



Growing bonsai, shrinking oak

Asian drive meets European diffidence
By Christoph Hein

The EU may have served out its days as a model for international integration. At the same time, Asia's wide income disparities could threaten the region's continued prosperity. The German business community's annual Asia-Pacific Conference, held in Singapore on May 13 and 14, underscored both points.

It's no secret that self-confidence among Asian leaders has ballooned in recent years. As Europe continues to struggle with the fallout from the financial crisis, the Asians keep getting cockier. Nowhere was that attitude more clearly on display than at the German Industry Federation's Asia-Pacific Conference this May in Singapore. "If you need help, we would be glad to give you some prescriptions for the crisis," said a smiling Mari Pangestu, Indonesia's trade minister, to German Economics Minister Rainer Brüderle and the 700 plus German CEOs, entrepreneurs and traders.

The Germans swallowed the mockery because they know that Asia, the world's only growth

region currently, will become evermore important to them. "Asia now accounts for half of the world's economic growth," said Jürgen Hambrecht, BASF CEO and the departing chairman of the Asia-Pacific Committee in Singapore. "We need a partnership based on equality. If we respect each other and learn from each other, Germany and Asia will both make progress," Brüderle said.

The Asians recognized long ago that the crisis offers them their first opportunity after the end of colonialism to speak with the Europeans as equal partners. While the EU struggles to rescue the economies of its less competitive member states, Asia's economic growth remains more than robust, thanks to last year's stimulus packages and a boom in incoming orders. "Here in Asia, we can definitely say a V-shaped rebound is in full swing," said Martin Brudermüller, head of Asia operations at BASF. "Since January it's really been humming."

In the first quarter of 2010, Singapore's economy expanded by 30 percent, Malaysia's by 10 percent, China's by 11.9 percent. That's good for self-confidence.

Meanwhile, Malaysian Trade Minister Mustapa Mohamed

expressed disappointment over integration efforts made by the Association of Southeast Asian Nations (ASEAN). "In the past two or three years, we have begun to see that the EU model doesn't work," he said. "It was a surprise. One used to say the EU is transparency but what came out was something else. Five or ten years ago, the EU was a very good model but now there have been some questions raised."

The result has been that now even the Germans have been shedding long-held reservations. For example, Brüderle displayed no reluctance to appear in public with a cabinet member of Myanmar's military leadership or negotiate with him behind closed doors. Myanmar's authoritarian regime has always been the stumbling block in efforts to establish a free

trade zone between the European Union and ASEAN.

Aggressive steps by Japan, the US and China in Southeast Asia have also forced the Europeans to abandon their previously strict rule of negotiating only with ASEAN as a whole over trade issues and political topics such as human rights. Since April, the EU has been conducting bilateral talks with the rich but autocratic city-state of Singapore, while the groundwork is being laid for similar talks with Malaysia, Indonesia and Brunei Darussalam.

European attitudes to China are also changing – again. After Beijing had been on the defensive over issues such as Tibet, the value of the yuan and climate protection, Europeans are once more paying attention to the strong growth of Asia's second biggest economy.

Even a certain gratitude is evident. "As Westerners, we would do well to act with respect toward the Chinese government," said Brudermüller. "It steered its big ship securely through the crisis in 2009 and I'm very optimistic for 2010 as well."

The big corporations began responding to the changes long ago. Bosch, the world's leading supplier of automotive systems, has been concentrating its research activities in Singapore. "We have every reason to expand our activities in Asia," said company head Bernd Fehrenbach.

Last year, Asian sales accounted for 20 percent of the Stuttgart-based company's revenue, a first. By 2015, that amount is supposed to climb to 30 percent. Chemical manufacturer Lanxess opted to build a €400 million plant for synthetic rubber production in Singapore. And BASF, which aims to expand its Asia revenue by 7 percent annually, is again on the lookout for big acquisitions and planning expansions and new construction projects in the region.

Yet, these kinds of acquisitions aren't easy in Asia, Brudermüller admits. "You drop some candidates for their bad environmental record and others because of differing business practices," he said.

"And some things simply aren't available."

Brudermüller's remarks poured water into the Southeast Asian delegates' wine, as did those of German ambassadors who pointed out the underreported sides of the Asian success story. They described "conflict potential," "India's encirclement fears" and "conditions approaching civil war in Thailand."

Most of all, these diplomats expressed concern over Asia's social inequalities. "Anyone who sees the postmodern facades of Shanghai and Beijing thinks that China has pulled even with Japan, the US and other Western states," said Michael Schäfer, German ambassador to Beijing. "It would be a great mistake to look at China that way. So far, only 150 million people have profited from its rise. Drive 80 kilometers outside Beijing and you will have left the 21st century and re-entered the 19th."

"Whether India can raise its potential depends on whether it can solve its internal problems," said Thomas Matussek, German ambassador to Asia's second leading power, India. "India has the most billionaires in the world. Meanwhile, more people live in abject poverty here than in sub-Saharan Africa." The Asian ministers had left long before Matussek made his remarks. ■

Adidas wage dispute

Is the sporting goods maker paying Chinese staff in line with its own ethical standard? | By Hannes Koch

Workers making Adidas products in Guangzhou are paid too little to live on, allege labor rights advocates. The company denies violating its code of conduct. Who's right? We visited the factory at issue.

Chen Dawei (not his real name) was fed up. "The rice is bad," said the 20-year-old worker. It's inedible, undercooked, too little fat – and not just today, but every day.

Last year workers went on strike in the factory in Guangzhou that produces sportswear for Adidas. Some workers said it was because of the bad food. Others say the walkout had more to do with the meager pay. For whatever reason, the tailors and seamstresses turned off their machines and blockaded a nearby highway for hours.

Now conditions at the Adidas subcontractor's factory 9,000 kilometers away are also being discussed in Germany. Just in time for the Football World Cup, in which Adidas is the number one supplier for participating teams, the Clean Clothes Campaign has

produced an "action paper for humane working conditions in the global sportswear industry." One of the business's human rights activists criticize most severely is the production facility of the Hong Kong-based Tien Sung Group in Guangzhou where Chen works.

"Adidas does not comply with its own code of conduct and is infringing ethical principles," said Kirsten Clodius, who manages the World Cup campaign. She bases the allegation on interviews that the Hong Kong workers' rights group SACOM (Students and Scholars Against Corporate Misbehavior) conducted with the factory's workers last year.

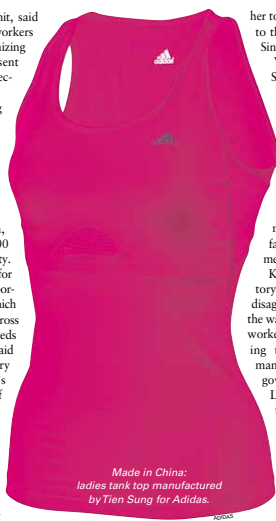
The researchers have leveled four main charges at Adidas. First, the wages that Tien Sung pays its workers hardly suffices to cover their basic needs, the group says. Second, SACOM points out, the factory's basic wage only equals the state-mandated minimum wage, which as of May 1 is 1,100 yuan (about €130) per month. In its workplace standards, Adidas says it always pays above the minimum wage.

Working hours far exceed the 60 hours per week that Adidas has

itself put as an upper limit, said SACOM. In addition, workers have no chance of organizing independently to represent their interests more effectively, the group said.

What do the Tien Sung workers themselves say about the accusations? "Food is expensive in Guangzhou. My husband and I need 700 yuan," said Sin Lan (not her real name), one of the seamstresses. In addition, she said, they pay over 400 yuan for rent and electricity. The remaining costs are for clothing, cosmetics, transportation and insurance (which constitutes 10 percent of gross income). That well exceeds the 1,500 yuan that she said she earns at Tien Sung every month. Her husband's wages finance the rest of the family.

They live in a farming village in Henan Province in Central China. Sin pays for her two children, 9 and 13, who live with their grandparents. Her wages mostly allow



her to "travel the long distance to the children once a year," Sin said.

Whether the pay at Tien Sung is enough to live on is disputed.

Unions and activists organized in the Asia Floor Wage campaign say no. In a 2008 study they put the living costs of an unmarried worker at 2,600 yuan, including telecommunications, doctor's fees, family support and retirement payments.

Kenneth Leung, the factory's 49-year-old manager, disagrees. "People can live on the wages we pay," he said. His workers are paid strictly according to the minimum wage mandated by the provincial government of Guangdong, Leung added. In real terms that means those who don't work overtime or receive bonuses for high productivity take home 1,100 yuan.

The factory manager admits that he does not comply with the code of

Adidas, for which his company works almost exclusively. The sporting goods corporation understands "appropriate wages" as "a basic salary that exceeds the local minimum wage." No reason to worry, Leung said. All workers in the plant supplement this wage with productivity bonuses and overtime, he said, adding that take-home pay averages about 1,800 yuan. "The minimum requirements for workers in China are covered by the wage," said Frank Henke, Global Director of Social and Environmental Affairs for Adidas.

That's just a fig-leaf, believes Apo Leong of the Asian Monitor Resource Center. "We don't believe Adidas' code of conduct," the activist said. But if Adidas really wanted to take action, what should it do? Leong and many others believe the answer is clear. In China today there is no way to found an independent union, he acknowledged. Still, he added, the company must compel its suppliers to open talks with workers. "The state union only represents the interest of the employees to a limited extent. But we are committed to moving ahead with improvements in the factories," said Henke. ■