China: Honda strike sends shudder through financial circles

By John Chan
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A strike by 1,900 workers at the Honda Motors transmission plant in southern China paralysed production for almost two weeks and raised concerns in international financial circles about the prospect for wider unrest. Although workers yesterday agreed to return to work following government threats and a pay rise, the strike has highlighted the degree to which global capital has become dependent on China as a cheap labour platform.

The strike erupted in the Honda Automotive Components Manufacturing factory at Foshan in the southern province of Guangdong on May 17. Workers who earn just 900-1,500 yuan (US$130-$220) a month—a little higher than the local minimum wage of 920 yuan—demanded an increase to 2,000-2,500 yuan. Management promised to address the issue and the strike was halted.

However, when workers found out that the pay rises would fall far short of their expectations and that strike leaders would be fired, a second strike erupted on May 23, forcing Honda to suspend production at its four assembly plants in China last week. The strike threatened Honda's plans to boost output by one-third, to 480,000 vehicles, by the end of 2011.

Honda management rejected the demands on strikers and insisted workers had to sign a no-strike pledge. A note distributed last Thursday to workers at the plant stated that they "absolutely will not lead, organise or participate in work slowdown, stoppages or strikes." Many workers refused.

Speaking to the *Financial Times*, workers were particularly disgusted with the role of the state-controlled All China Federation of Trade Unions (ACFTU), which put itself forward as a mediator but openly sided with management and the government. "The official union leaders are useless and support management," one worker told the newspaper.

In recent years, the ACFTU, with government backing, has expanded aggressively in foreign enterprises as a means of suppressing unrest among workers. Far from representing the interests of workers, the ACFTU acts as an instrument of the government and management. A union official at the Honda plant's ACFTU office disowned the striking workers, saying they "have organised this [strike] themselves".

Honda operates joint-ventures in China with the Dongfeng Motor Corporation, which is controlled by the central government, and the Guangzhou Automobile Industry Group. These state firms are listed on the stock markets and have joint ventures with other Japanese and Western automakers.

Honda attempted to split the strikers by putting pressure on school interns, who made up more than half the workforce. The government, which allows companies to employ students as a source of cheap labour, ordered schools to force their interns to sign the no-strike letter. Honda offered the interns a monthly pay rise of 400 yuan if they did.

According to the *South China Morning Post*, about 200 interns from Guangdong were bused to Tao Yuan Secondary on May 29 to sign the note. An intern from Qingyuan Vocational Technical School said nearly 30 of his 40 classmates had signed the letter, but he refused. The headmaster told him that the strike "has badly affected our national image and has ruined ties between China and Japan". The student was warned that he would receive no school certificates and "that those involved in social unrest would be sent to the public security department as punishment".

By yesterday, most workers accepted the company's offer to increase starting salaries by 336 yuan ($49) a month—far less than had been demanded. Tensions at the factory gates were high and scuffles broke out with union officials, some of whom were attempting to video strikers. The *South China Morning Post* reported that workers said they had been surrounded at one point by 200 union officials and beaten. Riot police were deployed to oversee the resumption of work.

The strike is a sign of sharpening class tensions in China amid the worsening global economic crisis. While China's economic growth rate continues to be high, propped up by huge stimulus spending, the gulf between rich and poor is widening. Last year there were 98,568 labour disputes filed in Chinese courts, up 59 percent on the previous year. Most disputes, however, were not reported.

Industrial action is semi-illegal in China. The right to strike was removed from the constitution in 1982 as the Chinese Communist Party regime implemented a pro-market agenda. The flood of foreign investment expanded after the Tiananmen Square massacre in 1989, which demonstrated that the government would not hesitate to crack down on the working class. The police are frequently mobilised to suppress protests, including strikes.

In the case of the Honda strike, the government was reluctant to use brute force against the workers, because of mounting public anger over sweatshop conditions and the danger of triggering wider industrial action in the key auto industry.

The auto giants are planning major expansions in China, which has become a crucial commercial battleground. Volkswagen, a leading auto seller in China, plans a massive base in Foshan by 2013, with an annual capacity of 300,000 cars. Honda's aim is to reach an annual output of 830,000 vehicles, from the current 650,000, by late 2012. Honda CEO Takanobu Ito declared that in 10 years, China "may become the company's largest single market".

This expansion is dependent on consumer subsidies, which were part of the government's stimulus package. China's auto sales jumped by 40 percent last year. A small layer of the middle class is now able to afford a car, but this remains a dream for the majority of workers. Auto wages rose by just 9.1 percent last year to an average hourly rate of $1.46.

The Honda strike has sparked international headlines, particularly in the financial press. The coverage reflects concerns that labour unrest could seriously disrupt global production processes, which rely heavily on China's cheap labour. Any political crisis in China would only compound the growing financial instability being fuelled by the European debt crisis.

A *New York Times* article said the significance of the strike at Honda was that "transmission factories are the most expensive auto plants of all to build, because they are huge and highly automated". As a result, "Automakers tend to put transmission factories only in the most politically stable and strike-free countries, because a shutdown for even a day is costly. Until now, China was seen as a safe bet."

The *New York Times* expressed fears that Chinese workers would follow the example of the sit-down strikes by American auto workers in the 1930s, causing a domino effect throughout the Chinese auto industry, including in General Motors plants. General Motors is the largest foreign-owned car company in China, with sales jumping by 66.9 percent last year to 1.83 million.

Social tensions in China have been further highlighted by the spate of suicides at the giant Foxconn factory in Shenzhen which employs 400,000 workers. Foxconn is the world's largest outsourcing electronic manufacturer, producing goods for corporations such as Apple and Dell. Details of the huge plant and dormitories, which are more like a small Chinese city than a factory, have provided a graphic insight into the harsh military-style labour regime, constant stress and alienation that is the lot of tens of millions of workers in China.

The publicity surrounding the Honda strike and Foxconn suicides has forced Chinese officials to promise to end "sweatshop" conditions in China. The reality, however, is that the Chinese economy and, to a large extent the global economy, rests on the low-wage production in China. The reverberations from the strike by a relatively small number of Honda workers are just an indication of the political and economic ramifications of any broader upheaval of the Chinese working class.