



## BOTH U.S. AND CHINA LOSE IN WAL-MART'S GLOBAL ECONOMY

*Wal-Mart's history of importing cheap goods from China and other countries, where labor costs are low and safety and environmental regulations are lax has a detrimental effect on the citizens of both the U.S. and China.*

*Every year, thousands of jobs are lost in the U.S. as companies relocate to developing countries where labor costs are lower and worker protections are limited. By eliminating jobs, suppressing wages, and perpetuating poor working conditions, Wal-Mart weakens the supply chain and facilitates unstable product and labor economies. The products produced under such circumstances may be poorly regulated and put U.S. consumers at risk. When current suppliers reject Wal-Mart's low-cost demands, Wal-Mart orders are often subcontracted to smaller, less accountable suppliers or worse, Wal-Mart simply moves more of its business to other developing countries and perpetuates the cycle of economic destruction.*

*In 2007, U.S. and Chinese consumers saw firsthand the effects of cutting corners on safety with massive recalls on toys, food and other products sold at Wal-Mart. Wal-Mart can tout its low prices, but those prices don't begin to reflect the true costs to workers and consumers across the globe.*

### Wal-Mart Contributes To Staggering Trade Deficit With China

**Wal-Mart is China's sixth largest export market.** In 2006, Wal-Mart imported \$27 billion of Chinese goods. Wal-Mart's imports are responsible for 11% of the growth of the total U.S. trade deficit with China between 2001 and 2006. [*Time*, 6/19/05; EPI Issue Brief #235, 6/27/07]

**Wal-Mart's imports from China cost American jobs.** Wal-Mart's trade deficit with China alone eliminated nearly 200,000 U.S. jobs between 2001 and 2006. On average, 77 U.S. jobs were eliminated for each one of Wal-Mart's 4,022 U.S. stores in 2006. [EPI Issue Brief #235, 6/27/07]

**Wal-Mart encourages American companies to open Chinese factories.** In order to obtain Wal-Mart contracts or to continue relations with Wal-Mart, American companies are coerced by Wal-Mart to open factories in China. Lakewood Engineering and Manufacturing Company and Huffy Bikes were two such cases. [*Los Angeles Times*, 11/23/03; *Mansfield News Journal*, 12/8/03]

### Chinese Factories Reject Wal-Mart's Low Price Demands

*Despite Wal-Mart's \$27 billion of trade with Chinese suppliers, Wal-Mart's push for low prices has had a negative affect on the company's relations with reputable factories in China. Many factories are starting to demand higher prices, reject Wal-Mart's orders outright or subcontract the low-priced orders to less reputable factories, decreasing accountability and safety.*

**Factories are rejecting Wal-Mart's low priced orders.** In July 2007, China's largest hosiery manufacturer, Langsha Group, announced it would no longer fill Wal-Mart's low priced orders. In the last two to three years, Langsha had filled more than \$5 million dollars worth of Wal-Mart orders. A fast growing Chinese market and higher priced orders from Europe would displace Wal-Mart's orders. [*Xinhua*, 7/27/07]

**In order to continue relations with factories, Wal-Mart has started paying higher prices.** In December 2007, hosiery manufacturer Langsha Group revealed that Wal-Mart agreed to negotiations for higher prices and was currently filling Wal-Mart orders for Langsha's most recently developed high quality products. [*Xinhua*, 12/7/07]

**Factories reject Wal-Mart's direct purchasing plans.** Despite Wal-Mart's request to buy directly from factories, many suppliers continue to sell to trade groups who then sell to Wal-Mart. Some suppliers note that the risk and logistics of working directly with Wal-Mart are not worth the price. [*Xinhua*, 11/4/07]

**Wal-Mart's low priced orders are subcontracted to smaller factories.** Many companies will accept Wal-Mart's low priced orders and outsource the project to smaller facilities. This generally increases the risk of Wal-Mart orders. [Xinhua, 11/4/07]

## Wal-Mart's Defective Factory Monitoring and Uncompromising Demand for Cheap Goods Create a Defective Supply Chain

*When cheap Wal-Mart orders are subcontracted, decreased accountability and supervision result. Factories, which keep costs low by violating labor laws and using unqualified materials, enter the supply chain.*

**Wal-Mart purchases plastic from Chinese sweatshops.** Wal-Mart was a major buyer at the Zhifeng Hardware and Plastics Factory in Guangdong, China. At Zhifeng, workers were at the factory 80.5 to 85.5 hours a week, working seven days a week and often going for months without a single day off. The National Labor Committee equated Wal-Mart's monitoring of factories to Wal-Mart monitoring "well-run prisons." [National Labor Committee, 12/07]

**Wal-Mart Christmas ornaments made by children in sweatshop.** A report by the National Labor Committee detailed a Wal-Mart supplier factory where employees as young as 12 worked excessive amounts of overtime at less than the legal minimum wage of 55 cents per hour. Workers said they were forced to work seven days a week and photos revealed workers worked with paint and chemicals without any protective gear. [New York Times, 12/12/07]

**Chinese factories prep workers for Wal-Mart factory audits.** The Beifa Group factory, which was a top supplier of pens, mechanical pencils, and highlighters to Wal-Mart, hired a Shanghai based consultant who promised to help them pass a factory inspection after the Group learned Wal-Mart was coming to audit the factory. The consultant provided advice on how to create fake but authentic-looking records and suggested Beifa hustle any workers with grievances out of the factory on the day of the audit. [Business Week, 11/27/06]

**Wal-Mart's supplier factories continue to use sweatshop labor.** In December 2007, two nongovernmental organizations documented what they said were abuse and labor violations at 15 factories that produce or supply goods for Wal-Mart. Labor rights groups say some Chinese companies routinely shortchange their employees on wages, withhold health benefits and expose their workers to dangerous machinery and harmful chemicals. [New York Times, 1/5/08]

**Despite recurrent recalls throughout 2007, Wal-Mart says the company is satisfied with the quality of Chinese products.** Wal-Mart told China's Ministry of Commerce that it is satisfied with the quality of Chinese products. The qualification rate reached 100 percent for exported Chinese products purchased by Wal-Mart. [China Daily, 9/27/07]

## Wal-Mart's Layoffs and Mishaps Damage Credibility with Chinese Consumers

*Despite Wal-Mart's commitment to growth in China, the company's poor labor practices and product quality continue to haunt it. Recent layoffs at a distribution center raised suspicions about Wal-Mart's strategy to avoid new labor laws. In addition, the company's image and credibility were damaged with Chinese consumers after numerous instances of selling mislabeled and incorrectly priced products at its supercenters.*

**In October 2007 Wal-Mart laid off 110 workers from its China procurement center.** Many media reports suggest the workers were illegally let go so Wal-Mart could avoid the effects of a new labor law which would increase costs and worker protections. Wal-Mart claims the layoffs were part of an organizational restructuring which one report reveals may mean moving some procurement to Africa. [International Herald Tribune, 11/5/07; People's Net (China), 12/19/07]

**Wal-Mart China's distribution center workers held a sit-in to demand worked overtime pay.** Wal-Mart workers in Shenzhen held a two day sit-in in Wal-Mart's distribution center conference room. The workers were demanding their overtime pay for which Wal-Mart had only offered them compensative rest. One Shenzhen lawyer notes that Wal-Mart's failure to pay overtime wages is illegal. [Sina (China), 1/4/08]

**Wal-Mart Supercenter mislabels hybrid fish as the real thing.** A Wal-Mart in Shenzhen, China was found to be selling a hybrid fish that store signage and employees guaranteed was fathead fish. Laboratory testing verified the fish was most likely a hybrid and suggested it be labeled as such. [Xinhua, 12/5/07]

**Wal-Mart ordered to pay damages in a forged sourcing and expiration labels case.** The Shanghai Pudong District Court ruled that Wal-Mart had swindled customers and must pay damages. Products purchased by the plaintiff had been

re-labeled to show Japan as the country of origin instead of the original label reading Thailand. Another product wrongly listed an expiration date as the production date. [*Kaifeng Evening Paper*, 5/23/07]

**A Hunan resident protested outside a local Wal-Mart after being overcharged.** After removing a 49RMB price tag to reveal the original 29.9RMB price tag, one customer demanded an explanation from Wal-Mart. The police were called and Wal-Mart removed the product display. A Hunan lawyer said the customer should be paid the mark up difference and be compensated for his time. [*Chinese Rights Network*, 6/5/07]

**After being black listed by the Chinese government, Wal-Mart is forced to accept grassroots unionization of Wal-Mart China Supercenters.** After rejecting repeated requests by the All China Federation of Trade Unions to unionize Wal-Mart's stores, the union started grassroots efforts to organize workers. The grassroots organization led to the creation of union branches for Wal-Mart China stores. [*Wall Street Journal*, 6/22/07]

## Wal-Mart Struggles to Expand

*As Wal-Mart continues to expand in China, roadblocks limit its access to small communities and its ability to grow unchecked. The Wal-Mart effect in China mirrors that of the U.S.; when Wal-Mart enters smaller cities, local businesses and stores frequently close.*

**Wal-Mart pursues the Chinese consumer market.** In August 1996, Wal-Mart Stores opened its first Supercenter and Sam's Club in Shenzhen, China. The entrance signaled Wal-Mart's interest in China as not only a producer market, but also an emerging consumer market. As of December 2007, Wal-Mart has opened 90 supercenters and 3 Sam's Clubs, and holds a 35% share of the Taiwanese Trust-Mart brand. [*Xinhua*, 8/12/96; walmartfacts.com]

**Wal-Mart China was forced to unionize.** As Wal-Mart grew, it came under mounting pressure from the All China Federation of Trade Unions to establish trade unions within its stores. Wal-Mart refused to set up a labor union and the ACFTU began a grassroots effort to organize Wal-Mart workers. To Wal-Mart's surprise, workers started declaring the formation of labor unions across the country. [*Japan Focus*, 9/8/06]

**Wal-Mart has been unable to enter many Chinese cities.** Because of Chinese tax law which diverts Wal-Mart's income tax to its headquarter city, many cities won't issue Wal-Mart the required license to enter. Additionally, the demand for foreign investment has weakened as local retail has developed and local development income tax remains within the region. [*People's Net (China)*, 12/9/07]

**Wal-Mart threatens the survival of some local retail enterprises.** According to an analyst with Shenzhen-based China Jiayin Investment Securities, Wal-Mart has had an impact on domestic supermarkets. A series of local enterprises have been forced to shut down. [*Emerging China*, 1/4/08]