

The Re-Discovery of Gender Inequality: EU–China trade

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ABSTRACT *Christa Wichterich argues that in China, gender differences have been re-discovered in the course of liberalization, privatization and the marketization of the whole economy. Women's contributions to the economy are a comparative advantage of China competing in the world market. At the same time, gender has become a significant marker in the creation of new social classes in post-communist China, and the long standing claim of socialist policies for equal rights got subordinated to the imperative of fast economic growth. She suggests these processes were initiated by the Chinese government's 'open door'-policies to set up a market economy; after China's World Trade Organization accession, they are increasingly driven by a complex interaction between domestic policies, and foreign trade and investment policies.*

KEYWORDS *international trade; European Union; employment; neo-liberalism; solidarity*

The EU–China trade race and its gender implications

China has emerged as a global player on the international trade map. As the world's workshop, the country has become one of the main sites for transnational corporate investment and one of the main exporters of manufactured goods. Its growth rates stun its competitors, its weight in global trade scares its trade partners. From outside, its astonishing impact on each and every sector and region of the world economy is perceived at the same time as a model and as a threat.

The fact that during its transformation from a state-led to a market-oriented economy, it could lift nearly 200 million people out of extreme poverty is considered to be a showcase for trade liberalization and export-led growth benefitting the poor. However, the social and ecological costs of this Manchester-capitalist accumulation system are skyrocketing, the exploitation of human and natural resources is alarming, social disparities are growing.

On the backdrop of this ambivalences, in October 2006 the European Union (EU) has set out a new policy for building the EU's trade and investment relationship with China. This document called 'Competition and partnership' accompanies a communication from the Commission to the Council and the European Parliament on 'EU – China: Closer partners, growing responsibilities'. The overall tone of both these documents

mirrors mixed feelings of admiration and respect on the one hand, and anxiety and fear on the other.

EU–China trade relations: Common interests, more competition

The two documents set out a framework for the future EU–China economic relations with the first and foremost objective to improve and balance trade relations by China's further opening of its markets, and by adjusting to international standards and legal requirements of World Trade Organization (WTO). Given that China's attractiveness for EU-based companies consists in the extended low-cost assembly line and the Chinese market of potentially 1.3 billion consumers, EU's core interest is to 'seek tougher protection of the legal rights of EU companies' and 'assist EU companies on the ground' (Commission of the European Communities, 2006: 3). At the same time, the EU attempts to push China beyond its WTO commitments regarding (1) the service sector that is considered 'an area of European comparative advantage with the greatest potential for growth in EU exports' (European Commission, 2006), and (2) the so-called Singapore issues including investment, government procurements, competition and trade facilitation.

China's interest in continuous foreign investment is three-fold:

- expansion of its export production and access to foreign markets,
- import of know-how and technology (in particular from EU-based corporations),
- job opportunities for its surplus, low-skilled or retrenched labour.

These interests are framed by China's two-pronged competition on the world market: a race to the bottom and a race to the top (Guan, 2003: 214f). In order to remain competitive with regard to other cheap labour economies, China strives for minimizing production costs by keeping the wages for labour-intensive work low, increasing productivity and externalizing social and ecological costs (Chan, 2003). Low-priced export goods and an economy of scale make for a race to the

bottom, a stiff price competition on the world market and a pressure on wages in other countries.

China's interest in import of technology and knowledge is to catch up with the technologically advanced economies in Asia, like Japan and South Korea, and with the knowledge societies in the West. It aims at a continuous upgrading of industries and a technological take-off, invests in high-tech sectors, and its spending on higher education, research and development is growing even faster than the economy.

In the recent past, China regularly faced a problem of overheating of the economy and the government tries to put a cap on investments in order to slow down growth. EU investors contributed to overinvestment and overproduction in key sectors. Ignoring these risks, the EU further embarks on an aggressive liberalization and growth path of development. While in earlier policy papers on EU–China relationship 'partnership' was the leitmotif, the latest document on trade and investment puts 'competition' first – very much in compliance with the recent communication on 'Global Europe: competing in the world'. EU's main concern is China's growing competitiveness on 'unfair terms', which in EU's perception prevents 'a genuinely reciprocal trading relationship' and distorts trade. In the center of EU's interest for regulation stands China's product piracy and violation of intellectual property rights. Additionally, it raises concerns about the sustainability of China's development path because of the wealth disparities, 'social, regional and gender imbalances' and the enormous environmental costs. Thus, 'fair' and 'unfair' have become new key words.

From socialist gender egalitarianism

Liberalization started in China in the agricultural sector by permitting individual production and sale to farmers. Different from the shock-therapy-like economic reform in the former Soviet Union, liberalization was gradually extended to other economic sectors on an experimental base as a kind of locally confined trial-and-error projects, which in case of failure were discontinued or revised, in case of success quickly expanded. The

success story of export production was started in 1980 with the establishment of four special economic zones (SEZ) in the Pearl River Delta and by granting foreign investment a legal status. From 1984 onwards, China was ambitious to expand its export production respectively the concept of SEZs, and scale up its industrialization and technological development. In order to attract more investment, foreign companies were provided with preferential tax treatment, freedom to import inputs and the right to retain foreign exchange.¹

Investments in labour-intensive manufacturing and assembling were the engine behind China's integration into the world market. Export industries are highly gender-segmented economic areas. In labour-intensive sectors, preference is given to women because of stereotypes attributed such as 'nimble' fingers, patience and abilities to concentrate for long hours. Soon it was apparent that hard working women – mostly young docile migrants from the country side – were a comparative advantage that attracted foreign investment. The female-labour-directed investments and the feminized export industrialization, in particular in clothing, textiles, shoes, toys and electronics, contributed substantially to the amazingly high growth rates of 9 per cent per annum.

At the same time, as part of the economic reform state-owned enterprises were dismantled and state-owned property privatized. The collapse of the state sector caused a massive-gendered process of retrenchment: women who had been 40 per cent of its labour force made up for 60 per cent of the retrenched 30 million people. Often they were sent into early retirement with 'working women go home'-slogans and got less opportunities to be retrained or re-employed than men.²

Those new discrimination of women indicated a backlash against the socialist era of gender equality. Based on Mao's saying that 'whatever a comrade can do, a female comrade can do as well', policies and laws were aimed at giving women a higher status. With the integration of women into the *danweis*, the labour collectives and by its rigid population control, the socialist party aimed at breaking up the old gender division of labour and the Confucian patriarchal gender relations.

Gender roles were desexualized by a uniform dress code and hair style.

However, the gender egalitarianism forced by the state and the party remained highly contradictory. Women's emancipation was equated largely to economic activity and was promoted for the sake of socialism and the nation. Women's nearly systematic exclusion from political leadership was an indicator that the gendered power relations were not really changed. Participation of women in state-owned industries and *danweis* was high but still asymmetric. Women's battalions in steel production, mining and ship construction were set up but no men were obliged to work in the kindergartens of the *danweis*. Similarly, the target of equal pay and equal recognition for all kind of work was not fully met. Most of the care work in the private households was done by women with a particular care role assigned to grandmothers who after retirement at the age of 50 were expected to take care of the grandchild(ren) so that the mother was able to continue working in the *danwei*.

... to the marketization of gender inequalities

The ongoing collapse of the state-owned sector means to the retrenched workers not only the loss of their job and (small) wage but more importantly the loss of a complex system of social security and basic facilities from housing to healthcare. Liberalization, privatization and market competition did open new chances and liberties in the emerging labour markets but did not substitute the old 'iron rice bowl'-regime of social provisions. With regard to gender, in the transformation process a re-invention of gender differences emerged along with the labour markets becoming segregated and hierarchically organized according to a new valuation of work (Lau *et al.*, 1999). Ngai Pun, a Hong Kong-based scholar summarizes her observations when she worked in an electronic assembly line in the feminized export region of Shenzhen: 'The femaleness of the workers had to be reinvented and regulated' (1999: 18).

The majority of women are placed at the bottom end of the value chain and once again in care

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work. The majority of the export workforce are migrants from rural areas, *dagongmei*, 'working girls', whose remittances back home help millions of rural households to survive at the subsistence level. The gender wage gap increased, presently standing at 64:100 (UNDP, 2006). Because of the local registration, the *hukou* system,³ migrant workers were not allowed to participate in the social security system at their work place. Agism in the labour market – discrimination based on age – is much stronger for women than for men so that employment rate of women is falling rapidly after the age of 40. Female graduates, however, complain about a recruitment discrepancy they face which seems to reflect a global pattern of corporate hiring policies: even with better degrees than male students young women face more problems in getting a job (see footnote 3). Altogether, the economic activity rates of women are on a decline.

Due to the collapse of the *danwei* system and the privatization of public services, care work is relocated to the private households and becomes 'naturally' a female task. In case of a child, work-life-balance is once again an individual problem. In the new urban consumer class, the institution of the domestic worker – tabooed in the socialist era – is revitalized and this form of informal and invisible employment in the private service sector has spread fast.

The transformation was framed by the neo-liberal slogan of 'self-responsibility'. The All China Women's Federation (ACWF) preached 'self-respect, self-confidence, self-reliance, self-improvement' in order to re-educate women that they cannot rely any more on the socialist party and state to take care of their well-being from cradle to the grave. With slogans like 'Be a self-empowering and self-reliant retrenched person' (Dai, 2003: 148), they are trained to strive for economic independence, for example, as domestic worker and entrepreneurship.

While some of the 'socialist achievements' with regard to gender equality in the economy continue – a high rate of female economic activity of 69.2 per cent, education and employment in the so-called male skills and professions and a large number of women in corporate management –

some global patterns of gender inequalities and women's discrimination in the labour market occur:

- concentration of women in the expanding informal and service sector, in low-paid, precarious employment as well as in self-employment or one-woman entrepreneurship,
- feminized labour-intensive export production,
- a gender gap in wage and social security, in particular pension,
- a feminized care network of paid and unpaid work (Jin, 2002: 13).

These tendencies resulted in an increasing refeminization of women's role in society, a resexualization of gender roles and a kind of re-discovery of gender differences. Gender nowadays plays a significant role in the making of new labour regimes and in the 'politics of making and unmaking of classes' (Dai, 2003; Lee, 2005: 6). Liberalization 'has engendered social stratification or disintegration' comments Liu Bohong, director of the Women Research Institute at the ACWF (Liu, 2005: 253).

While the Chinese leadership claims to agree to principles of gender equality and equal opportunities, its top priorities are economic competitiveness and growth. For the sake of increase in productivity, policymakers neglect pro-active policies to prevent wage and workplace discrimination of women and to enforce women's rights. The World Bank came in its Country Review to the conclusion:

The imperative of competition increasingly takes precedence over the protection of equality rights... State affirmative action policies have receded while traditional gender stereotypes and values have re-emerged, including increasing gender discrimination in the labor market (2002: 14).

The disparities between rural women, migrant workers, domestic workers, high-skilled students and women in management positions are growing, not only in terms of income but as well in terms of identity and subjectivity, and re-enforcing social differentiation among women.

Another great leap forward in liberalization but not in social justice

China's government tries to redirect domestic and foreign investments, in particular labour-intensive manufacturing to inland areas and relatively smaller cities, leaving higher value-added activities like research, management, finance, insurance and design in the big cities. This diversification of the economy is an answer to the growing disparities between the prosperous coastal strip and the underdeveloped western and north-eastern regions, and the social unrest articulated in thousands of riots and demonstrations against growing social insecurity and new polarizations in society. Immediate causes for public protests are corrupt officials or company managers, unpaid wages or pensions, mass retrenchments or evictions due to dam construction or development projects, health hazards because of frequent accidents or use of toxic materials in industries, mining and construction work.

Despite of the Chinese leadership's claim of 'socialist market economy' and of a 'harmonious society' as an overall goal, the phenomenal growth rates did not result in a more equal distribution. On the contrary, the wealth gap is widening. Geographical, development and income disparities are growing. In 2004, the average per capita income in Beijing rose by 12.6 per cent, while the standard of living in the country side fell by 6 per cent (*World Bank News*, 22 February 2005). Wages of workers at the assembly line had not been substantially increased for 15 years while living costs in the coastal cities skyrocketed and wages of skilled labour had multiplied to 500 euro (Wen, 2005). According to the World Bank, there is ample evidence for a feminization of poverty (2002: 6). Between 2001 and 2003, the real income of the poorest 10 per cent of the population declined by 2.4 per cent while the richest 10 per cent enjoyed a 16 per cent increase (FT, 22 November 2006). These recent findings of the World Bank give a blow to the neo-liberal myth that liberalization is a win-win game or as the Chinese government always assumed 'a rising tide lifts all boats'.

In 2005, an estimated 720,000 jobs were lost in the poorest regions of the country due to imports

of cheap agricultural products under the WTO agreement, for example, subsidized cotton, wheat, soybean and cooking oil from the US. After the accession to WTO, the producer price of sugar decreased by 35 per cent due to annual imports of 1.6 million tons of sugar. The sugar price on the world market ranges below the Chinese producer price because of the high subsidies of the EU (Oxfam, 2003). Since grains are increasingly imported and outcompete local production, the traditional plots for grain are giving way to horticulture for exports and greenhouses. However, the job loss in agriculture is much higher than the current job creation capacities in agriculture, for example, through export production in vegetables and fruits mostly done by women (FT, 9 December 2005). Therefore in the country side, local governments compete for investment, ready to intensify the race to the bottom and neglect legal regulations and social provisions.

The shift of investment and production to less-developed regions reacts as well to a shortage of labour in the Pearl River Delta since 2003. Meagre wages of euro 50 per month, police harassment of migrants, sweatshop conditions with a high risk of accidents and occupational health hazards, and cramped dormitory accommodation caused that up to 15 per cent of the migrant labourers stayed back in the country side (*World Bank News*, 26 August 2004). The government reacted by increasing the wages, by giving migrant workers for the first time partial access to the new social security system and by shifting focus on the hinterland. Over there, labour is abundant and docile, mostly young girls from villages and production costs – wages, land, energy and water – less than half, meaning that a woman at the assembly line would earn US\$ 30 per month only. This salary would not help her to cross the UN-drawn poverty line of US\$ 1 per day (Chan and Gu, 2006). Thus, globalization and foreign investment may create new jobs for women; however at the same time, a new class of 'working poor'.

The investments redirected to the Chinese hinterland target cheap female labour as competitive advantage, partly for labour-intensive production in the sunset industries or the more capital- and technology-intensive manufacturing of cell

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phones, TVs, PCs, household equipment, or in the service sector, in particular retailing, financial services and tourism.

The new leap of liberalization is to a large extent a female-based growth strategy, which makes for a progressive penetration of China's rural inland by the capitalist market economy and the construction of a new working class in the latest Chinese and global division of labour. There is a strong convergence of Chinese and EU trade ambitions: interests of the Chinese leadership match up with the interests of European and other foreign investors in the efficient utilization of human and natural resources for the sake of capital accumulation and acceleration of growth.

Resistance and transnational solidarity

All through this trade war, China was called in Europe the biggest winner of the MFA phase-out. However, the Chinese perception is different: with regard to employment, the prevailing feature in the country is retrenchment from state-owned enterprises and a high rate of unemployment. The official news agency Xinhua complains about a 'new quota era' and 'protectionism' imposed by the EU and US and more general about an increasingly 'hostile trade environment' for Chinese companies (11 December 2006). The Hong Kong-based Globalization Monitor rightly hints at the fact that foreign companies directly benefit from the Chinese expansion of exports because they account for one-quarter of all export earnings from textile products and more import of textile machinery takes place. Germany is leading in export of textile machinery. Taking a socially more differentiating look at the wins and losses made, it appears that companies – Chinese, EU and other foreign investors – are 'winners while workers are losers, albeit to different degrees under different time frames' (Au, 2005).

In this pronounced competition, workers in different countries are made each others' enemies: one is blamed to steal the other's job. Trade unionist struggles against the downward pressure on wages, standards and jobs have become futile; in China, the ACFTU does not represent workers' interests against the companies or the

government. What are Chinese women's workers strategies and instruments against global capital's strategic policies in the production chain and accumulation regimes? Which ways of transnational solidarity can women extend despite being divided by neo-liberal competition regimes, culture and class?

Increasingly, women embarked on collective protest against despotic factory regimes and frequent accidents. Mobilization takes place at the workplace and dormitories rather than across factories (Lee, 1995; Pun, 2005). Health is more often the entrypoint than wages, organizing is more community based than shop floor based.

Chinese Working Women Network (CWWN) started its empowerment work with women workers in Shenzhen after a fire in Zhili toy factory killed more than 80 workers in 1996, all but two women. It runs a hotline on health and safety issues and trains women on occupational health and legal rights. It provides cultural space, trains and sets up workers' committees in the industries to monitor codes of conducts, promote corporate social responsibility and articulate labour rights. It set up collective purchasing networks in dormitories and a shop that provides for the needs of the migrant women. In 2005, it joined a campaign for a living wage initiated by the Bangkok-based *Committee for Asian Women* in nine Asian countries.

Thus new forms of labour organizing and women's empowerment are explored, different from the conventional trade unionist model. A cooperation with transnational networks started, for example, the *Clean Clothes Campaign* in Europe that addresses transnational corporations to make sure that codes of conducts are adhered to all over the production and supply chain. Based on common concerns and common values, transnational democratic spaces have to be opened for voice and resistance, which link gender justice and global economic justice.

Conclusions

China remains to a large extent a blind spot in the gendered analysis of neo-liberal globalization. Only a few in-depth studies on women workers in

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export production have been published recently. In particular, the service sector and care economies are unknown territories, which however are increasingly effected by transnational trade regimes. News about resistance against the restructuring of the economy and its high social and environmental costs are hushed up. This paper tries to map out areas for further gender research and opportunities to exchange, build civil society alliances and network with China. Not only the

Chinese government and Chinese corporations are to be made accountable for the precedence of corporate interests and the growth doctrine over social and economic rights of Chinese people, over gender justice and social equality in Chinese society. EU's new trade policies focussing on competitiveness and ensuring corporate rights of European business in China contribute to growth and development dynamics, which are unequal, unsustainable and unjust.

Notes

- 1 Chinese economic statistics and data on employment are inconsistent and seldom gender disaggregated. This holds very much true for poverty indicators. The official Chinese poverty line is 25 cent income per day, far below the UN-drawn poverty line of US\$ 1 per day.
- 2 The *hukou* system is a registration at the residence place that gives citizens a right to live, work and to social security only at their place of original residence. It was established in 1958 in order to prevent rural–urban migration and progressively relaxed from 1984 onwards but has not been abolished. Presently, an estimated 150–200 million people with a rural *hukou* migrated for work into cities.
- 3 Employers fear loss of work time of young women not only because of pregnancy and delivery (this would happen only once due to the one-child norm); but additionally, it is normal for a young married woman to have several abortions per year because abortion is often the only available form of birth control in China.

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