

The  
Laogai  
Research Foundation  
劳 改 基 金 会

# CHINESE ILLEGAL TRADE EXPANDS

EVIDENCE OF FORCED LABOR GRAPHITE  
BEING IMPORTED INTO AMERICA

JUNE 1995

PICTURE

Beishu Graphite Mine / Qingdao Graphite Mine – Beishu Prison

The Laogai Research Foundation

## LAOGAI MINE ONLY SOURCE OF EXPANDABLE GRAPHITE

The only mine in China which produces expandable graphite for export is a forced labor camp called the *Beishu Laogai Detachment*.

The Laogai (reform-through-labor) camp is located in the northeast section of Beishu Village just outside Nanshu town in the northern reaches of the Qingdao Municipality in Shandong Province.

*Beishu* (sometimes written as Bai Shu) was established as a forced labor crude pit mine in 1954. Raw graphite mined by the prisoners of Beishu first found its way into international markets in 1958. By 1988 the camp had grown to 1,100,000 cubic meters with the mining area covering nearly two square kilometers and produced over 14,000 metric tons of flake graphite, 2000 metric tons of expandable graphite, and 150 tons of other types of finished graphite products.

In 1991, Chinese government documents reveal that the Laogai camp had 800 guards and “staff” and 3,355 prisoners, making it the largest camp in the Qingdao Municipality.

In an English-language brochure (see Attachment I) obtained by the Laogai Research Foundation, the Laogai camp highlights on one page the following statement: *“The mine is the only expandable graphite exporting enterprise in the industry of the Nation.”* This brochure, which was being used in 1995, confirms information contained in the January 22, 1989 issue of the Shandong Legal Journal (Shandong Fazhi Bao). This article about the *Beishu Laogai Detachment* states: *“Its expandable graphite is the only domestic mine’s which enters the international market.”*

Both the brochure and the Shandong Legal Journal reveal that the camp’s graphite is exported to the United States, Japan, England, Australia, West Germany, and 30 other countries and regions around the world.

## PRODUCING EXPANDABLE GRAPHITE IS DANGEROUS

The Foundation believes that the reason prisoners are used to produce expandable graphite is because the production process is extremely dangerous. It involves the extensive use of sulfuric and chromic acid. One team in the processing plant is made up of “recidivists and repeat offenders.”

The *Beishu* brochure makes brief mention about what expandable graphite is:

*“By heating (above 800 C) the expandable graphite will expand by hundreds times (sic) over its original size. It is a new type sealing and thermal insulation material widely used to making (sic) graphite products and used in many industries such as metallurgy, spaceflight and so on.”*

Western trade publications mention it being used with a polyurethane mixture to act as a fire retardant material in upholstery and bedding.

## **U.S. INDUSTRY LEADER IS LAOGAI MINE CUSTOMER**

Shipping records for 1992-1995 show that a principal customer of the Laogai expandable graphite in the United States is an Asbury Graphite Mills, Inc., a subsidiary of Asbury Carbons, Inc. headquartered at 41 Main Street, Asbury, New Jersey.

Asbury is the world's largest processor of natural and synthetic graphite. Established in 1895 by Harry M. Riddle Sr. Asbury, a private owned company, is still controlled and largely owned by the Riddle family.

From 1992 through 1994 the shipping records show Asbury received a total of 320.8 metric tons of expandable graphite directly from Shandong through the state trading company Shandong Metal & Minerals. Shipping information the Foundation has access to is current through March 1995. That information show Asbury received two shipments on February 24<sup>th</sup> and March 29<sup>th</sup>, each for 40, 158 pounds from Shandong Metal & Minerals.

Another customer in the United States is China Enterprises (310 Fifth Ave., New York, NY) which received 376 metric tons of expandable graphite from Shandong mostly through Qingdao Metal & Minerals, a branch of Shandong Metal & Minerals. The Foundation has information that China Enterprises is a supplier for Asbury Graphite, although we do not know the quantity.

China Enterprises is a privately owned international company with offices and facilities in New York, Qingdao, Shanghai, Hong Kong, and Taipei. Its President is Allan Wong.

There are dozens of other sizable shipments to the United States which are handled by freight forwarders, and thus the Foundation is unable to determine the actual recipient of the expandable graphite.

## **PRO-DEMOCRACY SUPPORTER PRISONER IN BEISHU**

According to "Detained in China and Tibet: A Directory of Political and Religious Prisoners," published in 1994 by Human Rights Watch/Asia, Li Nan, a 37 year old restaurant owner who provided food and money to students during the 1989 pro-democracy protests in Tiananmen Square, is a prisoner at *Beishu*.

Li Nan, a native of Shandong, was convicted of "counter-revolutionary propaganda and incitement" and sentenced to seven (7) years. It is a common practice to ship prisoners back to their home province to serve out their sentence in the Laogai. Li Nan, whose restaurant in Beijing was reportedly named "The Only Place," is last known

to have been working in the prison kitchen. It is not known if he has ever been used to either mine the graphite or engage in the dangerous work of producing expandable graphite. His sentence was harsh considering that many of the students themselves received considerably shorter terms.

## **U.K REPORTER'S VISIT TO BEISHU CONFIRMS EXPORTS**

Nick Rufford, a reporter for the London Sunday Times made an unannounced visit to the *Beishu Laogai Detachment* on Christmas Day, 1994. His article appeared in London on January 1<sup>st</sup> 1995 (see Attachment II).

Rufford met with one of the Laogai mines managers, Zheng Wen Song, who told him that the British engineering firm James Durrans was one of the camps "best customers". He said a Durrans executive had visited in November, and three other British executives had come in October, including an official from Arthur Branwell, a British mineral company.

Rufford, who went to the forced labor mine under the guise of being interested in purchasing graphite reported: "*Evidence of the use of forced labor was abundant. Inmates marched in double file. Trucks with "Beishu prison" stenciled on the sides in Chinese characters were parked inside the factory gates. Behind the plant stood a walled compound with watchtowers and guards.*"

Rufford claimed 3,500 tons of graphite from the mine was shipped to Britain last year.

## **DIFFERENT NAMES – THE SAME PLACE**

Like many other Laogai camps in China, Beishu has undergone a number of name changes, at least one of which is designed to hide the fact that the facility is a forced labor operation.

The internal or official name used by the Ministry of Justice was the *Shandong Province Beishu Laogai (Reform-Through-Labor) Detachment* for most of its history. Today it is simply called *Shandong Province Beishu Prison* following the Chinese government's official announcement earlier this year that it was dropping the term Laogai from its forced labor camp system.

The external or company name for most of its history was the *Shandong Province Beishu Shenjian Graphite Mine*, or just the *Beishu Graphite Mine*. In recent years (it is not possible to determine exactly when), the name was changed to the *Qingdao Graphite Mine*.

But, as the brochure distributed by the mine shows, the address, and phone and fax numbers, as well as bank account numbers for the *Qingdao Graphite Mine* and *Beishu Graphite Mine* are the same.

## **BEISHU WINS AWARDS INCLUDING EXPORT RIGHTS**

The *Beishu Laogai Detachment* has won numerous city, provincial, and national awards for the quality of its products, but none were more coveted than the “**National Second Class Enterprise**” award in 1988. Accompanying this designation was the right to self-manage all of its export transactions, a privilege, at the time, which had been granted to only 160 enterprises in China.

The Shandong Metals & Minerals Import/Export Company awarded the Beishu Laogai its “**Advanced Unit in Earning Foreign Currency from Exports**” award.

In 1990 *Beishu* won from the Ministry of Justice a National Gold Medal for its high-carbon graphite flake, and a Silver award for its medium-carbon content graphite flake.

The latest figures available (1988) reveal that *Beishu* earned over \$6 million in foreign exchange by exporting its flake graphite, expandable graphite, and stainless steel pipe. Between 1958 and 1988 it earned over \$25 million in foreign currency. While current numbers are not available, it is believed that foreign exchange earnings have increased significantly in recent years.

## **U.S CHINA MEMORANDUM OF UNDERSTANDING ON PRISON LABOR IS BEING IGNORED BY CHINA**

In August 1992, the United States and China signed a “Memorandum of Understanding on Prison Labor.” The Chinese, in this document, acknowledged that exporting forced labor products to the United States is illegal. As a matter of fact, the Chinese government has stated on numerous occasions that it does not export any Laogai products to the United States.

In March of 1994, the U.S. and China signed a Statement of Cooperation on the Implementation of the Prison Labor MOU. The signing of this document was used by Secretary of State Warren Christopher as evidence that China had “complied” with the MOU, a “must-do” condition for the Chinese to meet before the President would renew China’s Most Favored Nation trading status. This action was a severe diplomatic stretching of the truth, as the Laogai Research Foundation revealed in May 1994 that China was exporting steel pipe to Waxman Industries from a Laogai camp in Shandong province, and hand tools to Cosmo Trading Company in Houston from a camp in Zhejiang province.

Last September, the Foundation revealed that a political prisoner in Guangzhou Reeducation Camp No. 1 had smuggled out labels showing that prisoners were assembling artificial flowers for export to Ben Franklin Stores, headquartered in Illinois, and Universal Sunray, a Springfield Missouri company.

Kent Wiedemann, Deputy Assistant Secretary of State, East Asian and Pacific Affairs testified before the House Ways and Means Trade Subcommittee on May 23<sup>rd</sup> 1995 about the Administration's latest views concerning Chinese compliance on the forced labor issue. He made no explicit reference to the evidence presented during the last year that the Chinese are still ignoring U.S. law, but rather, portrayed the situation in the best possible light. He wrote:

*“Through difficult, but successful negotiations, we are developing a workable system for investigating allegation of trade in forced labor products. We are constantly in touch with the relevant authorities in China and are establishing a relationship based on mutual trust and confidence.*

*Since the signing of the Statement of Cooperation on Implementation of the Prison Labor MOU in March of 1994, the Chinese have been cooperative in fulfilling their obligations under both the SOC and MOU. Although cooperation slowed down somewhat since January 1995 due to personnel changes in the Chinese Ministry of Justice (MOJ), the Embassy has recently had meetings with the MOJ and reports that the process is moving ahead once again.”*

The evidence gathered about the **Beishu Laogai's** uninterrupted exports of forced labor produced expandable graphite clearly demonstrates that the Chinese government has not stopped, nor does it intend to stop exporting Laogai products to the United States.

The MOU, which we have frequently referred to as the “Meaning of Useless,” should be abandoned. It serves only to deceive members of Congress and the American people. While the State Department makes excuses for the Chinese government, and attempts to make believe it has accomplished something, the Chinese government continues to flaunt its ability to circumvent American law, as do some U.S. corporations.

The Foundation believes that the only way China will ever take the United States seriously on the question of forced labor products is if American law is changed in such a way as to punish the Chinese state trading companies exporting the products, and provides the U.S. Customs Service the legal authority to ban entire categories of products from China based on credible evidence that some portion are produced by prisoners in violation of their basic human rights.