, where the transmission factory is located, have stepped in to try to broker a resolution.

Thursday 27 May

Production at all four Honda factories in China, including one in the city of Wuhan, is still suspended.

Tuesday 1 June

About 200 trade union officials scuffled with workers who refused to end the strike on Monday and forced them from the factory, but no one was seriously hurt. “They said they would sack anyone who refused to come back to work and that’s how the others were forced

³ One of the best accounts of the organisation of this strike is an article which appeared in *China News Weekly*, a weekly news magazine on mainland China, on 2 June 2010. The translation is available from China Labour News Translations: http://www.clntranslations.org/file_download/115

to return... If they fire me, maybe I'll have to find another job," said a striker. District government officials sent union officials to the plant to ensure production resumed, the official Xinhua news agency reported, citing unnamed government sources. The workers later continued their confrontation further into the factory before returning to their dormitories.

Zeng Qinghong, a member of the National People's Congress and vice chairman of a Honda joint venture partner, Guangzhou Automobile Group, visits the factory to negotiate with the workers on behalf of the company. "If you are Chinese you will definitely not sign – one for all and all for one," a striking Honda employee wrote over a form urging his colleagues to renounce more industrial action.

Reflecting the government's nervousness about the escalating situation, local media outlets have been ordered to rein in coverage. One Chinese journalist who has spent much of the past week camped outside the factory's gates said: "The government has banned us from doing any more reporting on this strike".

Although it is now muted, earlier local media reports about the strike have inspired sympathetic discussions in internet chat rooms and morale-boosting music videos showing protest footage of Honda's uniformed employees.

Wednesday 2 June

Most of the 1,900 workers return to work on receiving an offer of a 24% rise, Honda said. Those who did not agree said another strike was in the offing if the management failed to meet their demands for a better monthly wage increase - of 800 Yuan - an annual pay rise of up to 15 per cent from next year, a rehiring of all workers fired for taking part in the strike and changes to the salary increase mechanism.

About 200 angry workers walked from inside the compound to the factory gate in the morning to tell reporters about being beaten by union officials the day before. Some workers admitted they returned to work partly because of a fear of losing their jobs. The supervisors were doing roll-call every 30 minutes. Whoever was not present would be treated as absent.

But Honda workers said that some employees who had temporarily returned to work on Monday afternoon had gone back on strike on Tuesday. They also reported that scuffles had broken out on Monday between workers and some people aiding the government, after some workers were pressed to end the strike and return to work.

"I heard 100 or so first-shift workers were forced back to work yesterday afternoon, and they stopped after producing 100 units after realizing the pay increase was too low" said a 19-year-old worker. The parts factory reportedly resumed full production on Wednesday but part of the workforce agreed to return only until Friday, when they expect the company to respond to a list of unmet demands.

The agreement

Thursday 3 June

Workers reach a settlement with the company during the night after more than six hours of negotiation. "We just reached an agreement with which both sides were basically satisfied," said a worker representative who took part in the negotiations from 3pm to 9.30pm. "That means we won't go on strike again, at least for a short period."

Honda Motor Co said it will resume car output at four plants in China on Friday but the outlook for next week remains uncertain as some workers at a parts factory have not yet agreed to a full return to work.

"For sure, we will go on strike again if we don't get a satisfying answer," said parts factory worker Li. "The problem for Honda is that the transmission plant is wholly foreign-owned," said Zhang Xin, an analyst with Guotai Junan Securities, referring to the parts factory. "If it

were a JV [joint venture], the Chinese side would have stepped in early on and it wouldn't have gotten as ugly as it is today.”

Friday 4 June

Workers meet with managers, holding talks aimed at avoiding the renewal of a strike. They have threatened to go back on strike if factory management refuses their demands.

Honda had restarted assembly at its four Chinese car plants, with supply of transmissions flowing for the first time in more than a week. Honda said it will be able to produce cars on Friday and Saturday, but that the outlook for next week remains uncertain because not all workers at the parts plant had agreed to a full return to work. They threatened to resume their strike if demands for better pay and union representation were not met by yesterday.

Honda agreed to offer another 134 Yuan a month to its regular workers - on top of a 366 Yuan pay increase promised earlier this week, according to worker in Foshan. In a telephone interview, one of the strikers even declared victory, saying the group had won a 34 per cent pay raise as well as regular cash bonuses and other concessions. That would bring the base pay to more than 2000 Yuan (\$300) a month, well above the minimum wage in the region.

This means regular workers have won a 500 Yuan (\$73.5) wage increase after nearly three weeks of strike action. They had been demanding 800 Yuan extra a month. Bonuses would be paid twice a year - one before the annual National Day holiday and the other by the end of the year, the representative told the South China Morning Post. There was no information about the rehiring of workers sacked for taking part in the strike.

At one point in the afternoon, assembly line workers in the installation division stopped work for about 20 minutes. But they resumed work after management threatened to call off negotiations. The workers' representatives are being advised by prominent academic Chang Kai, the director of the institute of labour relations at Renmin University in Beijing.

Chronology - Next round

Strike in Foshan Fengfu

Monday 7 June

“Further labour disputes will explode sooner or later” explained Dr Chang Kai, director of the Institute of Labour Relations at Renmin University. Some of the Honda workers decided it was going to be sooner.

Wednesday 9 June

A couple of days after the settlement of the first strike another walkout broke out at another factory in Foshan, Foshan Fengfu Autoparts in Chancheng⁴, which is a joint venture between Yutaka Giken, which is 70% owned by Honda, and a Taiwanese company. Some workers started a strike on the first shift on Monday.

The factory makes mufflers and other exhaust parts for Guangqi Honda, a 50-50 joint venture between Honda and Guangzhou Automobile.

This new strike began at 6.50am when about 20 workers tried to rally workmates at the entrance to the 12,000 square metre plant in Chancheng. By noon, more than 215 workers had agreed to go on strike, with the number increasing to more than 250 by night time. The plant has about 460 employees, 300 of them frontline workers. In the end, an agreement is signed between strikers and bosses on the basis of a monthly raise of 366 Yuan for full-time workers. This put monthly wage for new hired workers at 1,910 Yuan.

⁴ Chancheng is one of five county-level cities of Foshan.

Strike at Honda Lock

Wednesday 9 June

In the meantime at Honda Lock, a 22-year-old worker from Hunan province said it was not right that they had been forced to take days off during the strike at Honda Autoparts and now had to work unpaid overtime to make up the lost hours.

“Starting from Saturday, we were called to work extra hours without compensation,” he said. “I work on the morning shift, which starts at 7.30 and finishes at 4.30, but now I’m required to work eight hours more after that without the normal double pay.”

He also said the average salary of workers at the plant was about 1,300 Yuan and it should be increased. The workers also demanded that their union president be replaced, because he is part of the company’s management.

“Workers at Foshan Honda Autoparts earned a salary of about 1,500 Yuan before the strike and we are getting even less than that,” the worker said. “If their strike hadn’t been successful, our workers here probably wouldn’t be as united as we are now.”

Tuesday 10 June

Managers address hundreds of workers using a megaphone, urging them to accept a 100 Yuan increase in their monthly salaries as dozens of police monitor the tense gathering.

Honda advertised on television for replacement workers and hired employment agencies to help find them, a factory recruiter said. Young men and women showing up at the factory gates looking for work said that they had heard about job opportunities through word of mouth or had met factory managers who walked through the nearby shopping mall seeking workers.

Workers chanted at the fence on the factory’s right wing: “Are we settling for 200? No way. 300? No! How about 400? No way ...” A 32-year-old female worker from Hunan said: “We want the same wage level as Nanhai Honda workers. Not a single cent less.”

The combined increase in wages and benefits was considerably less than the near doubling of wages alone that the strikers had sought. Even so, the improved compensation -- wages of \$152 a month and an allowance of \$59 a month -- was enough to make the jobs attractive to replacement workers.

Friday 11 June

Most of the workers, who arrive at the factory this morning planning to continue their strike, are shocked by the management’s “take it or leave it” approach.

A large sign at the factory gates said that last Wednesday to Saturday, the days when the factory was closed because of the strike, would be counted as paid work days. Management also offered double pay for hours worked on Sunday, Monday and Tuesday, as the factory tried to catch up.

In the meantime, Honda Lock’s recruitment advertisements were everywhere on the streets of Xiaolan town, and workers said they had seen a large recruitment sign in front of the factory offering monthly salaries as high as 2000 Yuan. “Even front-line employees with 10 years of experience who work their [backsides] off on the production line can’t even get 2000,” a 33-year-old worker from Guizhou said. “If they could really offer 2000 Yuan, there would be no reason for us to be striking in the first place.”

Honda affirms the dispute had been resolved, but workers contradict that assertion and the situation is further confused by the onset of a four-day public holiday in China. At least 500 angry workers stomp away from the plant and picket in front of the gates, saying the 100 Yuan offer was “an insult”. A chanting but non-violent crowd of workers gathered outside the factory gates and held a short protest march before dissolving into a large group that filled a two-lane road outside the factory. They are met by black-clad police officers with helmets, face masks and small round riot shields. But the workers show no signs of being intimidated. The police march off at midmorning, leaving the workers to block the road into the small industrial park. The workers disperse about an hour after the police left and remain on strike.

Only 50 or so striking workers show up outside the factory after lunch Friday. Managers distribute a new flier urging them to return to work in the afternoon and saying that all would be forgiven if they did.

But the flier contains no new offer on wages, and there is no sign that any employees are going back into the factory. One worker says that the newly chosen factory council is not holding any negotiations because it could be physically dangerous for all of the representatives to gather in one place with management and the authorities.

Production at the two other plants halted on Wednesday and Thursday, due to the strike at Foshan Fengfu Autoparts (supplier of Honda), resumes on the 11th.

Saturday 12 June

On Saturday morning, executives at the factory failed to convince roughly five hundred striking workers to enter the plant to discuss the wage dispute. “If we agree, they will just lock us in,” said Sun Tinghu, one of the hundreds of workers gathered outside Honda Lock. “Managers and supervisors had restarted machines in the empty workshops”, say some workers. “Those couple of managers started machines on their own, pretending production was back on. That’s too funny,” said a worker from Guizhou.

In the afternoon, workers said they had received phone calls from their division leaders at around 2pm, saying management would pay them an extra 100 Yuan bonus per month and asking them to return to work. “We are continuing the strike,” a 22-year-old female worker from Guangxi said. “No way, we won’t go back just for that. We have friends working in other factories in Xiaolan town. As soon as those factories heard about our strike, the workers there immediately received a pay rise of 300 Yuan,”

The standoff in the factory town of Xiaolan appeared calm, but holdout strikers spoke of intimidation by officials, surveillance of phone calls and internet chat rooms, along with a campaign to hire replacements. Police tracked reporters outside the factory and videoed proceedings as workers left the factory at the end of the day. Many seemed nervous and wouldn’t talk, glancing in the direction of police walking alongside and on motorbikes. About 500 workers gathered outside the plant on Saturday morning hoping to hear a new offer from management. “Managers and supervisors had restarted machines in the empty workshops”, say some workers. “Those couple of managers started machines on their own, pretending production was back on. That’s too funny,” said a worker from Guizhou.

Sunday 13 June

The remaining strikers held a small rally outside the factory on Sunday morning but then went home and made no effort to picket the factory as normal operations resumed. “We don’t want to be too extreme, or else the local government will put us in jail”, said one of the strikers in an interview at a nearby budget shopping mall.

Most workers agreed to a temporary truce with management and reported back to work. But rather than accept what was presented as a final management offer at the weekend, consisting of a 20 per cent increase in basic salary and benefits, workers said they would give the

company until Friday 18 June to come up with a better offer. Most of the workers stay outside the plant and refuse to go in. About 100 stay outside the plant in the hour before the day shift began at 8am. Others, responding to incessant persuasion by plant officials, enter the factory but refuse to work.

Many workers showed up at the factory gates, but later left after it became apparent the company would not raise their wages above the 100 Yuan per month that the workers had rejected.

Monday 14 June

More than 100 strikers hold a rally outside the factory on Monday morning, watching silently and despondently as replacement workers and former strikers filed through the factory gates. A factory manager with the voice of an auctioneer counted off the minutes until the morning shift started and exhorted the strikers to return to work, using lines like, “We won’t give your job to the new workers if you come in now.”

Some employees who returned to work after being threatened with the sack engaged in work stoppages, slowdowns and even sabotage. “As far as I’ve learned, no more than 100 workers resumed their work on Monday,” said a female employee at the factory, stressing that the plant’s total workforce is 1,400 on three shifts. The workers who made concessions and went back to work yesterday were earning more because of their higher seniority, says a striker.

Dozens of policemen, both in uniform and plain clothes, are deployed on a street roughly 300 metres long in front of the factory’s front gate, with about 10 police cars parked at both ends of the street to seal it off from traffic. Some members of the factory’s council of workers, chosen by the workers to represent them when the strike began, have gone into hiding, fearing retaliation, while others have returned to work in an effort to continue seeking a better deal.

Tuesday 15 June

The strike seems to be over. The workers now demand a base salary of 1350 Yuan, not the 1600 Yuan they originally pushed for. The next day the plant is closed for the Dragon Boat Festival, a public holiday.

Thursday 17 June

Another Honda supplier, Nihon Plast (Zhongshan⁵) Co, also went on strike in the afternoon. Around 240 welders at Wuhan Auto Parts Alliance walked out around 1 pm demanding an increase in wages and benefits of nearly 800 Yuan per month. They demanded an increase in their basic wage of 300 Yuan a month, an increase in their housing subsidy from 300 Yuan to 500 Yuan a month, and an increase in the nightshift subsidy from seven Yuan to 15 Yuan per shift. They refused to return to work until their demands were met.

The plant of the subsidiary owned 20.6% by Honda Motor Co. supplies auto parts such as steering wheels to vehicle assembly plants of Honda and Nissan Motor Co.

At Honda Lock in Zhongshan, negotiations dragged on between workers and management, with workers vowing to renew their strike if management does not improve on its current offer of a 20 per cent increase in pay and benefits.

Friday 18 June

In Zhongshan (city north of Macao), the management of the Honda Lock factory offered workers a rise of 200 Yuan in pay and 80 Yuan in subsidies late at night, after six hours of negotiations. Management had previously offered a pay rise of 100 Yuan a month in wages and 100 Yuan in bonuses, but most workers rejected the offer as too low.

⁵ Zhongshan is a prefecture-level city of Guangdong in south of Foshan and north of Macau.

Saturday 19 June

Workers at Foshan Honda Lock show up for work apparently ready to accept a new pay deal. “We’re tired of all this tension,” says one young woman who was among hundreds streaming to work at the Honda plant. “We just want to go back to work and see what happens”.

Production resumed late on Friday as negotiations continued, and operations returned to normal on Saturday (19 June).

Strike at Atsumitec

Monday 12 July

A strike has shut down another factory in China that supplies Honda Motor Co. The strike, at Atsumitec Auto Parts in the city’s Nanhai district, began in the afternoon, after management announced changes to workers’ shifts that would cut their overtime hours and increase their workload. The factory supplies “select levers” for changing driving modes of cars with automatic transmissions to Honda assembly plants in China.

Attempts to negotiate with the management failed, triggering the strike just before 4 pm. The strikers demanded that Atsumitec increase their monthly wages to 1,540 Yuan from 900 Yuan.

Eight workers had been chosen to represent 205 staff members in the factory in negotiations with the management. Among those participating in the strike are front-line workers and division heads.

Tuesday 13 July

The company refuses to provide lunch to the Atsumitec strikers, making them angrier!

Wednesday 14 July

The factory’s management threatens to fire 90 front-line workers if they don’t return to work. “All of us have reached a consensus that if the company sacks any one of us, we will all walk out and quit immediately. We will also seek legal means to protect our rights.”

Thursday 15 July

The first talks between the two sides are held on Thursday but fail to reach any agreement. Among their demands, the workers are asking for Japanese management to apologise to Chinese workers for its conduct during the standoff, and to promise not to lay off any employees for the next two years.

Friday 16 July

On Friday morning, roughly half of the 200-person workforce is milling about the grounds of the plant.

Three police cars are parked outside the plant at a distance monitoring the workers, but there are no conflicts.

The talk between the management and 16 representatives of the striking workers start at about 2 p.m. but end fruitlessly about 20 minutes later, said a worker who was present at the negotiation. The management publishes a solution package at about 6 p.m. but workers say although it agreed to raise workers’ wages, the increase doesn’t meet their expectations. The strike goes on.

Tuesday 20 July

Strikers post an announcement signed by 150 of the Atsumitec Auto Parts (Foshan)’s 200 workers at 9 am., demanding that management fire some staff members and agree to a wage raise of 500 Yuan.

Shortly afterwards, management also issues a public notice, declaring it will fire some of the strikers.

Striking workers were infuriated when the plant hired nearly 100 replacement workers on Saturday 17th to resume production, labour representatives told Xinhua. More than 50 striking workers came back to their posts in the workshop on Monday afternoon but refused to work. The remaining strikers were also involved in sit-ins in the workshop and strikers prevented replacement employees from working.

Thursday 22 July

The strike ended after ten days with an increase of 45% in monthly salary (from 900 to 1,420 Yuan) as a result.

Contagious strikes

“My employees have shown me news reports about the strikes and have told me, jokingly but time and again, that they also want a pay rise,” said Angel Lee, a Shenzhen sales manager for a Hong Kong-based company. “It may be just kite-flying so far, but I’m worried they will soon hand in an official request.” Tang Jie, a senior public relations manager with the same company, said her babysitter had been asking about a pay rise.

Progressively strikes began in the Pearl River Area, then spread to other regions of China.

Below is an incomplete list of strikes and of their conclusion that broke out during spring and summer 2010 in China.

Start Date	Place	Manufacturer	Owner Country	Production	Demands	Strikers	End date	Status
08/06/10	Chancheng	Foshan Fengfu Autoparts	JA	Exhaust systems for one of Honda Motor’s China joint ventures	Against overtime Wages raise	250/460		
16/06/10	Zhongshan	Nihon plast	JA	Steering wheels for Honda and Nissan	Wages and benefits	400/600		
16/06/10	Wuhan	Auto Parts Alliance	CH	Car bodies, parts for Honda	Wages and benefits	250		
12/07/10	Foshan (Nanhai district)	Atsumitec Auto Parts	JA/CH	Select levers for automatic transmissions for Honda	Wages	205		
31/05/10	Beijing	?	SK/CH	Auto parts for Hyundai	Wages	1,000	02/06/10	W
15/06/10	Tianjin	Tianjin Star Light Rubber and Plastic	CH	Plastic components for Toyota	Wages	600/800		
17/06/10	Tianjin	Toyota Gosei Co	JA	Handles, air bags and instrument	Wages		19/06/10	W*

Start Date	Place	Manufacturer	Owner Country	Production	Demands	Strikers	End date	Status
				panels for Toyota				
19/06/10	Guangzhou (Nansha District)	Denso	JA/CH	Injection equipment for Toyota and Honda	Wages	300/1,100	25/06/10	W**
	Suzhou	Suzhou NSG Electronics	JA		Wages Safety			
	Suzhou	Suzhou EUP Electrical			Wages pension			
11/06/10	Shanghai	Chimei Innolux		LCD panel maker	Job adjustments		11/06/10	NW
24/06/10	Chongqing	Carlsberg	DA	Brewery	Wages	500		
09/06/10	Shanghai	TPO Displays	TW	LCD screens for mobile phones and in-car GPS devices	Redundancies	600/2,000	11/06/10	NW
03/06/10	Xi'an	Brother Sewing Machine	JA	Sewing Machines	Wages	900	10/06/10	NW
06/06/10	Shenzhen	Meilu electronic	TW	Cell phones parts	Overtime Wages	1,000/7,000	07/06/10	W*
30/06/10	Tianjin	Mitsumi Electric Co. Ltd	JA	electronic components and computer parts	Wages Health	500/3,300	03/07/10	W
23/06/10	Guangzhou	NHK-UNI Spring	JA/TW	Suspension springs and stabilisers for Honda, Nissan and Toyota			25/06/10	
08/06/10	Shanghai	KOK International	TW					*
30/05/10	Shanghai	Sharp Corp.	JA	White appliances			30/05/10	
	Shenyang	KFC	US	Fast food	Wages	2,000		W
		Pingmian Textile Group	CH	Textile	Wages		+ 2 weeks	W
23/06/10	Zhongshan	Ingersoll Rand	US	Air conditioning systems	Wages		26/06/10	

Status: W = workers win concessions, NW = they don't

*confrontation with police surrounding factory

** CPC representative involved in negotiations

Foxconn

During the Honda strike there was the Foxconn affair. A total of 13 workers committed suicide, with 10 deaths at the company's base in Longhua, Shenzhen (southern China), this year. It is probably the biggest factory in the world, with between 300,000 and 450,000 workers employed in its Shenzhen compound. Foxconn, which makes electronic gadgets such as iPhones and PlayStation consoles, is China's largest employer with a headcount of 800,000, and has been the country's largest exporter every year since 2003. Their shop floors are modern, clean and well lit, they point out. Recreational facilities are "first-rate" - Gou, the CEO, proudly showed reporters his factory's Olympic-sized swimming pool.

However, it is the repetitive, tedious nature of assembly-line work that haunts the workers, who are further exhausted by constant overtime and night shifts.

Employees were asked to sign a pledge not to kill themselves (later retracted) and safety nets outside dormitories were erected to prevent suicide jumpers.

The company reportedly provides more than 10 billion Yuan (\$1.46 billion) in taxes annually to the city's coffers.

Entry-level line workers at Foxconn's factory earned just over the province's 900 Yuan (\$131.80) per month minimum wage, before overtime and bonuses, according to a production supervisor.

Foxconn is revamping the pay structure at its main production base in southern China in a move that could up-end the cost structure of global electronics production. Following a 30 per cent wage increase from July 1, the group said workers who reach certain performance standards would now also get an additional 66 per cent pay rise from October 1.

"First, a pay raise will give our workers more leisure time," said Arthur Huang, a Foxconn spokesman, meaning that the workers would need to work less overtime. "Second, such a huge pay raise will attract more qualified workers." The latest increase would more than double the basic pay of assembly line workers in Shenzhen and bring it to a level they currently only reach by working 12-hour shifts six days a week.

Foxconn said the three-month evaluation period will be aimed at keeping workers from job-hopping. Combined with the pay rise, it is meant to change Foxconn from a high-pressure, low-loyalty employer into one seen as more attractive to workers.

But, there is little evidence that Foxconn's militaristic management style is easing up. "We are working about ten hours a day now, a bit less than before, but the pressure to work as quickly as possible is still the same," a production line worker who had been at Foxconn for two years said. To resolve the "living problem" of its workers Foxconn announced on June 25 that it was essentially outsourcing the living arrangements, handing over 153 dormitories that house half of its employees in Shenzhen to two Chinese real estate companies.

The company said that it had decided to give up its "college campus style" dormitory system in Shenzhen. This decision is a sharp turnabout for Foxconn, which five years ago opened a huge campus in Shenzhen with high-rise dormitories, restaurants, banks and recreational facilities.

Foxconn is also preparing to shift part of its production from Shenzhen to north and central China, amid a greater willingness from Apple, Foxconn's biggest customer, to work with factories away from its long-time Chinese hub.

Most workers interviewed said they would be happy to relocate, particularly if it meant working closer to home. "I'm from Zhejiang," explained Zhang, a 25-year-old university graduate, "there is nothing for me in Sichuan; I'd prefer to go back home and get a job there. The economy in Zhejiang is not too bad these days."

A manager who had been at Foxconn for nearly ten years explained; "for most of the young production line workers here, being in a big city like Shenzhen is of little consequence because they can't earn enough to take advantage of what the city has to offer. Life here is basically no different for them than life inland."

Many skilled workers, on the other hand, are electing to stay in Shenzhen, and are looking for openings at rival electronics companies such as Huawei, located literally just across the road from Foxconn.

"Many of my colleagues have already moved to Huawei," Zhang said. "Pay and conditions are about the same. There is still a lot of pressure to perform your work on time, maybe even more. But they want to get ahead and earn money, so Shenzhen, for them, is still the best place to be."

Foxconn doubled the basic wage paid to its Shenzhen production line workers in a series of increases, the final and largest increase going into effect on 1 October, bringing the basic monthly wage to 2000 Yuan. While increasing wages in its Shenzhen facility, Foxconn is transferring the bulk of its production inland to new and upgraded facilities in Henan, Sichuan etc., where wage levels will be significantly lower. Managers say the workforce in Shenzhen will eventually be reduced to around 100,000, mainly managers, technicians and development staff rather than production-line workers.

Fighting back or not fighting back?

"Why did workers at these two factories respond so differently to essentially the same problem?" asked Geoffrey Crothall of China Labour Bulletin. "Young migrant workers at both Honda and Foxconn have faced the same problems - being underpaid, poor working conditions and being stuck in dead-end jobs," a 19-year-old intern at the Honda factory said. "But I never thought of resorting to such a stupid way [committing suicide] to solve problems. It's not worth workers sacrificing their lives in exchange for a pay rise."

"Unlike Foxconn, neither our section heads nor the Japanese management ever swear at us," a worker in the Honda Auto Parts foundry said. "We're only criticised if we make serious mistakes. I've heard that workers at Foxconn are not allowed to talk at work and can be fined for making mistakes. That would never happen to us because Honda has no such punishment system."

"We were all outstanding classmates in our technical school because teachers only recommend good students to big companies like Honda or Foxconn," the foundry worker said. "But at Honda, we enjoy more freedom than workers at Foxconn."

One of the most obvious differences to note is the size of the factories concerned. Honda's automotive components factory in Foshan has just under 2000 workers, while there are a reported 300,000 to 450,000 employed at Foxconn in Shenzhen. Clearly, it is much easier to organise a few thousand workers than a few hundred thousand. Indeed, the vast majority of the strikes on the mainland involve less than 3000 workers.

But it is not just the scale of Foxconn's plant in Shenzhen that stymies a collective response to workers' grievances. Foxconn actively discourages social interaction among its

workers and strives to ensure that they focus on work and nothing but work throughout their 12-hour shift. The only person they are allowed to talk to on the factory floor is their supervisor, and that conversation is always one way. Moreover, management is now encouraging workers to spy on one another and report any individuals who are behaving strangely or who exhibit suicidal tendencies. “Taiwanese companies like Foxconn still implement the semi-militarised management they learned from Japan in the 1950s and 1960s,” explains an analyst.

At Honda, by contrast, there is a much more fraternal atmosphere. Many of the employees were recruited from the same vocational school, they live away from the factory and have time to relax and socialise with one another after work.

Thanks to Honda’s 300 Yuan lodging allowance, young workers are able to move out of company dormitories, where four to six young people share rooms of 10 square metres crowded with bunk beds, when they finish their internships. This helps keep strong ties between workers who get to know each other and also helped them organise the strike.

For example, a foundry worker and two other 21-year-olds share a 100 square metre apartment with three bedrooms on the seventh floor of an old building without lifts in Songgang Township. Their apartment is just 50 metres from the Honda workers’ dormitory - an old hostel built in the early 1980s - and they can take a shuttle bus to the Honda factory in an industrial zone 20 kilometres away, saving on transport costs.

A Chinese worker is something to be

Crisis consequences

In 1981 the permanent workers employed in state-owned enterprises accounted for 42% of the entire industrial workforce and produced 75% of total industrial output. Their employment conditions epitomised all that was supposed to be superior about “socialism”: cradle to grave welfare, permanent job tenure, subsidized housing, life-long medical and pension benefits, and guaranteed, superior wages. The precipitous decline of their position in the reorganised Chinese economy is illustrated by the rampant problem of wage non-payment, stagnation of wage rates, and spells of high unemployment during a period of sustained aggregate economic growth.

Chinese workers collectively tightened their belts in 2008, when the initial shock of the global financial crisis forced many factories out of business – sending back home tens of millions of migrant workers – and led many others to accept cut wages. But the massive economic stimulus put in place by the state has put new life into the economy. The huge investments in second and third tier cities have offered jobs to migrants far closer to their hometowns, restricting the flux of variable capital to the export-oriented factories of the coast. Multinationals and Chinese exporters have responded by moving production and sourcing to inland regions, where wages are lower, or by hiring students and migrants from remote regions through schools or government agencies.

Wages

Wages have been rising steadily in China for decades. The Economist Intelligence Unit estimates that average labour costs per hour – wages and benefits – were \$1.93 in 2009, up from 77 cents an hour in 2003 and 35 cents an hour in 1995. Cai Fang, an official at the Chinese Academy of Social Sciences, said in June that wages for migrant workers shot up 19% in 2008 and 16% in 2009.

Between 2001, the year China joined the WTO, and 2008, the most recent data available, average manufacturing wages on the mainland rose by 148% to more than 24,000

Yuan per year. But total exports rose by 436% during the same period, according to figures from database provider CEIC. To put that another way, manufacturing wages fell from 3.65% of the value of exports in 1990 to 1.4% by 2000, and stood at 0.81 per cent in 2008.

Foreign-invested enterprises (FIEs) used to pay better than state-owned enterprises (SOEs), but with the restructuring and upgrading of many SOEs (and elimination of the less efficient ones) these now offer vastly improved working conditions that are comparable to those offered by the FIEs.

To attract enough migrant workers, Guangzhou had to raise its statutory minimum salary to 1100 Yuan.

Y/y growth	2001	2002	2003	2004	2005	2006	2007	2008	2009
Average industrial wage	12%	13	14	13	13	15	16	16	12
Labour productivity	12%	10	15	10	8	9	10	10	7
Unit labour cost	3%	4	0	2	3	4	5	5	4

Source CEIC UBS estimates

More cities raised their minimum wages in July in the wake of the rising tide of strikes: Shenzhen 1,100 Yuan, Beijing 960 Yuan, Changsha 850 Yuan and Xi'an 760.

So far, 13 provinces and regions have announced an increase in their minimum wage levels in 2010—the first in more than two years. Some provinces, such as Anhui, Henan and Guizhou, have stuck to their minimum levels since October 2007. The first province to increase the minimum wages was Jiangsu, which raised them by about 13% in February—the first increase since 2007.

Various cities announced that minimum wages would be raised by about 20% from July 1 2010. This is a lot, but minimum wages were frozen in 2009 across the country, including in Shenzhen. Minimum wage increases in Shenzhen have averaged about 13% per annum between 2004 and 2008. The average wage increase in 2010 could be about 15% nation-wide. China's wage data is notoriously deficient.

The base wage, that represents only half of the total pay will increase by 30%. Thus, the rise in labour cost per worker could be more like 15-20%, rather than 30%. Double-digit wage increases are not unusual – the manufacturing sector wage rose by an average of 14.5% per annum between 2004 and 2008, and 13% in the five years before. China's nominal GDP growth averaged 16% between 2004 and 2009, and 12% in the five years prior.

The Ministry of labour has said it expects doubling of labour incomes in the next five years, which implies a 15% annual average wage increase.

	Average growth 2000-2004	Average growth 2004-2009
Shenzhen minimum wage	2.5%	10%
Shenzhen average wage	8.5%	8.5%
Average migrant wage	7.5%	12.5%

Source CEIC UBS estimates

	Average growth 2000-2004	Average growth 2004-2009
Average industrial wage	12.5%	14.5%
SOE average wage	15%	16.5%
Normal GDP	12.5%	15.5%

Source CEIC UBS estimates

Tan Zhiqing and Xiao Lang, the fired strike leaders from the Honda factory in Nanhai, suggested that the trainee system is a deliberate way to allow factories to pay workers less than the minimum wage. In some cases, trainees, 30% of the workforce at the Honda gearbox factory are paid 20% below the minimum wage set by the city of Foshan for qualified workers, which are 920 Yuan (\$135) a month.

The trainee system arose to feed demand for qualified workers in regions of heavy foreign investment that sometimes lacked educational infrastructure. The schools are supported by local governments, which set them up as part of a package to lure large foreign employers. In some cases, the schools are partially funded by foreign multinationals, which provide expensive equipment, course materials and even trainers to ensure that the schools churn out graduates with specific skills who can easily be slotted into production lines.

The schools often become integrated into factory operations as, in effect, apprenticeship programs. Some students spend their final year on the factory floor, doing a full-time job but being paid as an intern.

Internal migration in China

The migrants from the countryside are the main source of the workforce for the modern factories and construction sites all around China. Of China's 1.3 billion inhabitants, less than half live in cities, migrants included. The exact number of migrants in towns is unclear – it varies in sources between 100 and 200 millions of people. (It should be close to 250 million migrants in 2025)

The living and working condition of rural migrants in the cities are worse than those of the old urban proletariat. Their wages are lower and often go unpaid. Despite this fact the flow of people from the countryside into the cities is continuous because for many people from the rural areas it is still the only way to obtain the means of life. On the other hand many of them do not sever ties with the villages and they regularly return there.

The movement of the people throughout China is not unrestricted but is based on the so-called “hukou” system. It is the main tool of social control and regulation of migration in

China's society, which has its roots in imperial China. The system requires each person to be registered by the hukou authority (police) from birth. The hukou system is something similar to the former Soviet Union *propiska* or the pass laws in South Africa under apartheid. When somebody wants to move from one place to another, they need permission from the authorities. Migrants have a duty to register themselves with the police for a stay longer than three days in a locality. For longer than one month's stay one must get a temporary residential permit from the authorities.

Since the mid-1990s the hukou system was slightly moderated in the sense that workers from the countryside can buy temporary residence permits in the cities. After 2008 many cities adopted the policy that when someone from the countryside buys a flat in an urban area they can obtain a local hukou. So, this state permission openly turned into a commodity, which provides profit first of all for the local authorities connected with business. Not surprisingly, this move in public policy towards "equal civil rights" and "freedom of internal migration" was strongly supported by developers and other property companies.

But many migrants in cities are still not officially registered. Violators can be subject to fines, detention, forced repatriation or even jail. But many cities, including Beijing, no longer enforce these repressive measures so strictly. But "this is at best a moderation, not an elimination, of a much-cursed enforcement mechanism of the hukou system".

In the last decade the control and responsibility for the system was switched from the central to the local authorities. With the help of this system it is still possible for the state to treat migrants from the countryside as second-class citizens. It also has real material impact. Generally, only urban hukou holders in the cities enjoy important state subsidies in housing, healthcare, employment and education.⁶

The hukou system makes available a steady supply of cheap and controlled labourers who are largely excluded from the benefits enjoyed by urban residents, and secures a population that is easily exploited and can be discarded when necessary as in periods of economic contraction. In the wake of the 2008–9 economic downturn, for example, some 27 million migrant workers not only lost their jobs but were sent back to their villages to live on their small family plots of land.

The reform of the hukou system after 2005 abolished the duality of rural-urban hukou and changed it into permanent versus temporary residential permit. But in fact, for many former inhabitants from the countryside it was a worsening of their situation. The elimination of the "agricultural" hukou meant that in particular many villagers near cities lost their rights to use land. The land was then sold with big profits for local officials and developers. The material consequence of this reform of the hukou system was increased proletarianisation of the peasants and increasing numbers of these people with the "three-no" – no land, no jobs, and no social welfare. According to estimates, such "three-no" former peasants may have totalled as many as 40 million by the end of 2005. Many peasants resisted this process and it was basis of many struggles in countryside in the last three years.

The low wages of the migrants were up until now the basic precondition for the expansion of capital accumulation in China. But the new generation of young migrant workers already do not want to live like their parents. They can very easily make use of computer technologies, are better educated, know foreign languages and do not want to spend the rest of their lives between the walls of factories and dormitories.

⁶ Some big cities have already tried to further relax the *hukou* system. For example Chongqing, the main city in the south-western mainland (33 million inhabitants), decided to turn its 10 million rural dwellers into urban citizens before 2030. The main condition is to work in the city for at least five consecutive years and to pay some taxes. (*China Daily*, 28 August 2010)

A labour shortage?

That the labour supply is running dry might seem strange in a country of 1.3 billion people. But the trend's been discernible for a while, as the effects of an aging population and China's one-child policy kick in. In the past 10 years, the population of 20-to-39-year-olds - from which most manufacturing labour is drawn - has fallen 22%, according to Merrill Lynch.

The recovery in overseas demand for Chinese exports has exposed a growing shortage of migrant labourers available to work in coastal factories. Although China is not running short of workers (unemployment still remains a huge problem in the countryside) it is running short of workers in the 15-30 age group, who are prepared to leave their villages across central China and move to the coastal cities. Indeed, the labour shortfall in Guangdong province alone was unofficially estimated at 900,000 workers early in 2010, according to the provincial government.

The other cause of the shortage is the infrastructure development plan put in place for the regions of the interior. This allows workers to remain inland, where the construction sites are often closer to home and wages stretch further because of lower living and travel costs. In order to combat these labour shortages - which first became apparent in 2004 but briefly disappeared in late 2008 and early 2009 owing to the slump in global demand - a number of provinces have increased their minimum wages.

Rises in wages that could favour a new stage of development for the Chinese economy

The recent pressures on the labour market are mostly business cycle related. Demand for labour collapsed following the financial crisis, especially in the export-oriented Pearl River Delta (PRD), and then rebounded. At the beginning of 2009, migrant workers were encouraged to go back to their own provinces to seek jobs there - the government adopted initiatives including more investment in inland regions and training programs for migrant workers to keep the labour at home.

These initiatives have apparently had some success - this year's annual survey on migrant labour showed that the share of migrant labour willing to move out again to the East coast dropped by about 6 percentage points compared to the previous year, citing rising living costs in the East and better opportunities at home. It led to a drop in migrant worker supply to the coastal region.

At the same time, the strong recovery in orders (including export orders) led to a rebound in demand for labour, especially in the PRD. While the gap between wage increases expected by workers (14%) and planned by employers (9%) was obvious in early 2010, local governments were slow in adjusting minimum wages, and some businesses were also slow to respond to the shift in labour demand-supply balance in the business cycle.

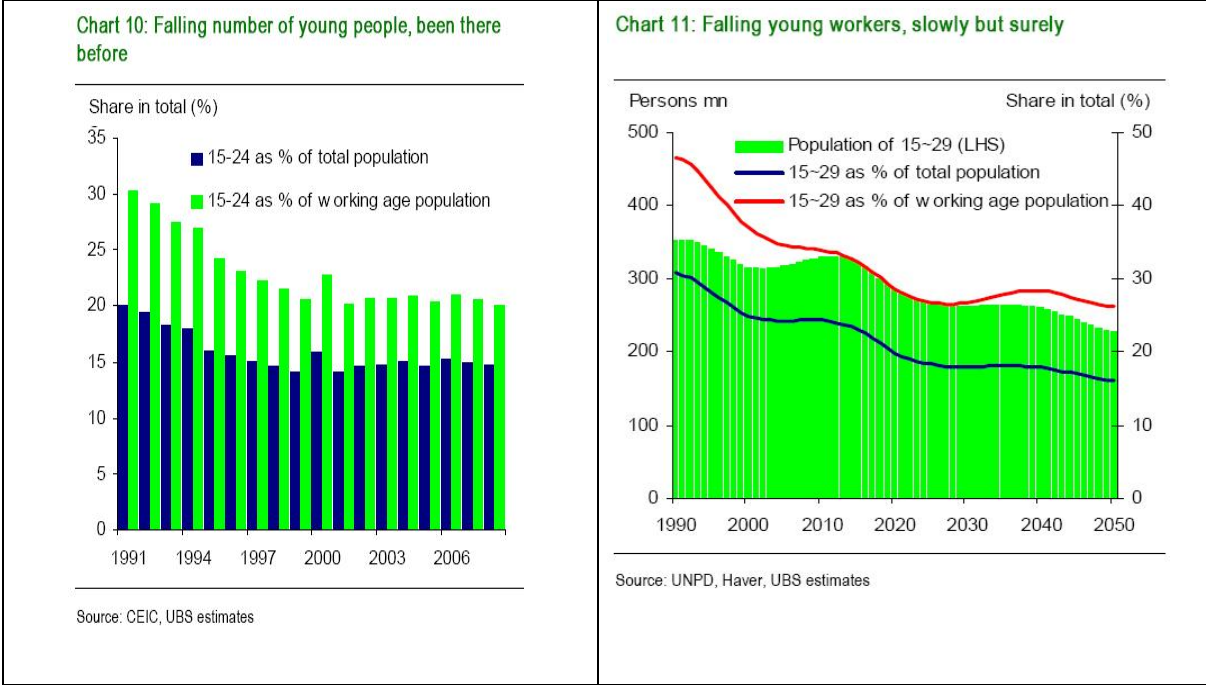
In the short run, if wage increase is 15-20% across the board, real wage growth could well be higher than productivity gains. For those sectors that by and large compete on price (such as the export sector), profit margins will be squeezed, especially when global demand is not very strong. The impact of the latest wage increase on profit margins will dominate the impact on inflation.

Companies will have to adjust. Some of the margin gains in the past 12 months may be reversed. However, UBS tech analysts Edward Yen and Arthur Hsieh also believe that lower labour turnover and better efficiency will result from the latest wage increases to help offset some of the negative effect.

For the economy as a whole, wage increases have their benefits. They will help to increase overall household income and boost consumption, very much in line with the

objective of rebalancing the domestic economy. But the imbalance in the labour market is certainly favourable to the poorest sections of the working class who want to improve their situation.

Demography matters, the reducing of the reserve army



A report released by China’s population planning commission on 26 June 2010 estimated the number of Chinese migrant workers at 211 million in 2009, and said the number could increase to 350 million by 2050.

Many studies demonstrate falling numbers of young workers now and in the years ahead, both in absolute terms and as a share of total population. But China experienced a similar fall throughout the 1990s, without any labour shortages or related inflationary pressure. Indeed, the main challenge for the state in the 1990s was to provide enough jobs to keep up with the growth of the labour force while dealing with the underemployed or laid off workers of the SOEs.

The working age population is expected to peak between 2010 and 2020, and the size of the young labour force (age 15-34) will peak earlier and drop much faster thereafter. As the economy continues to grow, surplus labour will decline, even accounting for rural labour that can be transferred to the non-farming sector. Inevitably, the structural shift in demographics will lead to structural wage pressure as well, which in turn, would help push up medium term inflation or currency appreciation. As that happens, certain relatively low end activities will become not competitive, and may indeed reallocate to where labour is cheaper, and China will need to upgrade its labour force to ensure they can be deployed in the higher value-added sectors.

High housing prices in China’s major eastern cities also discourage potential migrants from moving without the promise of adequate reward. Labour shortages will be more easily addressed if China relaxes its policies on internal migration. The current hukou system discriminates against workers moving from rural to urban areas (although not as much as it did in the 1990s). Steps to provide more affordable urban housing would also help cities

attract more workers. Hence the current policy promulgated by the authorities of mass construction of affordable rents housings on the outskirts of large cities.

Differences in regional development and incomes are wide. This implies a differentiated labour market with imperfect mobility. The disappearance of the labour surplus has already begun in coastal areas where the modern urban sector is most developed. This tendency could rapidly generalise.

The second generation

Tan Zhiqing, 24-year-old worker from Hunan province, one of the strike leaders, said workers took action because they couldn't support themselves on Honda's basic pay. "We needed to pay rent, eat and take care of other expenses" Mr Tan was fired along with another strike leader on May 22 for violating the plant's in-house work and contract rules. "I am in Guangzhou now. I don't want to work in a factory any more. I plan to go home. I hope the government and companies will pay more attention to rank and file workers."

Behind the strike is a growing impatience by workers with the state-backed union, and shifting demographics may eventually give them more leverage than their parents ever had. Similar walk-outs in Yunnan, Henan, Gansu, Shandong and Jiangsu provinces in the following few weeks seemed to bear out the view that workers - particularly the new generation of migrant labourers - are becoming more confident about their bargaining power.

No reliable figures exist on the number of walk-outs each year by Chinese workers, and many disputes are very short and go unreported. But anecdotal evidence suggests the Honda clash reflects a larger trend, in which the balance of power may be shifting toward workers.

The number of Chinese between the ages of 15 and 24 has hovered around 200 million to 225 million for the last 20 years. That number is likely to fall by one-third during the next 12 years, giving more bargaining power to the young people pouring into the workforce.

Labour shortages suggest migrant labourers are now "pickier about their wages, benefits, social status and working conditions". Compared with Japan and the U.S., where auto-plant workers tend to have only a high-school education or less, Honda's workers are well educated, with as many as two years of post-high-school technical education.

About 600 of Honda's 1,900 workers at the auto parts plant in Foshan, were "student interns" contracted out by their schools for between 6 and 18 months of full-time work on the factory floor. As its regular workers went on strike, the interns were asked to sign a pledge not "to lead, organise or participate in" any strike.

While not involved in the strike, such workers were supportive of their older colleagues' industrial action and refused to sign the "promise note".

While China's first generation of migrant workers may have been poorly-educated peasants, used to a life of back-breaking labour on the farm, the new generation often has no land and no farming experience to fall back on. When their parents' generation migrated, they knew nothing about factories but for the second generation, it's different. Some were born in the cities, although they are still registered as rural. Some strive to become urban citizens." They have no other life outside the factory, so they have to make the factory work for them.

Students graduating from universities are also expecting more. A survey of 220,000 final-year students released by Mycos Corporation in June shows even those graduating from run-of-the-mill institutions are expecting monthly salaries of close to 2000 Yuan - 40 per cent more than last year's graduates expected.

At the Honda Lock plant in Xiaolan, most of the workers have returned to their posts. Wei wasn't among them, "After working three years, I've only saved several thousand Yuan. What's the point?" he said. "We have no future, no plans, and no answers."

China, the biggest car factory and car market in the world

The strike came as a particularly big shock to Honda, which had announced just days before the walkout that it would increase production in China to meet booming demand. Honda's president, Takanobu Ito, said they would begin major expansions at two joint ventures in China, Guangqi Honda and Dongfeng Honda, increasing capacity by 30 per cent to 830,000 cars and minivans by 2012. Honda, which began manufacturing motorcycles with its Chinese partners in 1982, now has 15 joint-ventures and subsidiaries in China, employing 24,000 workers. For Honda, the promise of access to a huge, growing market in China was as much a factor luring it to produce in the country, as was cheaper labour. A 25 per cent import tariff on foreign cars is also a major incentive for foreign automakers to produce in China. More quickly than any other major Japanese car maker, Honda has started exporting cars made in China to third countries, with a small plant in Guangdong making its Jazz model for export.

In April alone, Honda made 58,814 cars in China, a 28.7% increase on the same month the previous year and a monthly record.

The surge was seen at other carmakers: five out of six Japanese car manufacturers with factories in China broke production records in April. Until it was overtaken by China in 2009, Japan was the world's biggest car producer. In fiscal 2009 to March 31 this year, Toyota sales in China rose 34.6% from a year earlier to 759,000 vehicles.

"The wave of motorization in China will not abate for the foreseeable future," said Mr Ito. Despite the consequences for production costs, a rise in wages and standards of living in China is welcome news for many Japanese exporters, that is to say Japanese companies producing in China for export abroad. The same companies that produce in China have also scrambled to sell their wares there, moving factories to the mainland to drive costs down further and meet the needs of local customers. Central to the Fordist model, as much as high productivity, a high income to increase the possibility for car workers to buy some of the cars they produce. "Ultimately when automobile blue-collar workers can buy the cars they produce, we will have a sustainable economic development model in China where both exports and domestic consumption contribute to growth," said Lee Chang-hee of the ILO.

"Japanese manufacturers need to raise morale by making sure that local staff can also climb within the company," said Tatsuo Matsumoto, Asia researcher at the Japan Center for International Finance. Guangqi Honda will introduce a compact car designed especially for the Chinese market that will be produced there in 2011.

In China, automakers like Honda also have more flexibility in organising production-line operations, especially in contrast to the US, because there is less job demarcation. According to a senior Honda executive, such conditions have allowed Honda to boost efficiency in a way that produced cars of equal or higher quality compared with those produced in Japan. The quality of Honda Jazz subcompact cars produced in Guangzhou for export to Europe, the executive said, is "at least on par with that of the same car manufactured in Japan, if not better in some cases."

The strike has exposed unexpected vulnerabilities in Honda's China supply chain. Because of the relative absence of labour unrest in China, Honda makes do with only one source of transmission there, the Foshan factory that supplies roughly 80% of demand. The rest are brought in from Japan. Typically, Honda insists on at least two suppliers of parts, partly to protect against any industrial action.

“Generally, working conditions at car assembly plants are much better than in other industries, whether we’re talking about wages or general treatment,” said Wen Xiaoyi, a researcher at the China Institute of Industrial Relations in Beijing. “But conditions at parts suppliers tend to be worse. The reason is car assembly requires mostly skilled workers with some specialised training, but car parts manufacturing is less sophisticated, so workers are less educated and their pay is lower.”

To get skilled and motivated workers, auto companies are paying more than the average industrial company. IHS Global Insight estimates labour cost for autoworkers in China is US\$4.02/hour, roughly 60% more than the national manufacturing worker average.

Class struggle in China

Strikes everywhere

If the police did not repress the Honda strikers openly, this does not necessarily mean a new era for workers fighting for their wages or working conditions.

Statistics are hard to come by, but labour lawyers and court reports indicate that the number of employment disputes has soared, with sacked workers increasingly claiming back overtime.

More than 20 women workers were detained after police attempted to break up a two-week-long strike at a former state-owned cotton mill in Pingdingshan, Henan. The workers were accused of “disrupting production” according to reports circulating on the Chinese internet. Up to 3000 police moved in to clear the factory gate on 1 June, which had been blocked by striking workers since 14 May. The strikers had four basic demands: that employees get a fair share of the proceeds from the restructuring of the enterprise and the sale of assets; that holiday pay and bonuses conform with the provisions of the Labour Law; that wages (especially for front line workers) be increased and that workers get paid annual leave; and that elderly and infirm workers be allowed to retire early on a basic subsistence allowance.

Typically both the company and the government, even if they are much more careful in dealing with strikers (or workers fighting in some other way), still deal harshly with the leaders to put down any sort of movement toward autonomous labour activities. In many cases, if they are fighting quasi-slavery or against foreign, especially Japanese, companies, workers receive some kind of sympathy from the media and even from local authorities, at least at the beginning of the dispute.

Trying to organise

In the post-Tiananmen decade, several underground unions and initiatives surfaced, building in part on a strategy of maintaining international connections and communication: the Free Trade Unions of China, the League for the Protection of the Rights of Working People, the Hired-hands Workers’ Federation, China Development Union, among others.

Although workers are represented among the core members of these groups, dissident intellectuals, mainly students and university lecturers, account for the majority of organisers. Many of them had participated in the 1979 Democracy Wall Movement and the 1989 Movement, and shared the goal of incorporating an independent union movement into a broad-based political opposition to the CCP regime in terms of human rights concerns.

There have been reports of underground networks of labour activists working as “consultants” to protesting workers, in some cases succeeding in delaying factory closures imposed by local governments. During the course of the Liaoyang and Daqing protests (both

in 2002), workers formed their own temporary unions to represent their interests. But to date all these efforts have proved to be ephemeral.

Remember Tiananmen

Chinese labour was not always a docile subject of state power. Thus, post-1949 workers organised the strike wave of 1956–57, factional strife and protests during the Cultural Revolution in 1966–67, and participated in the 1976 April Fifth Movement.

Seizing the opportunity of the Hundred Flowers Campaign introduced in the winter of 1956, when Mao encouraged dissent from below to pre-empt larger scale revolts similar to the Hungarian ones, workers displaced by the socialization of industries staged more than 1300 strikes in Shanghai alone between the months of March and June in 1957.

With the most fervent participation by apprentices and temporary workers and those in joint-ownership enterprises, striking workers demanded higher wages, better welfare, permanent worker status and guaranteed promotion. The Cultural Revolution a decade later offered another political opportunity for labour struggles. But labour conflicts during this period were also structured by deep-rooted occupational grievances and inequalities, with apprentices, the unskilled, irregular workers and younger workers figuring most prominently in making economic demands and joining rebel factions across the country.

Then, in the spring of 1976, mass demonstrations and riots with a strong contingent of worker participation broke out in more than 40 places across the country. The backbone of this uprising was made up of young workers, who had been the basis of mobilisation during the Cultural Revolution but had been stigmatised for their bourgeois leanings. They used the occasion of commemorating the late Premier Zhou En Lai's death to express their dissatisfaction with the Cultural Revolution in the factories, as well as the political persecutions and the injustices they suffered.

Although occasions arose when economic grievances evolved into a political critique of regime legitimacy, the demands workers made were predominantly material ones. One enduring feature of protests has been their local scope. Under the regime of Deng Xiaoping, the first wave of strikes emerged in the autumn of 1980. The ascendance of the Polish Solidarity Movement emboldened Chinese workers, already dissatisfied with years of wage stagnation and inadequate housing, to take action.

Some 20 to 30 strikes reportedly occurred in the last quarter of 1980 in the central Chinese industrial cities of Wuhan and Taiyuan. Other strikes were reported in 1980–81 in Shanghai, Tianjin, Kunming, Manchuria, and cities in Hubei and Shanxi, involving coal miners, steel workers, tool-and-die workers, workers in machinery and electronics factories.

One noteworthy incident at the Taiyuan steel mill in December 1980 was sparked by demands for better housing, rights to family reunion for workers living apart from spouses and election of worker representatives to sit on management committees. Demands turned more political as more steel workers joined in. The local press reported that, a “‘minority of workers’ . . . labelling themselves ‘the poorest workers in the world,’ called for ‘breaking down the rusted door of socialism,’ the right to decide their own fate, the end to dictatorship, and the overthrow of the system of political bureaucracy.”

Poland's Solidarity union seemed to have the greatest impact on Shanghai where the call for independent unions was a recurrent theme in a number of go-slow and strike incidents in 1981. When such demands proliferated across the country, coming from as far as Xinjiang, the Chinese government reacted by striking the “freedom to strike” clause from the revised 1982 Constitution.

The late 1980s was another period of volatile labour relations, as state workers' discontents intensified due to rising unemployment, widening income gaps between managers and workers, and corruption resulting from reform measures aimed at increasing efficiency and competitiveness of state-owned enterprises. Between 1986 and 1988, labour contract reform, the bankruptcy law and the regulation on labour re-optimisation (understood as making it easier to fire people and flexibility in adjusting the workforce to production needs) were enacted one after another, threatening workers' employment security and livelihoods, coupled with record inflation rates.

The ACFTU (All-China Federation of Trade Unions – the state-run union) counted 97 strikes in 1987 and over 100 in 1988. The largest took place in a cotton mill in Zhejiang Province where 1500 workers participated. The longest occurred in the Northwest Medical Instruments Plant in Xi'an, lasting more than three months. In the first quarter of 1989 in Shanghai alone, the official union handled 15 strikes. Thousands of soldiers were sent to occupy the Daqing oil fields to quell a labour stoppage demanding higher wages and better treatment.

Then, in May and June 1989, workers in Beijing, Shanghai and other cities left the confines of the factory gates and their collective action took such forms as public protests, independent unionism and political mobilization. While the literature on 1989 has focused on the student movement centred on Tiananmen, it was an extraordinary moment of cross-class mobilization resulting in wide-ranging if ultimately abortive economic and political demands on the central government. The mobilization of workers into street protests, many with support and approval from work unit leadership and the official union, raised the spectre of labour mobilization against the state. In mid-May 1989, marching workers in Beijing hoisted banners bearing the name of their enterprises including such leading state enterprises as the Capitol Steel Corporation, the main factory of Beijing Internal Combustion Engines, Beijing Lifting Machinery Factory, etc. At one point before the declaration of martial law, the ACFTU also joined the demonstration with its own banner and even made a 100,000 Yuan donation to the student hunger strikers.

Taking advantage of student and citizen agitation and a rebellious social climate, several dozen young workers who gathered to talk politics in Tiananmen Square gave birth to the Beijing Workers' Autonomous Federation (BWAFF), or gongzilian. Claiming a registered membership of 20,000 workers before the crackdown, the BWAFF was a model for 15 other independent unions set up in other major cities.

Of lasting significance may be the political consciousness of WAF leaders and the tradition of democratic movements they draw on and keep alive. The Beijing WAF stressed a strong strain of "working-class populism" in its rhetoric and collective mentality, disrespectful of intellectual authority, doggedly independent, inclusive of and open to all ordinary citizens, capable of linking the idea of working class struggle with the language of democratic opposition to political oligarchy. Not only did this independent union movement demand price stabilization, the right to change jobs, an end to discrimination against women workers, investigation of official incomes and privileges, but it also consciously engaged in a "fight for democracy," a struggle for the right to "supervise the Communist Party," and the right to supervise the legal representatives of the company in state and collective enterprises.

After the Tiananmen movement, even if the workers received the heaviest prison sentences, strikes became an increasingly routine method of labour resistance. For instance, internal reports compiled by the Department of Public Security recorded a national total of 480 strikes in 1992, 1870 in 1995, and 1,740 in the first nine months of 1996. Since the mid-1990s, when plant closures, mass layoffs and delays in pension payment occurred, strikes

gave way to public protests as unemployed and retired workers could no longer threaten to withdraw their labour.

Mass incidents

Labour disputes are on the up, especially between migrant workers and their employers, with conflicts around social welfare measures such as pensions topping the list of grievances, according to a survey in December 2009. The nation's courts dealt with nearly 170,000 labour disputes in the first half of 2009, an increase of 30% over the same period the previous year, the survey revealed, without specifying how many of these disputes related to migrant workers and their employers.

In 2007, China had over 80,000 "mass incidents" (the official term for any collective protest or disturbance), up from over 60,000 in 2006, according to the Chinese Academy of Social Sciences, although many involved no more than dozens of participants protesting against local officials over complaints about corruption, abuse of power, pollution or poor wages.

But some small-town protests in the past couple of years have snowballed into violent confrontations involving thousands of residents, many hearing of the unrest through text messages or the Internet.

Strikes and protests at factories are becoming more common. Outlook Weekly, an official magazine, reported in December that labour disputes in Guangdong in the first quarter of 2009 had risen by nearly 42% over the same period in 2008. In Zhejiang, a province further north, the annualized increase was almost 160%.

But economic strikes - as opposed to protests against labour law violations - have remained scarce. Workers' rights group China Labour Bulletin published a study last year that examined 100 cases of industrial action between 2007 and 2008. Only 47 of the cases involved some form of strike, and among those, 23 cases also included some form of protest action, like a road or railway blockade. Most of them related to wage arrears, unpaid overtime or non-payment of expected compensation for plant closures and bankruptcies. But as the Honda strike demonstrates, this dynamic appears to be shifting. Most of the strikes in China had to do with violations of the law. This time no law has been violated; the workers are simply fighting for better wages and a better wage structure.

Changing the laws

The channelling of labour conflicts into the legal system is part of the Chinese government's strategy of regulating society. The new labour laws, enacted in 2008, were intended to channel worker frustrations through a system of arbitration and courts so no broader protest movements would threaten political stability. But this system can only work if the laws are enforced. The Labour Contract Law enacted in January 2008 tries to guarantee contracts for all full-time employees, but leaves many details vague. Another law enacted in May 2008 helped streamline the system of arbitration and lawsuits, but civil courts and arbitration committees, which are made up of government employees, have been overwhelmed by a flood of cases. Meanwhile, because of lax enforcement, companies dodge other labour laws by cheating on minimum wage requirements and overtime pay.

For all their shortcomings, aggrieved Chinese workers are prompted to use the courts for various reasons. Firstly, even if decentralized courts deliver justice only in a minority of cases, as in many other countries, citizens are enticed to file lawsuits out of a lack of alternative. Secondly, the rapid growth of the legal profession in the past thirty years and the economic interest of lawyers have encouraged citizens' use of legal recourse in dealing with labour disputes. Denounced as rightists in the Mao era, and numbering only about 3000 at the

beginning of the reform period, the Chinese bar has unhooked from the state and has grown by leaps and bounds in the past two decades. Now, the bar is an almost fully private profession of 150,000, with another 100,000 strong “barefoot lawyers” serving the economically disadvantaged without formal certification. Finally, the small but growing sector of labour NGOs also contributes to promoting labour and other rights. In late 2008, officials in Guangdong Province, where labour disputes are common, issued a report saying that 500 or so unofficial lawyers who represented workers were a source of growing trouble.

The leap in worker’s awareness of the law is best reflected in the rising number of labour disputes that have gone to arbitration or to the courts. In 2008, when factory shutdowns surged, nearly 700,000 labour disputes went to arbitration, almost double the number in 2007, according to the Ministry of Human Resources and Social Security. Last year’s numbers were roughly the same as those in 2008. If arbitration proves unsatisfactory, Chinese workers or employers can appeal to civil courts. In 2008, the number of labour cases in courts was 280,000, a 94% increase over the previous year, according to the Supreme People’s Court. In the first half of 2009, there were 170,000 such cases.

In many parts of China, there is now a backlog of labour disputes awaiting resolution. Some workers have had to wait up to a year for arbitration committees to address their complaints.

Moreover, government officials, perhaps to protect local employers, have pushed for disputes to be solved through mediation rather than reach the level of arbitration committees or courts, and they have not enforced labour laws strictly, especially in the aftermath of the mass factory closures.

The main goal of the labour Contract Law has been to ensure that full-time employees across all industries work under a contract. It also tries to mandate severance pay for contracted employees.

What sort of strike was it?

Strike Organisation

Denso

Zhang Liwen found out that she was about to go on strike over breakfast in her factory dormitory. Fifteen minutes later, she was taking part in industrial action for the first time in her life. “I was worried, but everyone was excited and determined,” recalls the 21-year-old migrant worker at the Denso car parts plant in China’s southern province of Guangdong, where the strike lasted from 19 to 25 June. “We started our shift at the normal time, but instead of working we just walked around and around the workshop for eight hours. The managers asked us to return to our jobs, but nobody did.”

The next day the 1,000-strong workforce repeated the demonstration at the Japanese-owned factory, which makes parts for Toyota and Honda. This time, the corporate union begged them to go back to work. Again they refused. There was no chanting, no speeches, and no violence. When the workers got tired, they sat down and chatted for a few minutes. Then they got up and carried on walking until the end of the shift, marked their time cards and went home.

On the day of the strike, the organisers were so cautious about revealing themselves that the frustrated management encouraged the official union to organise a vote for representatives so that they had someone to negotiate with.

Honda

The Honda workers in Foshan said they had independently organised the strike. The fight has been coordinated via online chat rooms, popular instant messaging services, mobile phones and word of mouth.

“We are doing this ourselves. The [official] union doesn’t represent us and never showed up [to the talks]. We don’t even know who the union chairman is. We want to elect our own chairman but the request was turned down.” explains a striker. During a picket-line clash, workers at a Honda held out for higher wages while men in yellow caps from the government-backed union were trying to end their strike.

The strike at the Honda component manufacturing plant in Foshan is the latest example of the growing assertiveness of mainland factory workers. Strikes are not rare on the shop floor but this one has seen clashes between workers and staff of the state-run trade union. This is unusual, so far.

Trade unions on the mainland come under the All-China Federation of Trade Unions, which is run by the Communist Party. Independent unions are banned. The ACFTU unions openly side with management in disputes. “The trade union doesn’t represent us,” said a young woman working at Honda plant. “They asked the company to negotiate with us, but they didn’t help us. They just turned our requests down.”

“The chat rooms have now been deleted, but they were clearly saying ‘the union is useless, let’s do this by ourselves’,”. The local government got involved and tried to broker negotiations but the workers refused to talk, preferring to simply make their demands and wait for a response from factory managers.

At the end of the day, workers created a hastily formed negotiating team - sixteen representatives selected from among the 1,800 workers on 1 June to replace their trade union and form a negotiating team – which worked efficiently. After six hours of negotiations, a deal was reached that resulted in average pay rises of 500 Yuan, no small victory for workers whose average monthly salary was just 1,500 Yuan.

“The Honda workers were not only brave but also smart because they knew how to use media power and other external forces to support their strike” said labour rights activist Liu Kaiming, from the Shenzhen-based Institute for Contemporary Observation.

The plan decided by the few workers initiating the movement before walking off the job on May 17 included two strict rules: “Damaging machines or facilities at Honda and scuffling with people with different opinions, including our management, were strictly prohibited,” one of the 21-year-olds said. “We said we should stick to the two rules because we are telling the public that we are all well-educated people and our fight is rational and reasonable.”

Honda Lock

The workers at Honda Lock say that employees in each department of the factory held a meeting discussed who would be their most persuasive representative and then selected that person to represent them on a factory wide council of about 20 workers that held negotiations with management.

But at Honda Lock, despite his prominent role, Liu Shengqi denied being a strike leader: “I’m not a worker representative,” he said. “We don’t have any representatives.” The lack of a clear leadership structure among the workers, who eventually dispersed, appeared to frustrate Honda managers.

The revolution: workers autonomy plus the Internet

The 1,700 workers who went on strike at the Honda Lock auto parts factory are mostly poor migrants with middle-school educations. But that does not stop them being tech-savvy. Hours into a strike, they started posting detailed accounts of the walkout online, spreading word not only among themselves but also to restive and striking workers elsewhere in China.

They fired off text messages urging colleagues to resist pressure from factory bosses. They logged onto a state-controlled Web site - workercn.cn - that is emerging as a digital hub of the Chinese labour movement. And armed with desktop computers, they uploaded video of Honda Lock's security guards roughing up employees.

"We videoed the strike with our cell phones and decided to post the video online to let other people know how unfairly we were treated," said a 20-year-old Honda employee. The disgruntled workers took their cues from earlier groups of Web-literate strikers at other Honda factories, who in mid-May set up Internet forums and made online bulletin board postings about their own battle over wages and conditions.

But they have also tapped into a broader communications web enabling the working class throughout China to share grievances and strategies. Some strike leaders now say they spend much of their time perusing the Web for material on China's labour laws.

So far, members of China's emerging workers' movement seem to be outwitting official censors in an effort to build broad support for what they say is a war against greedy corporations and their local government allies.

It helped that the Chinese government made a big effort in the last decade to lower the cost of mobile phone and internet service - a modernization campaign that has given China the world's biggest internet population (400 million) and allowed even the poorest of the poor to log onto the internet and air their labour grievances. This technology had already been used massively during riots against the police in the big cities.

Digital devices have become vehicles of social change in much the way the typewriter and mimeograph machine were the preferred media during the pro-democracy protests in Beijing in 1989.

But the government has started cracking down on strike-related Web sites and deleted many of the blog posts about the strikes. The instant messaging service QQ, which is accessible via the Web or mobile phone - and was perhaps the early favourite network of strike leaders because of its popularity among young people -, was soon infiltrated by Honda Lock officials and government security agents, forcing some to move to alternative sites.

But the activists say they are getting around some of those restraints by shifting to different platforms (including a Skype-like network called YY Voice) and using code words to discuss protest gatherings.

For years, labour activists have been exposing the harsh working conditions in Chinese factories by smuggling mobile phone images and other video out of coastal factories and posting documents showing labour law violations on the Web. New and notable is that these formerly covert activities have become open and pervasive.

The Foshan strike leaders organized and communicated with more than 600 workers by, among other means, setting up chat rooms on QQ.

Demands of the strikes

Workers at the Honda parts plant pushed an average 800 Yuan or 50 per cent pay increase, to 2300 Yuan per month. They also called for democratic elections for the representatives to the local chapter of the official Communist Party-controlled All-China Federation of Trade Unions.

On top of low wages, workers complained about early shifts and working conditions such as the temperature produced by the factory's air conditioning system.

The interns were seeking, among other demands, an 800 Yuan (\$117) monthly salary increase (versus the less than 500 Yuan offered), an annual increase of at least 15 per cent, year-end bonuses not less than the preceding year's, salaries during the strike period, and a new chairman to lead a restructured union.

"Our demands are very simple," said Liu Shengqi, slightly older than his fellow workers from Honda Lock and wearing a wedding ring, "Many of us are married with children and we need to take care of our families."⁷

However, the majority of Honda Lock's employees are single women in their late teens or early 20s. Many complained that their current base salary of 930 Yuan a month, set just above Zhongshan's minimum wage, was inadequate. Most live in nearby private rental accommodation costing 200-300 Yuan a month.

	Annual average growth 2000-2007
Industrial profits	27.5%
Government revenue	20.5%
Manufacturing wage	13.5%

Source CEIC UBS estimates

"Workers' most frequent complaints are their low wages and long working hours. This is what they have been saying for a long time," explained Wei Wei, founder of the Beijing-based Little Bird hotline for migrant workers.

At Suzhou NSG Electronics, the workers insist their dispute has nothing to do with Honda: "That strike is about pay, ours is about safety conditions," says Zhang Yalin, a spokesman for the workers. They fear chemicals used in the glass-thinning process will cause long-term health damage. They complain of dry throats, sore legs and eye problems.⁸

The strike was "an explosion after long time of accumulated rancour", said another striker at Denso. "We make an okay living here, but we think our pay should be linked to the company's performance," explained a Denso worker. "This company makes lots of money and should share the profits." "I feel not respected by the human resources department. They often say, 'You can leave if you think other plants are better,' when we ask for something. We do not have the sense of belonging," a Denso female worker told the Xinhua News agency.

⁷ *Financial Times*, 13 June 2010.

⁸ *FT*, 13 June 2010.

As many as a thousand production line staff and workers at Meilu Electronics went on strike and surged into the street, blocking it, holding up cardboard signs reading “Increase pay, reduce working hours,” and calling on management to adopt Foxconn’s pay increase plan.

Workers tend to strike before public holidays such as Chinese New Year and the Dragon Boat Festival, said one Suzhou industrialist. “They know companies are trying hard to get the product out the door before the holiday”, and that gives them more bargaining power.

Striking against foreign companies

Japanese managers at the Honda lock factory say they have tried everything from government mediation to intimidation to end the strike, but can’t bridge what one executive called a “communication gap” with restless young workers. “Imagine 40-something, 50-something Japanese executives trying to find something in common to talk about with local workers here. Even local Chinese executives have trouble connecting with those young workers from rural China,” he said⁹.

According to Patrick Chovanec, an economist at Tsinghua University in Beijing, “The companies are concerned about their image at home and abroad, whereas a Chinese subcontractor making soap possibly wouldn’t care what the world thought of them.” Today’s disputes resemble Nike’s predicament in the early 1990s, when it faced an outcry over Asian factory conditions. “It wasn’t targeted because it was the worst offender,” said Chovanec.

“It was targeted because it was high profile and they (labour activists) thought it would attract more attention and it would be more responsive.”

The workers said Honda, like Foxconn, discriminated against mainlanders, who could rise no higher than deputy department head. They said a Japanese intern told them that he was paid US\$380 a day, more than 50 times more than a mainland worker. “We are doing the same jobs. We know the gap in the cost of living between China and Japan is big, but we don’t believe it could be as much as 50 times,” one 21-year-old foundry worker said. “They just treat us as cheap labour because more than two-thirds of workers at our factory are interns, who are paid just 800-odd Yuan a month.”¹⁰

The Mercedes-Benz unit of Germany’s Daimler AG has begun offering bonuses to blue-collar workers at its vehicle-assembly plant in Beijing. A similar program has been offered to Mercedes’ white-collar office workers in China for some time, but this is the first time factory workers can earn extra money for good performance, said Trevor Hale, a spokesman. “We are faced with shortages of skilled workers in China, and it’s a lot more competitive out there,” Mr Hale said.

Compal Electronics Inc., the world’s largest contract manufacturer of notebook PCs, also has begun to use more performance bonuses to attract and retain workers after it raised its minimum wage last year for its roughly 20,000 employees in eastern China, Chief Executive Ray Chen said recently.

Workers also knew officials were more likely to support action against a foreign company than a domestic firm, said Geoffrey Crothall, at the China Labour Bulletin. “Owners of domestic enterprises have better connections with government officials and I think that has probably got a lot to do with it,” he said.

⁹ *Wall Street Journal*, 9 June 2010.

¹⁰ *Bursa Malaysia Market News*, 18 June 2010.

Cost of the strikes

Under the new terms, Honda will add 366 Yuan, which now puts the starting salary per month at 1910 Yuan. But the impact of the pay rise is expected to be minimal for the company's bottom line, with labour costs accounting for only about 5 per cent of revenue, according to a Morgan Stanley report.

But some bosses of medium size firms complained about the size of the pay increases. Huang Ming-chih, chairman of the Taiwan Businessman's Association in Shenzhen, said Foxconn's unexpected pay rise would raise the labour cost of other Taiwanese factories amid a labour shortage. "For many factories that have just recovered from the global recession, a huge pay rise would definitely increase their operational costs and shrink their margins, adding frost to the snow". He said many factory owners may have no choice but to increase their workers' salaries. Li Zhiguang, who owns an underwear factory in Longgang district, said: "They are killing us. My workers have told me they also want a pay rise". But labour productivity is rising fast and so cost-competitiveness is not being significantly eroded.

Even before the recent strikes, manufacturers and buyers of low-cost products were actively seeking alternative bases in Vietnam and Cambodia.

Chen Gong, chief economist of Anbound Consulting, said that rising wages may lead to large-scale industrial transfer within or outside China. China's low-wage era is over. Data shows that the minimum wage for unskilled labour in Vietnam is between 400 and 500 Yuan (\$59-74) per month, and is lower than in Bangladesh. Chinese workers' wages - generally around 800 Yuan per month - exceed those in countries such as India and Malaysia.

Industrial transfer is inevitable in such a scenario, especially among low-end, small-scale processing industries.

According to a survey by the Federation of Hong Kong Industries, 37.3% of 80,000 Hong Kong companies based in the Pearl River Delta are planning to transfer part or all of their production capacities out of the region, and 63% of surveyed companies are prepared to move away from Guangdong province. Soaring costs such as wages have forced them to turn to areas with lower costs, they said. But they would say that, wouldn't they?

Rising wages probably won't lead to large-scale industrial transfers. Companies such as Foxconn and Honda not only have manufacturing bases in Guangdong, but also need the local environment of industry agglomeration, including factors such as the market, logistics, efficiency, tax policies and living conditions.

Given China's comprehensive advantage such as logistics, foreign companies exporting from China are unlikely to move their Chinese operations elsewhere.

But Foxconn's demands to pass on some higher labour costs were not met favourably by Apple. "But Apple is more ready now to use some of the new locations," one executive said.

Foxconn's pay raises both buoyed workers' expectations over the new minimum salary standard that the Shenzhen government would announce and put pressure on other factory owners in the neighbourhood. They pushed the local government to strongly re-evaluate the minimum wage.

The rise in pay at Foxconn to a minimum 1,200 Yuan per month from 900 Yuan put it ahead of the city's monthly minimum wage.

What next?

Productivity

Labour productivity in the industrial sector has also grown rapidly. As a result, unit labour costs (ULC) in the industrial sector have grown only moderately over the past decade. According to UBS, ULC in the manufacturing sector has grown by even less, more in line with inflation. This is because the industrial sector also includes mining and utilities (electricity, gas and heat production and supply), while it is the manufacturing (tradable goods) sector that has seen more rapid productivity growth. Also, the official wage data is widely believed to over-state average wage level and growth in the economy, as acknowledged by official statistics providers.

When real wage rises along with real labour productivity (real output per unit of labour), the higher cost of labour over time is fully paid for by labour producing more products, and the shares of wages and profit in total output remain constant (assuming there is no significant change in the level of investment per worker). In nominal terms, nominal wage growth will be in line with growth of real productivity plus inflation, that is, unit labour cost should grow in line with inflation. When this is the case wage increases do not increase inflation or squeeze profits.

The average profit margins in China's industrial sector have stayed quite stable in the past decade, except for plunging sharply in late 2008 before recovering in 2009.

Moreover, both China's core inflation and export prices have been kept down and China's more volatile CPI (Consumer Price Index) inflation in the past decade has been mainly driven by food prices, not by manufacturing goods or wage increases.

Production heading west

After the spate of strikes and minimum wage increases resulting in hefty pay rises for millions of workers, firms are looking to capitalise on government incentives to shift their operations to impoverished western China.

Foreign-invested firms are also looking to tap into a young, talented labour force which no longer wants to sacrifice family ties by leaving home to work long days in the coastal industrial belt "Profitability is low in the assembly manufacturing business - many of these companies have operating margins of two to four per cent, so that is not a lot of headroom if your costs start going up."¹¹

While the minimum wage in Shenzhen is 1,100 Yuan per month, it is just 600 Yuan in Henan. The public spending spree in the poorer parts of central and western China has also boosted job opportunities for millions of people who previously would have had to travel thousands of kilometres in search of work.

Manufacturing currently makes up around 47% of China's gross domestic product (GDP), compared with 23% in the US. But speculation about a mass exodus of manufacturers to cheaper locations such as Vietnam and Bangladesh proved to be alarmist.

There is little doubt that increasing labour costs in China will have an impact. The hourly labour rate for clothing manufacturing in China, according to EIU statistics, has increased by 14% since 2009 to \$1.84.

It now costs nearly four times as much to employ a Chinese worker in the garment sector than someone from Vietnam, where the hourly labour rate over the past year has increased by just 2% to 49 US cents.

¹¹ CLSA Asia-Pacific in Hong Kong

But China still has cheaper labour rates than India. However, after exporting deflation, China’s industries have already started to export inflation. For the first time in twenty years, major Western outsourcers of clothing have announced in 2010, notable increases in retail prices of their products.

Average annual manufacturing wage rise	1998-2008	Average annual manufacturing wage rise	1998-2008
Guangdong	114%	Shanghai	227%
Guangxi	244%	Zhejiang	186%
Hunan	263%	Jiangsu	247%
Guizhou	259%	Inner Mongolia	336%
Chongqing	377%	Tibet	247%

China’s economy: from absolute to relative surplus value

Over the next three years, labour income growth could reach 14-17% per annum, significantly higher than that of nominal GDP could rise by 10%. Over this medium term, this wage trend will likely have a profound positive implication for the structural shift towards a consumption-driven economy. The government now feels – more strongly than ever – that income inequality (by which they usually mean inequality between different groups of workers, not between classes!) can become a material threat to social and political stability. According to its calculation based on studies of Prof. Cai Fang of the Social Science Academy, between 2000 and 2007 migrant workers’ (mostly in labour intensive sectors) wage increase was only 5-6% per annum. During the same period, annual average nominal GDP growth was 15%, and SOE wage inflation was 16% per annum. It is obvious that to address the income distribution issue, the low-income labour force will need to see a faster wage increase than average, especially those in the SOEs.

Another aspect of the growing income disparity that needs to be addressed is that between the profits and the labour force price. From 2000-2008, industrial profits rose 6.2 times, but industrial workers’ average wage has increased only 1.8 times. In other words, the annual average corporate profit growth was 28% versus manufacturing wage growth of only 14% (even this figure is likely to be overstated due to the lack of statistical coverage of private firms). Even government revenue grew (at 21% per annum) significantly faster than workers’ income over the same period.

Labour costs in coastal factories typically account for a relatively small fraction of total production costs for the increasingly dominant electronics trade, and so a 20% increase in salaries is unlikely to make a huge difference to a company’s decision to invest in China. The situation is rather different for textiles and other labour-intensive activities, however. It is also important to remember that productivity is growing quickly, with the result that China’s overall competitiveness is not being undermined by big wage increases. In addition, higher salaries will help to boost consumer spending – supporting the government’s aim of rebalancing the economy towards domestic consumption.

For monopoly sectors and/or sectors that are dominated by large SOEs (such as oil, power, telecoms, and financials), wage pressure should be much less as their average pay is already up to twice the average manufacturing salary. In fact, the government is trying to limit wage growth in these sectors as part of the effort to limit income disparity. In other words, the rhetoric about greater income equality doesn’t necessarily mean a greater distribution of wealth in favour of the workers!

The official union fights back

The China Labour Bulletin issued a report in March 2009, “Protecting Workers’ Rights or Serving the Party,” which states “for decades, the main role of the ACFTU has been to assist the authorities in the process of social governance.” Its role in protecting workers’ rights and interests “has been consistently subordinated to the need to maintain social stability and to bolster the political legitimacy of the Communist Party...the protection of workers’ rights is guided largely by political expediency and can be withdrawn or refocused as and when the government requires.”

As a young female worker at Honda Lock put it, “The official union is worse than useless – they are traitors”¹².

The All-China Federation of Trade Unions (ACFTU) recommended on 4 June 2010 that unions be established in all non-public companies, including those that are foreign funded as well as Hong Kong and Taiwan-funded companies.

The ACFTU released an urgent notice demanding that its branches push for union coverage in order to improve the protection of workers’ interests, especially migrant workers. It urged unions to promote a collective wage negotiation system according to labour and trade union laws, as well as to help workers on the production line gain higher pay. Unions should also push companies to enrich workers’ lives by organizing more social activities, recreation and sports.

In June, the Shenyang Municipal Trade Union for Service Industries, a union backed by the city government in the provincial capital, began complaining to Chinese state media that the Yum Group (KFC) was taking too long to respond to its demands for a labour contract. The complaint aimed at putting pressure on the company, for which China is a huge market, with more than 3500 KFCs, Pizza Huts and other outlets that contributed 48% of its global operating profit in the first quarter.

For the union bosses the Honda strike lesson will be studied with the greatest attention. They know, like the Chinese Communist Party, that the workers push towards greater organisational autonomy is the main threat to their power.

The trade union at the Honda components plant in Foshan, which did nothing to help workers in their successful strike action in June, is to be reformed and its leaders democratically elected by the employees, a senior Guangdong union official said. Kong Xianghong, vice-chair of the Guangdong Federation of Trade Unions, pointed out that many union chairs in foreign funded enterprises were in reality appointed by management. In order to strengthen workplace democracy at the Honda plant, Kong said, not only should the union chair be democratically elected by the members, they should also be subject to an annual performance review. The union chair would need to obtain an approval rating of more than 50% in order to remain in his post, he said.

“In Foshan, a properly functioning trade union would have been able to present the workers’ demands for higher pay to management during scheduled, peaceful and equal negotiations, thereby forestalling the strike action that not only closed the components plant but eventually led to the closure of Honda’s entire China operation” explains Crothall (China Labour Bulletin), synthesising the reformist position.

But it will be difficult for the state union to reform itself. Intervening rapidly at Denso, union officials tried to distribute pens and paper so the strikers could write down their demands, but they simply sat and refused to comply, said Liu Xi, a spokesman of the district government. Might the ACTFU be energized to be more protective of workers, as it was when

¹² FT, 13 June 2010

it succeeded in organizing unions at Wal-Mart stores in 2006? The union hasn't been very active since this entirely symbolic action.

A possible way for China to implement a reform may be to adopt Deng's approach of "crossing a river by feeling the stones", that is, to modify the labour laws and their enforcement on a trial basis in a particular city, region or industry, suggests the official China Daily. This "interim experiment" could allow the ACFTU to engage more actively in worker advocacy and collective bargaining, and even initiate strikes as an economic weapon to achieve its goals.

Many see this as a viable means of regulating labour disputes and allowing "managed" competition between employers and workers. For many, allowing the ACFTU to more aggressively represent the interests of workers would show Chinese authorities are concerned about the welfare of its worker-citizens as much as they are about their corporate citizens. They subject final control of the processes of dispute resolution to the constraints of legal mechanisms of negotiation, mediation and arbitration. They would place the union in a better position, too, to supervise and maintain the statutory and contractual rights of the workers, adding an additional, non-governmental layer of enforcement of labour laws, writes the China Daily.

But the last action of the ACFTU looks more like a financial racket than a unionisation drive. It has targeted some of the world's largest investment banks in a recruitment drive that will see the multinationals have to pay a 2% payroll tax to fund labour activities.

"The feeling from everyone was – we just got a 2% tax", said a bank executive, noting that the union has focused on negotiating with management rather than employees. The union's approach gives companies a chance to control in-house activities by selecting the chapters' members and leaders. "Here a union is to help the company be more productive."

The CCP

After the rise of opposition to Stalinist regimes in Europe in the 1980's, notably in Poland, and the establishment of independent labour groups during the democracy movement that ended in Tiananmen Square in June 1989, the Chinese leadership realized the potential power of the workers. In 2002 there was an outburst of protests in Liaoyang in northeast China, which was possibly the most radical outbreak of labour unrest since 1989. Workers' struggles spread between factories and were accompanied by political demands for the removal of city officials. Authorities arrested the leaders and jailed them on charges of political subversion¹³.

At the beginning of the strike movement which is the subject of this pamphlet, the CCP was conspicuous by its silence. Then, the Communist Party's propaganda department issued a gag order on May 28 forbidding mainland media from reporting on any strikes, as it feared the destabilising impact of the unrest, as was reported in the South China Morning Post (based in Hong Kong).

Rather than openly attacking the strikers, a commentary in the People's Daily, the Communist Party newspaper, was most critical of the ACFTU, which it said should do a much better job at resolving labour disputes. In the first comments by a central government leader to touch on labour conditions following the wave of strikes, Premier Wen Jiabao called for better treatment of the nation's vast army of migrant workers and praised their contribution to the booming economy. On 26 June, Wen Jiabao reiterated his call for a

¹³ See Chapter 3 of "Against the Law: Labour Protests in China's Rustbelt and Sunbelt", Ching Kwan Lee, 2007.

“harmonious” relationship between labour and capital, in comments made as he toured the province of Zhejiang.

But when the strikes moved closer to the capital, on Tianjin, the workers felt the heavy hand of the State. The police intervened brutally.

There is no evidence that the workers co-ordinated their activities. Such a development would surely trigger a clampdown from central government, which permits isolated protests – indeed, strikes are a routine occurrence all over the country – but will not tolerate any attempt at wide-scale organisation.

In the words of Shenzhen University labour relations professor Zhai Yujuan, “Some local governments may see labour actions as unrest. But the failure to address labourers’ legal demands would only create further unrest.”¹⁴ “China’s government isn’t all-powerful,” said Charles Wolf, a senior economic adviser at Rand Corp. “They have their hands full with a lot of things, and controlling labour unrest is one of them.” China’s government has ample muscle to crush future strikes, but leaders are well aware that crackdowns beyond a certain point could backfire, fuelling more unrest.

However, the “unrest” may not just come from workers, and it may no longer be possible to maintain state control of speech and other individual rights. Maybe the government can’t just go on micromanaging groups like students, factory workers and rural citizens who want to air public grievances. Perhaps the existing regime is no longer an adequate framework for managing conflicts within present-day Chinese society.

Today

After staying out on strike for four days, the predominately young women workers at Brother Industries in Shenzhen returned to work when management finally agreed to slow the production line back down to a reasonable speed and increase wages by around 100 Yuan a month. Local government was pushing them to accept the deal and management had threatened to sack anyone else who went out on strike.

Many workers seemed to think (see, for example, interviews in the CLB) that it’s actually easier to strike against foreign companies, especially Japanese ones.

There have been strikes and protests at domestically-owned enterprises, particularly SOEs in the process of restructuring and privatization. But, in most cases, local governments take a tougher line against workers in these disputes. On 1 June 3000 cops attempted to break up a two-week long strike by 5000 workers at the former state-owned cotton mill in Pingdingshan, Henan. More than 20 workers were reportedly detained and eight charged with “disrupting production”. At the same time, the provincial government was preparing to raise the legal minimum wage in the city by 23% from 650 Yuan to 800 Yuan. Even the most politically repressive regional governments have raised the minimum wage. Xinjiang increased its monthly minimum wage by 24.6%, Qinghai by 28.8% and Tibet by 30-35%.

In poorer provinces such as Anhui and Jiangxi the minimum wage still only ranges from just 500 Yuan to 720 Yuan a month. In major cities like Shenzhen, Guangzhou and Shanghai, it is now around 1,100 Yuan a month, below a subsistence existence in cities where the cost of living, and particularly the cost of housing, is fast increasing. Inflation is back, particularly in foodstuffs. According to a survey by the official Shenzhen trade unions, the average monthly income, including overtime and bonuses, of more than 5,000 migrant workers interviewed in June was 1,839 Yuan, far less than the city-wide average wage of 4,263 Yuan per month at the end of 2009.

¹⁴ China Labour Bulletin, 25 June 2010

Basic wages for production line workers are still barely higher than the legal minimum, although with overtime and other benefits employees can now earn between 2n000 Yuan and 2n500 Yuan a month. Moreover, workers have indicated that welfare benefits, accommodation and even the quality of canteen food in some factories have improved marginally over the last year.

As for smaller companies, they not only have to deal with legitimate tax demands, they also have to pay arbitrary, one-off, tax demands, make donations to government causes and pay bribes to government officials, all of which can significantly eat into company profit margins. As such, many low-cost, labour intensive enterprises are more likely to respond to workers' wage demands by simply closing down and relocating to a lower cost area. However, it is highly likely, given their excessive tax burden that many enterprises will have additional revenue off the company books, hidden away from government inspectors. Often, the only gauge workers can use to know if the company can afford a wage increase is whether or not the boss bought a new car that year.

The next step

“In China, human rights have always been hard to realise,” said a worker at Foshan Fengfu. “But safeguarding your own rights is always legitimate... if people are oppressed they must rebel. This is only natural.”¹⁵

“Increase pay, reduce working hours”, said the strikers at Meilu, blocking the road in front of their factory.

Li Xiaojuan, a 20 year-old woman working at the Honda Foshan plant, published an open letter on behalf of the 16 employees chosen by workers to negotiate on their behalf, during a strike that closed the carmaker's China operations for a full week. “We must maintain a high degree of unity and not let the representatives of Capital divide us,” the letter urged. “This factory's profits are the fruits of our bitter toil ... This struggle is not just about the interests of our 1800 workers. We also care about the rights and interests of all Chinese workers.”¹⁶

“I am happy to see more workers know how to protect themselves and are brave enough to express themselves,” says Huang Weimu, a Foshan-based law student who has worked undercover at local factories, documenting abuses¹⁷.

“Power lies in unity and hope lies in defiance,” workers at KOK International wrote in a petition letter. “Witness the allowance we got at the end of last year and the successes at Honda and Foxconn, which are good examples for us.”¹⁸

Conclusion

Because of its size – the number of Chinese workers employed in industry is more than double that of the G7 – China is the New Frontier for global capital. There are other countries – Bangladesh, Vietnam, India of course –, but China is the determining factor today. The expression “workshop of the world” isn't just a journalistic figure of speech.

But for capital China is no longer just a pool of cheap labour. The bosses, both the CP-led state and the foreign investors, are trying to channel the transition from absolute to relative surplus value, from formal to real domination of capital.

¹⁵ AsiaOne News, 25 June 2010.

¹⁶ China Labour Bulletin, 10 June 2010.

¹⁷ Ibid.

¹⁸ *ibid.*

The working class emerging from this process, more skilled, more urbanised and more militant, represents the risk of a political crisis (in the sense of class relations) for capital.

However, in the immediate term we don't know what will happen when the Chinese state "modernises" industrial relations, as it has already started doing. Nor can we say what will happen if the financial and fiscal crisis again imposes massive lay-offs, and so reverses the present favourable conditions for wage demands.

Several "objective" factors have facilitated the recent strike wave:

- A labour shortage exacerbated by lopsided economic growth concentrated in certain areas,
- The effects of China's demographic changes and stimulus package;
- A division of production – with no alternative sources to deal with a parts shortage – making the strikes more effective;
- Official trade unions which are unable to channel workers' struggles in the way the big trade unions do in democratic countries;
- The fact that the strike wave was concentrated on foreign companies.

What is going to happen to the workers will to fight if some of these factors cease to operate?

In many ways the industrial working class of China's coastal region is the "odd one out" of today's global proletariat, able to launch a wave of classical "money militancy" in response to growing demand for their labour.

In contrast, most workers in industrialised countries today are suffering the consequences of massive lay-offs and austerity. Despite the difficulty of identifying with the workers' struggles in China, the recent strikes have demonstrated that, contrary to the widespread image in the West of a cheap and submissive workforce, Chinese proletarians have started to fight hard, in difficult conditions, to improve their conditions of life.

Likewise, in the peripheral zones, the permanent strikes in Bangladesh, workers' agitation in Cambodia, Vietnam and Thailand, or riots in Tunisia and Algeria...show that in those countries the "race to the bottom" has reached its limit and that capital's mortal enemy is starting to react.

The Chinese working class has begun to develop sinews of solidarity across sectors and has gained enough confidence to act, particularly against the giant global corporations which so many of us work for. We can expect to hear from them again...

APPENDIXES

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China Labour Bulletin

China’s administrative divisions

Presentation

China is administratively divided into provinces, prefectures, counties and districts, townships and, in the end, villages. The word city (*Shi*) has several meanings: province-level municipalities (as Beijing), prefectural-municipalities, district-municipalities or the urban part of an administrative unit.

The complexity of divisions from county-level to village is produced by the persistence of old divisions or specific divisions of the province and the emergence of new ones, mainly districts that tend to replace old counties.

Provinces (*shěng*)

22 normal provinces

Liáoníng, Jílín, Hēilóngjiāng, Héběi, Shānxī, Sìchuān, Guìzhōu, Yúnnán, Shānxī, Gānsù, Qīnghǎi, Jiāngsū, Zhèjiāng, Ānhuī, Fújiàn, Jiāngxī, Shāndōng, Hénán, Húběi, Húnán, Guǎngdōng, Hǎinán

5 autonomous provinces (*zìzhìqū*)

Nèiměnggǔ (inner Mongolia), Níngxià, Xīnjiāng, Xīzàng (Tibet) and Guǎngxī

4 province-level municipalities (*zhíxíáshì*)

Běijīng, Tiānjīn, Shànghǎi, and Chóngqìng

2 special regions (*tèbiéxíngzhèngqū*)

Hong Kong, Macau

Prefectures (*dìqū*)

17 normal prefectures

30 autonomous prefectures (*zìzhìzhōu*)

383 prefecture-level municipalities (*dìjīshì*)

3 specific prefectures (*méng*), only in inner Mongolia

Counties (*Xiàn*) Districts (*Qū*)

1,464 normal counties

117 autonomous counties

374 municipal counties (*xiànjíshì*)

852 districts (*shìxiáqū*)

49 specific counties (*qí*) and 3 autonomous counties (*zìzhìqí*) only in inner Mongolia

1 “forest county” (*línqū*) in Hubei province

2 specific districts (*tèqū*) in Guizhou province

Townships (*xiāng*)

14,688 normal townships

1,092 ethnic townships (*mínzúxiāng*)

19,522 municipalities (*zhèn*)

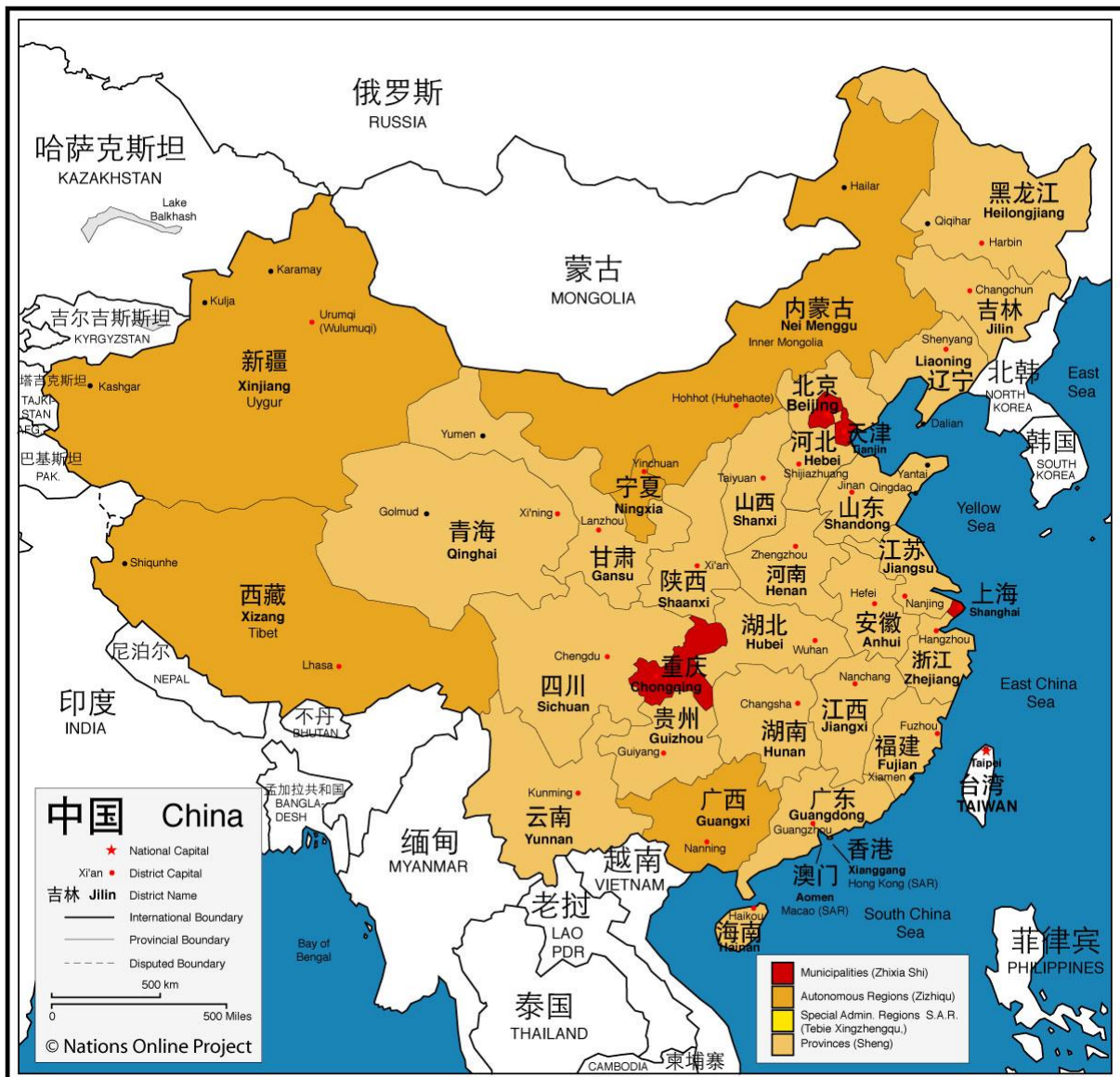
6,152 sub districts (*jiēdào* *bànshìchù*)

182 specific (*sūmù*) of which 1 ethnic (*mínzúsūmù*) only in inner Mongolia

Villages

80,171 villages (*jūmínwēiyuánhuì*)

623,699 regrouped villages (*cūnmínwēiyuánhuì*)



Specific cases

“Specific” municipalities

These are future province-level municipalities.

Dailan (Liaoning), Ningbo (Zhejiang), Qingdao (Shandong), Xiamen (Fujian) and Shenzhen (Guangdong)

Specific municipalities that are already province-level municipalities have an economic independence (budget, planning) that put them, with regard to central government, at province level. However, on a political level, they remain hierarchically dependant on their provincial authorities.

“Sub-provinces” municipalities

Those are prefecture-level municipalities with intermediate status between province and prefecture.

Harbin (Heilongjiang), Changchun (Jilin), Shenyang (Liaoning), Jinan (Shandong), Nanjing (Jiangsu), Hangzhou (Zhejiang), Wuhan (Hubei), Chengdu (Sichuan), Xi’an (Shaanxi) Guangzhou (Guangdong)

“Sub-provinces” municipalities that are already prefecture-level municipalities benefit from a political independence that turns their mayors into province vice-governors.

The case of Guangdong province

Prefectures

Guangdong province (capital Guangzhou) is divided into 19 prefecture level municipalities and two “Sub-provinces” municipalities, Guangzhou and Shenzhen. Among 19 prefecture level municipalities are Foshan and Zhongshan.

Guangzhou is divided into 9 district-level municipalities (*Qū*) (of which 4 constitute central-Guangzhou) and 2 county-level municipalities (*Shì*). Zengcheng is one of the two county-level municipalities and Huangpu is one of the nine districts.

Foshan is divided into 5 district-level municipalities (*Qū*) of which Nanhai is one.

Counties/districts

Prefectures are divided into 121 counties of which:

23 district-level municipalities,

55 districts,

41 counties,

3 autonomous counties

Townships

The 121 counties are divided into 1,585 townships of which:

1,145 municipalities,

4 townships,

7 ethnic townships,

429 sub-districts.

Map of Guangdong province



Honda factories in China

Nature of relationship with Honda	Company name	Production	Date of creation	Location (PROVINCE)	Workforce	Products
affiliate Dongfeng motor co.	Dongfeng Honda Automobile Co., Ltd.	Manufacture and distribution of automobiles	2003	Wuhan (HUB)	2800	Honda CRV
subsidiary	Dongfeng Honda Auto Parts Co., Ltd.	Manufacture of engine parts and other automobile components				
affiliate Dongfeng motor co.	Dongfeng Honda Engine Co., Ltd.	Manufacture of automobile engines	1998	Guangzhou (GUA)		
affiliate Guangzhou automobile	Guangqi Honda Automobile Co., Ltd.	Manufacture and distribution of automobiles	1998	Guangzhou (GUA)		Honda cars
affiliate	Guangzhou Honda Automobile Research & Development Co. Ltd.	Research and development necessary for developing automobiles and related products	2007	Guangzhou (GUA)		
subsidiary	Honda Automobile (China) Co., Ltd.	Manufacture and distribution of automobiles	2003	Guangzhou (GUA)		Jazz

subsidiary	Honda Auto Parts Manufacturing Co., Ltd.	Manufacture of parts for Honda products	2005	Zhongshan (Xiaolan)(GUAN)		
subsidiary	Honda Auto Parts Manufacturing Co., Ltd.	Manufacture of parts for Honda products	200x	Foshan (Nanhai)(GUAN)	1600	
subsidiary	Honda Engineering China Co. Ltd.	Manufacture of production equipment for use in China; production technology development	2004	Guangzhou (GUA)		
Mindong electric subsidiary	Honda Mindong Generator Co., Ltd.	Manufacture and distribution of power products	1994	Fuzhou (FUX)	220	Generators and pumps
subsidiary	Honda Motorcycle R&D China Co., Ltd.	Research and development of motorcycles and related products in China	2002	Shanghai (SHA)		
Jialing industrial affiliate	Jialing-Honda Motors Co., Ltd.	Manufacture of power products	1993	Nanping (CHONGQING)		
Hainan Sundiro affiliate	Sundiro Honda Motorcycle Co., Ltd.	Manufacture and distribution of motorcycles	2001	Tianjin (TIANJIN)	6400	motorbikes
	Sundiro Honda Motorcycle Co., Ltd.	Manufacture and distribution of motorcycles	2001	Shanghai (SHA)		motorbikes
	Sundiro Honda Motorcycle Co., Ltd.	Manufacture and distribution of motorcycles	2001	Hainan (HAINAN)		components
affiliate Guangzhou Motorcycle Group Corporation	Wuyang-Honda Motors (Guangzhou) Co., Ltd.	Manufacture and sales of motorcycles	1992	Zengsheng (GUAN)	2000	motorbikes
	Wuyang-Honda Motors (Guangzhou) Co., Ltd.	Manufacture and sales of motorcycles	2006	Zengsheng (GUAN)	1300	
subsidiary	Honda Lock (Guangdong Guli) Co., Ltd.	keys and locking systems, sensors		Zhongshan (Xiaolan)(GUAN)	1500	
supplier	Foshan Fengfu autoparts	exhaust/silencer systems	2001	Foshan (Chancheng) (GUAN)	440	

“By cowardly giving way in their everyday conflict with capital, they [the workers] would certainly disqualify themselves from the initiating of any larger movement.”

Karl MARX,
Wages, Prices and Profit, 1865