

INTRODUCTION

BY STACY MOSHER

China's accession to the World Trade Organization at the end of 2001 was an inevitable step for a country whose massive population, offering both bountiful cheap labor and tremendous potential consumer power, has long made it a dream destination for overseas investment.

China's four largest cities, Shanghai, Beijing, Tianjin and Hangzhou, with their surrounding metropolitan areas included, fall within the range of the world's 100 most populated countries. Third-ranked Tianjin (pop. 10,239,000) is only slightly less populous than Greece (10,750,705), and boasts more residents than the Czech Republic (10,283,762), Belgium (10,185,894), Hungary (10,167,182), Sweden (8,938,559) or Austria (8,148,007).

It is hardly surprising, then, that figures presented by China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) earlier this year show the international business community taking swift advantage of China's membership in the WTO:¹

- Value of overseas investment in China in 2002—\$52.743 billion; Increase over 2001: 12.51 percent
- Contractual volume of overseas investment—\$82.768 billion; Increase over 2001: 19.62 percent
- Number of newly-approved overseas-invested ventures in 2002—34,171; Increase over 2001: 30.71 percent

By October the United Nations Conference on Trade and Development (UNCTAD) was already projecting that in 2002 China might overtake the U.S. as the largest FDI host country in the world, with FDI inflow for China reaching a record-breaking \$50 billion.² While the U.S. was losing out to China as a recipient of foreign investment, it consolidated its position as China's largest source of investment after Hong Kong.³ As of September, contractual investment from the U.S. in the year 2002 totaled \$7.332 billion, with actual investment reaching \$3.952 billion. Among China's other major investors:

- Hong Kong—contractual investment \$20.95 billion (actual investment \$12.826 billion)
- Ten Asian economies (including Hong Kong, Taiwan, and Macau)—contractual investment \$39.990 billion (actual investment \$23.7 billion)
- European Union—contractual investment \$3.709 billion (actual investment \$3,534 billion)

– Free ports such as the Virgin Islands and Cayman Islands—contractual investment for selected free ports totaled \$13.449 billion (actual investment totaled \$6.044 billion). A large portion of this is almost certainly additional indirect investment from other countries such as the U.S. or the European Union.

By the year 2000 foreign-funded enterprises in China employed more than 6.42 million workers. Notably, foreign investment in China has shifted over the past decade from labor-intensive light industry sectors into capital- and technology-intensive manufacturing sectors that also tend to carry more workplace risk.

This shift in focus has important implications in an environment where progress in international trade outstrips improvements in conditions for workers. Wing-yue Trini Leung, a researcher on labor and politics, observes that in contrast with the state-owned sector, the private sector, including companies servicing multinational corporations, is more likely to be plagued with "an extremely exploitative and repressive, and often illegal, labour regime."⁵

The articles in this section examine the tradeoffs China has accepted on behalf of its workers in exchange for its burgeoning international trade. Sharon Hom outlines the challenges China faces in meeting its obligations, both internal and external, under WTO. While Scott Greathead's article points to indications that a foreign presence can have positive effects on workers' rights, articles by Mary Gallagher, Hu Ping and Nicolas Becquelin suggest that China's workers will not enjoy the benefits of globalization without strong advocacy for their rights from within and outside of China.

1. "Overseas Investment to China Reaches US\$52.7 Billion," People's Daily, January 15, 2003.
2. United Nations Conference on Trade and Development, "UNCTAD predicts 27% drop in FDI inflows this year." Press release October 24, 2002. <http://www.unctad.org/Templates/webflyer.asp?docid=2832&intItemID=1634&lang=1&p>
3. Lai Pingyao, "Foreign Direct Investment in China: Recent Trends and Patterns," China & World Economy, Number 2, 2002.
4. www.chinafdi.org.cn/english/29/country.asp.
5. Wing-yue Trini Leung, "What can be done for the largest but deadliest manufacturing center in the world?" Submission to the Congressional-Executive Commission on China, Nov. 7, 2002.