As it finances extraction and construction projects around the world, China is exporting its labour model and standards

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Seen from today's perspective, with China modernising in leaps and bounds, leading the sectors of the future and confident in its own strength, it's understandable that the Asian giant's growth over the last 40 years is often considered to be the most dramatic transformation achieved in the shortest amount of time in recent human history. Whether exaggerated or not, it's true that when Mao Zedong died in 1976, China was an agrarian country mired in poverty and isolated internationally. In 1978, its economy accounted for 1.8 per cent of global GDP and its per capita income barely exceeded US$156. Maoism furthermore left a legacy of at least 45 million deaths in peacetime as a result of the famine and the repression of the Great Leap Forward and the Cultural Revolution.

With its own survival at stake, the Chinese Communist Party (CPC) decided to transition from a planned economy to a socialist market economy. Four decades later, China is the world's second largest economic power, with an economy that accounts for 20 per cent of global GDP and an annual per capita income of around US$10,000. How did it achieve this ? The architect of this transformation was Deng Xiaoping, then the paramount leader of China, who in 1980 began initiating reforms promoting 'socialist modernisation', and with it the dismantling of Maoism. Foreign investment was essential to the new model, so Deng began creating a series Special Economic Zones to experiment with capitalism in small doses.

> Beijing began offering tax exemptions and an endless supply of cheap labour among other incentives to attract foreign investment, which began to flow in, starting with Taiwan and the Chinese diaspora abroad and followed by other countries.

The attractive labour costs and stable environment that China offered, in addition to a potential market of hundreds of millions of consumers, laid the foundation for what became the ''world's factory''. The model was consolidated with the communist country's entry into the World Trade Organisation (WTO) in 2001, which led to a drastic reduction in tariffs and placed China at the epicentre of globalisation. The year that it joined the WTO, China's total trade in goods with the rest of the world amounted to US$509 billion ; by 2018, it had shot up to US$4.62 trillion. The export sector thus became one of the engines of its economy.

Another key economic factor was the country's urbanisation, with hundreds of millions of Chinese moving from the countryside to the city over the last four decades, leading to spectacular transformations. This migration continues today, with estimates that there will be 900 million people living in Chinese cities by 2025.

China's rapid urbanisation and manufacturing industry have made it very dependent on raw materials, so in 2002 the Asian giant launched its 'Go Out policy'. Although it alleviated the overcapacity of large state-owned companies and allowed them to become global players, the real strategic reason for their internationalisation was to secure a future supply of natural resources.

> By going directly to the source, China minimises the risk of supply interruptions and avoids bottlenecks in two of the economic engines that have allowed Chinese GDB to grow at an average annual rate of 9 per cent for more than 30 years.

China's internationalisation has since been unstoppable. According to the American Enterprise Institute's *China Global Investment Tracker*, the country's overseas investments since 2005 exceed US$2 trillion. According to Research and Markets' 2019 research report *China's Involvement in Global Infrastructure*, China is involved in infrastructure projects outside its borders with a total value of US$1.1 trillion. The report further indicates that since 2013, China has committed, through Exim Bank, the China Development Bank and the Asian Infrastructure Development Bank, among others, US$600 billion to a project known as the Belt and Road Initiative (also known as the 'New Silk Road'), aimed at developing infrastructure in six economic-commercial corridors around the world. This amount exceeds the US$490 billion committed by the World Bank and its financing institutions over the same period.

Several of the projects that China is currently developing abroad are linked to the extraction of energy and other natural resources, as well as infrastructure construction : from railways, housing and football stadiums to roads, airports and dams. Between 2000 and 2014, for example, China built around 350 dams in 74 countries, according to International Rivers. Beijing is employing the same state capitalism-fuelled development model abroad that it has used to modernise China. Its international offensive, driven by its state-owned giants and financed by its development banks, has had undeniable benefits : firstly, for the Chinese regime's state investors and the private sector that serves it ; secondly, for the recipient countries, particularly in the developing world, which now enjoy infrastructure that they would have been unable to afford on their own, have access to alternative sources of funding, and receive investments that generate local employment, among other benefits. According to a report by the International Labour Organization (ILO), Chinese investments and infrastructure projects have created 600,000 jobs in Latin America alone.

Extraction and infrastructure : controversial sectors

But, as has been the case domestically over four decades of the 'Chinese miracle', while the Asian giant is certainly a source of opportunities, those opportunities also come with consequences, and many of China's international projects have a controversial environmental and social impact. The best practice guidelines and corporate responsibility of its giant companies are not well established and don't work well to filter projects in practice. But more than that, the single factor that most damages China's reputation abroad is undoubtedly the treatment of workers in its investment projects. It is in Africa, one of the regions with the highest Chinese investment in infrastructure, where poor working conditions are the most visible.

"On average, labour conditions in Chinese projects are hard and difficult. Discrimination exists between local and Chinese employees in terms of payment, allowances and placements. Chinese companies also resist the unionisation of Chinese working in their projects in Africa," says Joel Odigie, deputy general secretary of the African Regional Organisation of the International Trade Union Confederation (ITUC-Africa), who also warns of the need to address other areas such as occupational health and safety. His assessment coincides with that of other observers who have studied the phenomenon in Africa and other regions, though a more thorough analysis would be required for a complete picture. For the time being, not all of the countries where China invests and has projects act the same way. As a general rule, in countries where the rule of law prevails and which have strong institutions and an influential civil society, China tends to comply with laws and labour standards. This is the case in Australia and Canada, where Chinese investors have a strong presence in the extractive industries, but not in much of the developing world.

There are also important differences between sectors. In Africa and other regions with abundant natural resources, where China has a large part of its extraction and infrastructure projects, it is precisely in the mining and construction industries where labour conditions are the most questionable. Moreover, due to the institutional fragility in many of these countries, it is more difficult to get a clear picture of what is going on. According to Odigie, "Africa's weak labour inspection regime is partly responsible for the slow pace in the necessary change." As he explains : "The weak sanction regimes for labour rights infractions are another 'incentive' for foreign companies, especially Chinese, to violate labour and environmental rights." What's more, Beijing's relationships with local elites are often fraught with corruption. "Chinese projects remain deliberate and willing to corrupt government supervising officers to continue their anti-labour practices."

In order to understand the climate of labour impunity that pervades China's projects in Africa, it is also necessary to address the phenomenon from the perspective of the local governments. Many have come to see China not only as a lifeline for their most pressing problems but as their primary source of funding and opportunity, particularly since the 2008 financial crisis led to a drop in funding from Western countries.

> Most host countries maintain growing trade deficits with China and depend on it to attract investments or obtain loans and credit, which places them in a vicious circle with tacit – though inevitable – political implications.

Against this backdrop, "African governments are less likely to demand that Chinese companies obey national laws," says Odigie.

As a result, in the developing societies where China invests, a factor as important as labour conditions is relegated to the background, only occasionally coming to the fore of public opinion as the result of complaints by unions or local journalists, who almost always work with minimal resources to sound the alarm. Such complaints rarely go anywhere, as is the case in the iron mine in Peru, where since 1992, Chinese mining company Shougang has patiently withstood as merely a cost of investment years of strikes and violence that periodically erupt due to the precarious working and safety conditions suffered by workers. Although it is one of China's oldest investments in the Latin American country, as well as one of the most controversial, labour abuses have never received due media attention or prompted intervention by the authorities to settle grievances.

Paradoxically, even when labour unions or media reports document the intermittent conflict in Zambia's Copperbelt region, home to Africa's largest deposit of copper and cobalt, with a strong trade union tradition dating back to the British colonial era, they do not serve to repair or improve the current labour situation. One of the few globally oriented journalistic works on the impact of Chinese investment in the developing world, published in 2013, examines labour conditions in the Copperbelt, as well as at the Merowe dam in Sudan, the Shougang mine in Peru and the construction of the national stadium in Maputo, Mozambique, among others. The book shows how China's bad practices are the rule rather than the exception.

> According to Boyd Chibale, then associated with Zambia's National Union of Mineworkers and Allied Workers, as quoted in the above-mentioned book, "wages and working conditions have stagnated even though we work longer hours. Strikes and riots used to be rare, now they're commonplace. And only in the era of Chinese investors have we seen shootings."

He was referring to the violence that erupted against Chinese investors in 2007, which left one person dead and created considerable diplomatic uproar, as well as another episode in 2010, in which 11 people were wounded by gunfire after two Chinese foremen fired indiscriminately into a crowd of miners protesting for better working conditions. And just last month, the shooting of a two Zimbabwean workers by a Chinese mine boss in Gweru was described to CNN by one legal body as part of "a pattern and a system" of abuse, violence and discrimination. According to the 2009 study *Chinese Investments in Africa : A Labour Perspective*, working conditions at Chinese companies in Africa differ across country and sector, though some worrying trends were common : "tense labour relations, hostile attitudes by Chinese employers towards trade unions, violations of workers' rights, poor working conditions and unfair labour practices."

China's neo-colonial practices in Africa and other regions

When asked about the evolution of the working environment in Chinese projects in Africa over the last decade, Odigie points out that "Chinese companies and investors have made little or no efforts to improve the working environment," though he admits that unions have succeeded in improving the previous practices of non-existent employment contracts and Chinese employers unilaterally determining workers' salaries and benefits. In any case, conditions in Chinese companies continue to be comparatively worse than those of other international investors, which, as Odigie explains, "does not necessarily suggest that other foreign investors don't violate labour, environmental and tax laws." Another common complaint with regard to China's presence on the African continent is the lack of incentive for companies to transfer knowledge and know-how, which critics claim is evidence of China's neo-colonial attitude and practices in Africa and in other regions.

> The proof that China is spreading its economic tentacles throughout the rest of the world along with its model of development is that employment discrimination not only affects workers in the countries where it invests but also Chinese workers themselves.

According to consulting firm McKinsey, although 89 per cent of the labour force of Chinese companies in Africa is hired locally, many of China's large infrastructure projects around the world employ Chinese workers. And as Beijing typically finances these projects, it also sets the conditions. These often include the requirement that the labour force originate from China, not only because this facilitates communication but also because in the eyes of Chinese employers, Chinese workers are more productive and disciplined than local workers. An undetermined percentage of these Chinese workers enjoy better conditions and higher wages than they would earn in China. This, combined with increasing labour competition in China, is an incentive for workers to emigrate abroad. But not all of them suffer the same fate.

According to the ILO, more than 14 million workers around the world suffer from forced labour exploitation, many of them migrant workers who take on debt in order to emigrate and who find themselves in particularly vulnerable situations. These include the over one million Chinese workers estimated to have left for other countries in 2018 for work (not counting a high number of undocumented migrants). As labour experts Aaron Halegua and Jerome A. Cohen of New York University write in the *Washington Post* : "These migrant workers are generally demonised as the infantry 'invading' the host country and 'stealing' local jobs. In reality, they are extremely vulnerable to exploitation by their employers." As a practicing lawyer, Halegua closely followed a case of exploitation suffered by thousands of workers in Saipan, the largest of the Northern Mariana Islands, by four Chinese companies building a casino on the island.

Workers described the working conditions as "worse than in China." According to US federal authorities, workers worked 13 hours a day with no right to rest days, weekends or holidays, their passports were retained on arrival in Saipan by their employers and they were in debt to labour recruitment agencies, to which they paid an average of US$6,000. In 2018, US authorities ordered the construction companies to pay US$14 million in unpaid wages to their 2,400 employees. The case of Saipan is only the tip of the iceberg of a dramatic, if relatively silent, phenomenon that is repeated (with no signs of slowing down) in many other countries throughout the world and that only comes to public attention as a result of a tragedy or if a case is brought to court.

According to Halegua and Cohen, Beijing is aware of the gravity of the issue and has approved policies and regulations that ban recruitment commissions and deposits (aimed at ensuring that workers fulfil their contractual obligations), and prohibit Chinese companies abroad from hiring Chinese migrants with tourist visas. But, as Halegua and Cohen argue, "policies and regulatory standards are usually vague and not legally binding, and the legal provisions in place are routinely violated". At the same time, many Chinese companies ignore their obligation to adapt their practices to local laws, while oftentimes local authorities are incapable of ensuring that standards are met and local unions are unable to provide a counterbalance. With current outlooks marked by uncertainty and economic tension due to the COVID-19 crisis, and with Beijing continuing to project its infrastructure outwards through its Belt and Road Initiative, it's hard to imagine the situation improving in the medium term.

> Some evidence points to a move in the opposite direction. A case in Greenland in 2012 demonstrates the temptation some governments may feel, particularly in the wake of the 2008 crisis, to adapt to the labour standards of Chinese corporations rather than the other way around.

The British mining company London Mining proposed the construction of a mining facility on a glacier located 160 kilometres from the capital of Nuuk, in a territory without roads or infrastructure beyond inhabited areas. The unprecedented scale of the Isua Project, which had a budget of US$2.35 billion and the objective of extracting 15 million tons of iron ore a year, was pitched as a game-changing project for Greenland's future. Through the China Development Bank and its construction and engineering companies, Beijing was to be responsible for civil works.

However, in order to make the project economically viable, the Chinese construction companies demanded that the 3,000 workers they required be of Chinese origin and, moreover, that they be allowed to earn wages below Greenland's legal minimum, one of the highest in the world. Although the demand clashed with local labour legislation, a controversial vote in the Greenland Parliament authorised, by a single vote, the reduction of the minimum wage for foreign workers in large mining projects. The concession, made indirectly by allowing deductions in wages for accommodation, food and insurance, was made to accommodate the needs of Chinese companies and marked the first time that a territory with sacrosanct labour standards put them on the table as a bargaining chip. The Isua Project has since stalled following the bankruptcy of London Mining in 2014, but it demonstrated the willingness of a government to adapt to China's needs, when the aspiring global power should be the one to adapt to the standards that best ensure the welfare and prosperity of local populations.

Translated from Spanish

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