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Lecture notes for Mini-Lecture on Wal-Mart, China, and Trade Liberalization

Foundations of Comparative Politics

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**Write on Board: Wal-Mart, China, and Trade Liberalization**

**Define Trade Liberalization: reduction of tariffs and trade barriers to permit more foreign competition and foreign investment in the economy**

It's cool to hate Wal-Mart. You all know this. Intellectuals pride themselves on boycotting Wal-Mart. For example, of the Chicago Radio Market (over 80 stations) Chicago *Public* Radio ranks last in percentage of listeners who shop at Wal-Mart, at 51%.

Critics, like University of California-Santa Barbara professor Nelson Lichtenstein, claim that Wal-Mart – as the largest employer in the service sector – is setting the agenda for a social policy not in the nation's best interest. Critics bombast Wal-Mart for keeping its wages low (\$7-8/hour), thereby not forcing the government to raise minimum wage for the past 7 years. Critics harp on how Sam Walton, founder of Wal-Mart, initially tried to pay his employees the lowest possible wages. That he paid so little that he was fined for it. Critics maintain that Wal-Mart's deceptively generous health benefits set a low standard for its competitors. They scoff at Wal-Mart's campaign to win our hearts and minds.

But, even though it's cool to hate Wal-Mart, apparently some people haven't gotten the memo. Wal-Mart imports more products than Great Britain and Russia. If Wal-Mart were a country, it would be the 8<sup>th</sup> largest economy. And, like any large country, Wal-Mart is expanding its sphere of influence. Wal-Mart began opening stores in China less than 10 years ago (1996) and now has 45 units in 21 cities. They employ more than 23,000 associates in China.

In an interview on the radio program, "Worldview", Lichtenstein indicated his concern for the social ramifications of Wal-Mart in a land where the government, in his opinion, encourages industrialization at any cost and where worker strikes are repressed.

I believe that Professor Lichtenstein does not need to worry. **Wal-Mart is what China needs.** For three of the most salient problems that China has and will encounter as it liberalizes its trade - HUMAN RIGHTS, DEMOCRATIZATION, and PRESERVATION OF CULTURE - Wal-Mart offers a good guiding force and solution.

HUMAN RIGHTS organizations such as Amnesty International argue that China is home to one of the world's most oppressive governments. Certainly China does have a poor track record

with human and worker's rights. This history of control and oppression was documented in Joseph's article, "The Making of the Modern Chinese State" and includes such atrocities as the Taiping Rebellion and the famed Tiananmen Square massacre. Human rights organizations fear that this history of repression and abuse will continue to escalate.

But the presence of Wal-Mart in China will help guarantee that this is not so. In the article, "The Quiet Revolution", the author mentions that one factor impacting China's liberalization is steady growth of foreign investment. Foreign investors like Wal-Mart, are not interested in human rights per se, but the negotiations in the marketplace lead to transformed workplaces, which affect millions of Chinese citizens on a daily basis.

Indeed, Wal-Mart provides the "iron rice bowl" described in Perry's article, Shanghai on Strike. Wal-Mart guarantees important things like high wages, substantial welfare measures, health benefits, and right to union membership. In 2004, Wal-Mart topped the China Business Competitiveness Index, among commercial and trade companies and was the only retailer on the list. In August the same year, Wal-Mart was ranked No. 8 among the "Most Admired Companies in China" elected by the Fortune Chinese edition. In other words, Wal-Mart provides stability and a respect of rights that other jobs do not.

Beyond those transformations in the work place, Wal-Mart *is* interested in human rights, per se. A trip to the Wal-Mart in China website boasts some of the many honors held by Wal-Mart in China, all a testament to its commitment to service. As an outstanding corporate citizen, Wal-Mart actively participates in community service and charity events, and it has donated over RMB 19.44 million worth of materials and monetary funds to local charity and welfare organizations in 8 years. In June 2004, Wal-Mart China was awarded "Best Community Service of Guangming Charity Award" by Guangming Daily. It is clear that Wal-Mart has positive influence on human and worker's rights in China.

A number of articles in our reader argue that the image of China as an unbending authoritarian regime that has grown economically, but seen little else is false. I whole heartedly agree, and furthermore believe that Wal-Mart, in particular will promote DEMOCRATIZATION in China.

China has made enormous progress in liberalizing markets and integrating itself into the world economy. According to Minxin Pei (of "Creeping Democratization in China") this actually does lead to small change. And she goes on to say that these small changes are

gradually forming subtle but important checks and balances against the ruling party's monopoly of power, strengthening the rule of law, and cultivating self-government at the grassroots level. This liberalization appears to be accelerating and, if allowed to continue, will gradually lay the institutional foundations for the eventual democratization of China.

Furthermore, Wal-Mart is in a unique position to offer empowerment to the masses that essentially must be elevated in order to further democratization in China. Wal-Mart is a company for the average or below average Joe. Its lower prices strike a particular chord in China where his voice has been historically silenced. The freedom and empowerment required of the individual in capitalism generally and particularly in Wal-Mart logically supports the same freedom and empowerment of the individual required in democracy. In democracy, individuals are incorporated and guaranteed the right to free speech (to paraphrase Robert Dahl's "procedural minimal" conditions that must be present for modern political democracy). Wal-Mart is making changes that will gradually form these subtle, but important checks of which Minxin Pei wrote.

And what about preservation of culture? Well, it is always a concern in the face of so-called modernization that the little guy will get elbowed out. Pressure from big manufacturers brought in through trade liberalization forces ma and pa operations to shut down. People are concerned that big bad Wal-Mart will come in and absorb all of China into its big, yellow smiley face.

But this image is entirely inaccurate. Wal-Mart is making an effort to PRESERVE CHINESE CULTURE. A BBC documentary about Wal-Mart in China narrated by Steven Evans in part highlights the differences between American Wal-Mart stores and Chinese ones. From the daily chant to the mechanisms of praise, Wal-Mart China reflects the differences in culture of its employees. The physical stores themselves are also different, with the food element being more important in China. Public opinion indicates that Wal-Mart is lauded for low prices, variety and convenience, as it is in US. It doesn't seem to matter that it's American, it's good for modernism

Furthermore, although Wal-Mart is not exempt from putting pressure on smaller shops, Wal-Mart is trying to preserve what is Chinese about China and to help local economy as best as it can.

Wal-Mart firmly believes in local procurement since they recognize that quality products can provide good job opportunities, support local manufacturing industry, and boost local economic development. It procures over 95% of local products whenever a store is opened and it cooperates with about 20,000 suppliers in China.

Wal-Mart plans to continue to expand investment and cooperation in China and contribute to the economic development there. Wal-Mart is working hard to make sure that the little guy stands strong against those elbows of trade liberalization.

And the bottom line is that China is liberalizing. Human and worker's rights, democratization, and preservation of local culture and economy are all areas of concern in China as it liberalizes. If companies are going to come in, China couldn't hope for a better foreign company than Wal-Mart. Wal-Mart fervently promotes human and worker's rights, has policies that work to support democratization, and conscientiously acts to preserve local culture and economy. Wal-Mart, like China itself, is trying to grow from under the shadow of a controversial past to meet the future. They are apt partners for winning the hearts and minds of the international community.