



What America's faltering economy means for China

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NEW YORK - US economic downturn will increase the chance of social upheaval in China

The US economy continues to suffer from the effects of the 2007 recession and global economic depression, posting minimal gains in employment, manufacturing, or overall growth so far in 2011. Recent passage of deficit reduction legislation and an increase of the US debt limit by \$400 billion have mostly failed to achieve any immediate gains for the US economy beyond avoiding a US government default on debt payments. The downgrade of the US government's credit-rating by Standard & Poor's on August 6th, followed by a 5-7% decline in all three major US stock indexes the succeeding Monday, has only made future economic outlook for the US more grim. News today of another steep decline in stock market values by almost 5% only proves to further solidify this point.

What does this grim economic news mean for China and how will it affect Chinese factories and the workers they employ?

As the economic situation continues to weaken, consumer rates in the US will likely continue to fall, resulting in a decline in US imports of Chinese manufactured goods. As US based companies see their retail sales fall, they will decrease the number of manufacturing orders they place with Chinese factories. Due to the fact that manufacturing orders are placed and filled over a three month period, the effects of a decrease in manufacturing orders will only begin to be felt in China three months from now. This will lead to an increasing number of Chinese factories being unable to operate, resulting in potential factory closing or more likely massive worker layoffs and an increase in China's unemployment rate.

Massive factory layoffs will lead to increased protests and social turmoil in China's urban and rural areas, spurred on especially by those laid-off factory workers and other migrant laborers particularly marginalized by society. Additionally, labor conditions will only worsen for those workers able to retain their jobs, as factories will seek to compensate for revenue and labor loss by forcing factory workers to work an increased number of overtime shifts and cutting costs on safety equipment and overall factory maintenance.

Li Qiang, the executive director of China Labor Watch (CLW), states, "While current failures in the US economy stem mostly from the onset of a global economic crisis, they hold the potential to turn into a serious social and political crisis in China." China's economy has witnessed monumental growth and development over the past thirty years. Nevertheless, this new found wealth and success has yet to be evenly distributed throughout society. As the backbone of this success, Chinese workers are especially entitled to a portion of these economic rewards, yet they tend to be one of the most marginalized, exploited, and disenfranchised segments in society. Until the Chinese government adopts social policy that distributes the benefits and wealth of its economic growth evenly throughout the country, this threat of social upheaval will not decrease.

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