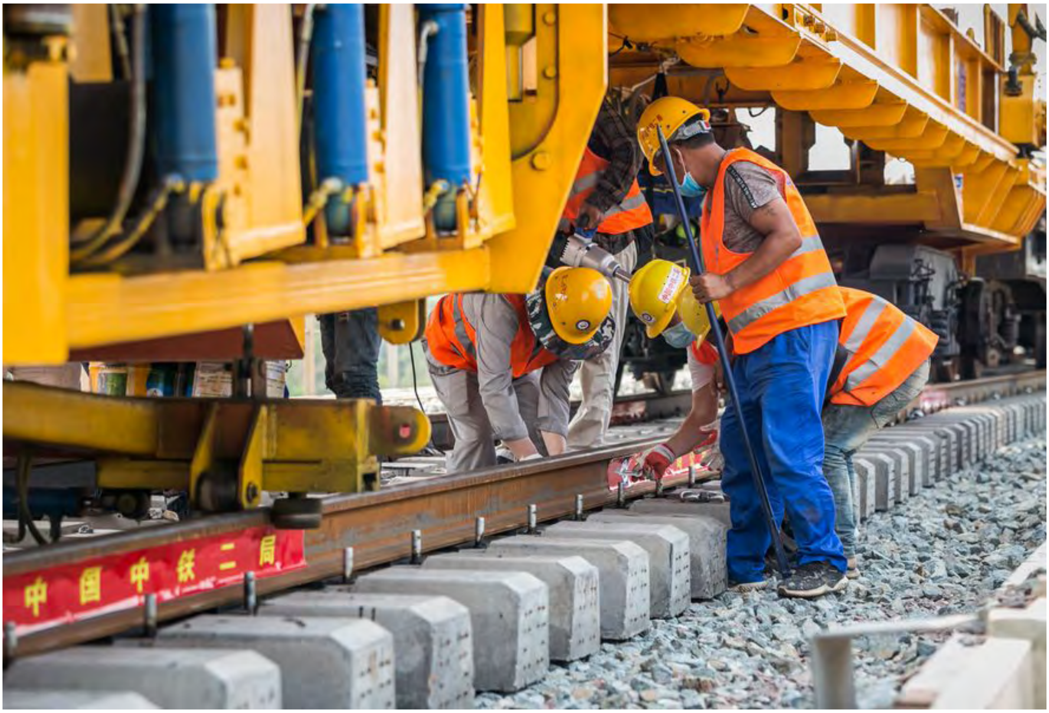

Chinese construction workers on the trans-Laos railway, 2020. PC: Xinhua News Agency.

Railroaded

The Financial Politics and the Labour Puzzle of Global China

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While it is well known that China's infrastructural expansion in some countries is heavily reliant on labour drawn from home, the causes of this phenomenon remain unclear. This essay points to the financial underpinnings of Global China as a contributing factor. Drawing from her fieldwork on the trans-Laos railway, the author reveals how unstable credit flows powering the Belt and Road Initiative can reshape labor regimes on the ground.

Chinese labourers have been a persistent component of Beijing-sponsored infrastructure projects overseas. Going back to the socialist era, they participated in the construction of ideology-based aid projects such as the TAZARA railway in Tanzania and Zambia in the 1970s (Monson 2009). Today, as the Belt and Road Initiative (BRI) unfolds, an increasing number of Chinese workers are journeying abroad. From transportation arteries crisscrossing rugged terrain to industrial and urban enclaves carved out of rural landscapes, mega-infrastructure projects embodying Beijing's vision for global development are being produced at miraculous speed by a predominantly Chinese workforce.

In the eyes of alarmed observers across the world, the Chinese labour exportation regime constitutes yet another piece of evidence of the country's 'predation and threat on a global scale' (Lee 2017: 1). From this perspective, the large number of workers in uniforms with Chinese-language logos renders the Party-State's claim that the BRI is a win-win partnership a blatant lie, as it produces only limited employment opportunities for locals and is socially disruptive for the host countries. In some sarcastic news reports, journalists have concluded that the BRI's local job creation has been largely concentrated in the commercial sex industry (Janssen 2018). Across communities where there are large numbers of Chinese workers on the ground, speculation also prevails about them being forced or prison labourers assembled and dispatched by an evil authoritarian regime (Yan et al. 2019; Schmitz 2014). These multi-origin discriminatory narratives are feeding into a global revival of 'yellow peril' discourse—a worrying resurgence many critical scholars have vowed to combat (Franceschini 2020; Driessen 2019; Lee 2017).

It is not the aim of this essay to tease out and problematise stereotypes of Chinese construction workers abroad to advocate for more balanced representations, though efforts in this realm are certainly important and much needed. Instead, I take a step back and tackle a more fundamental question: why does China's infrastructural expansion continue to demonstrate overwhelming reliance on labour sourced from home? This is particularly puzzling given that both the Chinese state and Chinese enterprises are, in reality, motivated and incentivised to contribute to local job creation in this process.

To begin, wary of its crumbling global image, Beijing is taking more care to make space for local actors when negotiating financial contracts for bilateral infrastructure projects. In the past, credit provision as part of Chinese developmental outsourcing has always had strings attached that mandate certain percentages of procurement and employment from China (Bräutigam 2009). Today, arrangements increasingly extend to explicitly safeguard opportunities for host countries. For instance, the bilateral agreement for the trans-Laos railway—a section of the BRI's flagship Kunming–Singapore railway in mainland Southeast Asia—spells out that 15 per cent of the construction contracts should be allocated through the Lao state for Lao enterprises only. Chinese firms are formally prohibited from undertaking these construction works, which are reserved for local counterparts to enable capacity-building. Theoretically, with such an arrangement in place, we should expect to see a visible Lao presence in the BRI project. Additionally, cost-sensitive Chinese firms working on overseas infrastructure projects also lean towards using cheap local labour where possible. As documented elsewhere (Corkin 2012), the importation of workers from China has usually occurred as a response to the practical challenges of sourcing skilled labour locally or to reduce the increased managerial costs of using inexperienced teams.

Given the developments discussed above, it is rather bewildering to encounter sites of ongoing BRI projects filled with Chinese labourers. For instance, if we return to the case of the trans-Laos railway, which has been under construction since 2016 and is close to completion, numerous firsthand field reports, as well as my own observations, show a clear dearth of Lao involvement in the building works. The realities on the ground are well captured by Doig's (2018) sentimental depiction: 'Everything related to the railway, from cement plants to workers' jumpsuits, is branded with the same blue and white [Chinese] colour scheme and emblazoned with Mandarin characters.' How, then, has the railway become a 'Chinese' railway, from head to toe?

The Labour Puzzle on the Ground

This was a question I had long harboured while conducting fieldwork in Laos in 2017 and 2018. During my exchanges with contractors and workers along the railway, a story emerged. As it turned out, the railway's labour geography had much more local appeal in the early stage of construction. Across villages close to construction sites, it was common to encounter young men who had been employed doing petty tasks in the early stages of the project. On certain sections of the railway, Chinese contractors had even started by sourcing labour primarily from local communities. This was the case for Du, a *laoban* ('boss') from Sichuan who secured a tunnel construction contract on the railway back in 2016. Like the majority of small contractors involved in the project, his encounter with Laos was limited to a couple of brief stays in its capital, Vientiane, where the railway's tendering/bidding processes took place. Thus, in mid 2017, when Du first arrived with a small team of technicians and translators to survey the construction site, he made a rather happy discovery.

As it turned out, the section of mountain into which Du's tunnel was to be cut was right next to a large relocation site established only two years earlier to make way for a nearby hydropower project. A total of 11 villages previously situated within the reservoir of the dam had been aggressively lumped together and resettled. These were semi-subsistence agrarian communities that had thrived through farming, fishing, and foraging in the fertile landscape that had been their home. Typically in development-induced relocation in Laos, peasants lose access to much or all of their farmland and communal resources and are ineligible for compensation (Green and Baird 2016). In this case, the abrupt dispossession had left the approximately 700 households living next to Du's construction site in deep poverty. From his perspective, they constituted a convenient pool of cheap labour. Hence, Du immediately decided to recruit his workforce locally with the help of his translator.

When construction started under Du's charge in September 2017, he assembled a team of 14 village men managed by a handful of Chinese technicians and Lao translators. Desperate for cash income, the men agreed to work for a meagre hourly rate of 10,000 kip (US$1.20), paid at the beginning of every month. Du had one translator record the exact time each of the individuals spent at work every day and calculate the size of their pay cheques accordingly. The cost of Lao labour was obviously minimal compared with that of Chinese workers; Du would have had to pay roughly US$1,200 per month to bring in an experienced Chinese construction worker at the time. Cross-border recruitment also came with sizeable additional expenditure on transportation, visas, food, and accommodation.

However, the honeymoon period between Du and his Lao workers did not last long. By the beginning of 2018, the latter stopped coming to the construction site all at once. The mass exodus was triggered by the delayed arrival of wages. Simply put, only a few months into construction, Du had begun missing his promised monthly payments to the village men, who relied on the cash to cover livelihood necessities. This culminated in a dramatic scene on the construction site one day, when the enraged Lao workers brought their friends and families to besiege Du in his office until he paid them on site. They took their money and quit their jobs for good. The contentious situation between a Chinese boss and Lao construction workers was by no means unique to Du's case. In fact, across villages near the railway's construction sites, I often encountered young men who refused to work on the project because 'the Chinese didn't pay'. Labour exploitation, in the form of delayed or denied wage payments, was the main reason Lao workers opted out of employment on the railway. And the vacancies they left behind were filled by Chinese workers. These hidden dynamics were what eventually consolidated the project's puzzling labour geography.

Financial Entanglements

But it is worth asking why 'the Chinese didn't pay' in the first place. Here, a mythically greedy and self-serving contractor seeking to maximise profit at the expense of labour jumps to mind. Taking a closer look, however, bosses like Du were themselves victims of the unpredictability of the railway project. In particular, the practice of cutting back

Thanaleng station near Vientaine, Laos.
PC: Shankar S. (CC).

on wage payments was a survival strategy amid the railway's chronic funding deficiency. The root of the problem lies in the project's financial arrangements, which were doomed to fall apart from the beginning. According to the bilateral agreement reached in 2015, the trans-Laos railway was to be developed as a joint venture in which the Lao state would hold a 30 per cent stake. The Lao Government would borrow 60 per cent of the estimated US$6 billion needed for the project from the Exim Bank China, while the rest would be funded by the joint venture. This left the Lao authorities responsible for committing US$715 million to the project. Of this, US$465 million would again be borrowed from the Exim Bank of China, with the remainder coming from the Lao state budget. However, this latter stream of funding was also to work as equity capital mandatory for channelling the Chinese credit into the project. As such, this arrangement bets much of the railway's financial stability on the equity provision from the Lao side (Chen 2020).

Not surprisingly, the Lao Government failed to put together the required funding on time—a predictable situation given the country's poor fiscal capacity. This was further exacerbated by the different Lao state organs responsible for budget allocation not effectively collaborating due to internal power struggles. These dynamics—largely hidden from public view—were exposed in a seemingly unimportant news story published by the Lao state media, the *Vientiane Times*, on 13 March 2018 (Vaenkeo 2018). In it, the Lao Deputy Minister of Public Works and Transport—the bureau chiefly responsible for the railway project—publicly asked for a lump sum of 500 billion kip (US$57.5 million) to be allocated for the project. As the initial financial arrangement for the trans-Laos railway continued to unravel, the project limped along with a dearth of funding. The situation was particularly acute in the early phase of construction, but persists today, even as it is now approaching completion in the midst of the COVID-19 pandemic (Liu 2020). Regardless, the Chinese Government has pushed for BRI projects to move forward according to their planned timelines. This is unsurprising as the success of the BRI is directly connected to Chinese President Xi Jinping, who has been branding the initiative as his signature policy.

Who, then, foots the bill for the financial vacuum created by the long-delayed Lao funding and, subsequently, the Exim Bank loan? Much of the burden has fallen on to the shoulders of small contractors like Du. Typically, the railway contracts they secured required them to put up assets worth 3–5 per cent of the contract value as a security deposit at the beginning. They were then obliged to begin construction work using their own capital with the promise of monthly reimbursements from the railway joint venture. When these contractors realised the scale of the financial problems at the upper levels of the venture, following several rounds of missed reimbursements, they found themselves trapped in an extremely difficult situation. Having poured so much of their own investment into the railway, they had little choice but to continue fulfilling their contract while praying for the eventual arrival of state funding. Alternatively, they could quit; however, by taking this path, they would give up any chance of recouping the investment they had already made. After all, they were in a position of relative weakness in relation to the Beijing-backed railway joint venture, which could easily deny responsibility by accusing these small investors of breaching their contract.

As the BRI project's financial turmoil trickled down, bosses like Du began cutting expenditure as much as possible, which exacerbated labour exploitation in the form of delayed or denied wage payments. Eventually, the local workers rose up, protested, and exited the project *en masse*. The gaps they left behind were filled with imported Chinese workers, who were hired according to a non-monthly payment system. For instance, the replacements Du brought in were scheduled to receive their wages in a lump sum every three months, six months, or even 12 months. This form of salary system is rather common in China's violently exploitative domestic construction sector (Pun and Lu 2010). For Du, it temporarily reduced the pressure on his capital supply and ensured a relatively smooth construction progress, even though the cost of labour would be much higher in the end.

For the Chinese workers, however, it was a real gamble to agree to such an arrangement. If the project's financial situation improved before payday, they could indeed secure a higher salary than what they would be getting based on a regular monthly payment. If not, as migrant workers parachuted into an utterly unfamiliar country, they had little power to force wage payment, just as their Lao counterparts had discovered. Many workers became pessimistic about their chances of being paid after hearing rumours about the railway's funding problems. Disillusioned, they simply gave up and quit. But for those who had worked on the railway for a significant period, it was particularly unsettling when they were not able to claim back at least part of their accumulated wages.

These mounting grievances were what sparked a protest against the railway joint venture at the dawn of the 2018 Chinese New Year. Well aware that the exploitation was rooted in the railway's top-down financial problems, they chose to target a Chinese state-owned enterprise (SOE) which held shares in the joint venture, rather than their direct boss, who had by then been driven to the verge of bankruptcy. To enlist public support, they gathered by the gate of the SOE's headquarters along the railway, holding a large white banner saying, 'Pay My Wage' in Chinese, English, and Thai. Yet their efforts were soon thwarted: according to my interviews, only hours after the protest erupted, the Chinese Embassy in Vientiane contacted all local Chinese-language media, explicitly requesting no reports on 'any distorted and unconfirmed news about the railway labour dispute'. Protestors were later gagged and packed into planes/buses back to China, so they would not tarnish the image of the BRI. After all, the Chinese state is known to relegate its citizens abroad to non-national status when they fail to embody its ideal of self-representation (Schmitz 2014).

Towards a New Approach

The case-specific evidence, drawn from the trans-Laos railway, reveals that Global China's contemporary labour regime has a largely overlooked 'financial undertone'. Beijing's escalated lending practices for the BRI have triggered concerns about a looming Southern sovereign debt crisis, and seeded suspicions of debt-trap diplomacy (Bräutigam 2020). Indeed, what has unfolded in Laos shows that some of these loan deals are divorced from the fiscal reality of the host countries. Hence, to what extent these deals have been, or will be, implemented remains unknown, let alone how they will affect the repayment capacity of the borrowing states in the future. However, there is a clear pattern of these financial agreements being used to jumpstart pertinent infrastructure construction. In this respect, many of the BRI projects are likely to be implemented with an unstable funding supply, as in the case of the trans-Laos railway. It is precisely under such circumstances that a peculiar form of labour geography takes shape, in which Chinese workers who become more 'docile' through domestic experiences and processes of migration are brought into foreign countries to fill positions.

This leaves us with two key takeaway points. First, this situation warrants a relational and systematic study of the labour issues of 'Global China', as the dynamics on a small construction site may be rooted in the realm of sovereign debt creation, as this case clearly shows. Second, the contours of such labour geography can provide a useful window for us to peek into important yet otherwise opaque realms of Global China that make for difficult observation, such as the broader financial health of large flagship projects. ■

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