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Chinese Investments in Asia:

A Labour Perspective

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Asia Monitor Resource Centre
The Asia Monitor Resource Centre is an independent non-governmental organization focusing on Asian labour concerns. The Centre provides information, research, publications, training, labour networking and related services to trade unions, labour groups, and other development NGOs in the region. The Centre's main goal is to support democratic and independent labour movements in Asia.

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Responsibility for the contents, presentation of findings, and the recommendations rests with the study team.

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Part One

Introduction to the Trends

Prolog: Empire or Saint? - China as a Many-headed Hydra in the Global Political Economy

Dae-oup Chang

About 13 years ago, the late Giovani Arrighi expressed his hope for the future of Chinese development and China's role for humanity's future in *Adam Smith in Beijing* as follows:

> "If the reorientation succeeds in reviving and consolidating China's traditions of self-centered market-based development, accumulation without dispossession, mobilization of human rather than non-human resources, and government through mass participation in shaping policies, then the chances are that China will be in a position to contribute decisively to the emergence of a commonwealth of civilizations truly respectful of cultural differences. (Arrighi 2007: 389)."

Thirteen years have passed since the publication of Arrighi's work. As of 2020, the hope for a transformative role Arrighi eagerly anticipated from China seems to stand on increasingly shaky ground. China is becoming more authoritarian than before. Any attempt to democratise policy-making by widening people's participation is dubbed as unpatriotic acts and faces harsh oppression. More importantly, there is no doubt that China is expanding both economically and militarily while becoming a capitalist economy in every aspect. China's Belt and Road Initiative (BRI) is a good indicator for China being increasingly ambitious about its role in the global political economy. Many cautiously keep their eyes on this attempt of China to be a more important if not dominant player not only because the initiative creates some remarkable infrastructure deemed necessary for economic development in developing regions and provides alternative development finance. There are also reports about labour and human right violation, environmental destruction, unsustainable debt, undermined sovereignty, and heated conflicts between global powers. Would this initiative lead us to a more peaceful world in which the have-nots, whether a country or a person, enjoy better well-being or to a vehement competition, whether economic or military, between new and old empires? This volume contains some in-depth studies of the varying impact of the BRI across Asia, which accompanies increasing Chinese investment, aid, loans and expansion of Chinese state as well as private capital. Analyses presented in this volume try to discover the nature of the often ambivalent impact of Chinese investment with a particular focus on its effects on Asia's ordinary working population. To do so, I believe, we need to put what China does with BRI into the broader context of the advancement of China as a capitalist economy within and beyond its territory. This preface aims to offer such backgrounds.

CHINA AND A DIFFERENT FUTURE FOR HUMANITY

Arrighi was right about the persistent rise of China. Arrighi followed Andre Gunder Frank's *Reorient* (1998), which saw the rise of China in the late 20th Century as a natural event in the history of human civilisation. A unusual and, perhaps, unpleasant event for both Frank and Arrighi was the fact that China's development featured by the expansion of 'market without capitalist dominance' had a hard time competing with more the genuinely capitalist economy of the West equipped with superior industrial and military capacity backing its expansionist policies. From Arrighi's view, the recent rise of China is a qualitatively different from the European or American ascent during the last few centuries in the sense that China's ascent in the 20th Century had neither shown expansionist foreign policy nor involved a motivation for such expansion. He argues that Chinese dynasties from the Song period did not have expansionist foreign policies. Unlike Europe, China-centred East Asia did not have commercial and territorial empires competing through wars. This difference, according to Arrighi, is not incidental but inherent in the Chinese pathway of development that was and is even until now, a market economy without capitalist domination that is different from a capitalist economy. As it was Adam Smith rather than Karl Marx who could see this difference, Chinese development can be understood better from Smithian rather than Marxian framework (Arrighi 2007: 329) – hence comes the title "Adam Smith In Beijing". Arrighi some-how believed that with the open-door policy, China re-launched its non-capitalist path of market-based development. It is this particular nature of China's contemporary development that enables China to pursue inward development without pursuing expansionist policies while being open to the world. Again, as China is not a capitalist economy, China adopts neo-liberalism only as far as it serves national interests, taking a gradual and selective approach to market opening.

This thesis of China's peaceful ascent and "uniqueness" has been re-produced in more contemporary literature on Chinese development. One of them is Ching Kwan Lee's *The Specter of Global China*, published in 2017. In this book, Lee's focus is not on qualitatively different development path-ways between the West and China per se. Lee does not seem to follow Arrighi, who argued that China is not capitalist. However, she also wants to highlight difference rather than common characteristics between the Chinese state capital and private capital from all the rest of the world – vaguely dubbed and generalised as 'global private capital' without regard to perhaps tens of different "nationalities" of those corporations.[1] She focuses on the 'different logics of accumulation' between China's state capital and western private capital. Here, the emphasis is not put on 'accumulation of capital' but on the 'logics' of such accumulation. According to Lee, understanding this difference is key to the demystification of the fear-creating expansion of China across the world. Lee observes that Chinese state capital pursues "encompassing accumulation" whose aims involve not only profits making but also extending China's political and diplomatic influence and gaining source access to strategic minerals in African countries such as Zambia. In contrast, global private capital merely pursues profit maximisation (Lee 2017: 55).

Lee maintains that these broader imperatives, if combined adequately with local challenges such as resource nationalism, make Chinese mining SOEs compromise to accommodate demands from the Zambian state and society, therefore leading to more 'concessionary and negotiable' regimes of investment (Lee 2017: 29). Lee also points out that Chinese state capital and global private investors are different in terms of labour regimes they create and maintain in Zambia. Global private capital, she argues, is finance-driven and therefore builds labour regimes in a way that it suits

1 For some reasons they are described "nationless" while Chinese ones has specific features based on "nationality". Lee justifies this as a methodological device of ideal typing. She admits that ideal types risk simplification (Lee 2017: 5). However, it is difficult for this type of disproportionate ideal typing- one versus all others – not to involve mystification that goes beyond simple simplification.

short-term financial gains for corporations. In such a labour regime, the numeric adjustment of the labour force is the common response to the fluctuating market situation. Contrary, Chinese state capital's long-term goal -the smooth supply of raw material- makes Chinese SOEs adopt production-driven labour regimes focusing cheap but stable provision of labour. Indeed, Lee does not deny that both labour regimes are designed to exploit labour. But she distinguishes the managerial ethos of the production-driven labour regimes from that of the finance-driven regimes of labour exploitation. The former is characterised as collective asceticism while the latter is featured by 'individualistic careerism' (Lee 2017: 121).

It is rather evident that Lee titled her book 'the Spectre of Global China', not the way Marx mentioned 'the Spectre of communism' in the Communist Manifesto, by which Marx meant a real threat. Although Lee avoids engaging with 'the vast literature on empire, formal or informal, or colonialism, classical or neo' because of the ambiguity and unproductive nature of such frames (Lee 2017:153), what Lee emphasises here is that China is not a neo-colonial threat to the world. Contrary to European powers or the US, China's expansion does not involve occupation of foreign lands (although this is arguable, considering some autonomous regions in Chinese territory) or presence of military forces in foreign soils. On top of that, Lee's study adds one more evidence. Chinese firms do not demonstrate *neo-colonial behaviour*. If colonialism is defined as the political control of people and territories by foreign states (Bernstein 2000: 42), this argument may contain the truth as long as what she observes in China's state-owned mining firms in Zambia is the norm for Chinese capital across the world.

For the moment, Lee's evidence-based claim looks more reliable than simply calling China 'colonial' based on orientalist fear and racial prejudice. Of course, Lee's claim about the absence of neo-colonial behaviour among Chinese SOEs should be complemented by more inquiries into Chinese firms' mode of engagement with local forces and demands across the world. Once we leave the question of China being neo-colonialist to more investigation like Lee's, we face another question for the thesis of China's peaceful ascent: Is China imperialist? This imperialist question is quite different from the question of China being neo-colonialist. Quite surprisingly, Lee simply dismisses the warning signs of China being imperialist and argues that China is not an imperialist simply because it lacks the will and the power to become an empire (Lee 2017: 153). Nonetheless, if we refer to some classical meanings of imperialism proposed by Hobson (1902), Luxemberg (1913), and Lenin (1916), being an imperialist is not only about one's will or capacity but also more importantly about *a stage of capitalism* whose conditions of capital accumulation requires capital to pursue expansionist behaviours. In other words, being an imperialist is more about what they are than what they can or what they want as Lenin puts:

> 'the capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. And They divide it "in proportion to capital", "in proportion to strength', because there cannot be any other method of division under commodity production and capitalism' (Lenin 1916: 27)

To put it another way, imperialist behaviours are based on *imperialist conditions*. Hobson (1902) maintained that although all empires hitherto had its essential remedies such as nationalism, militarism, and patriotism, what makes modern imperialism unique is capitalism. For him, imperialist conditions essentially involve the concentration of wealth in the hands of wealthy capitalists who cannot find remunerative investment outlets for their capital within its given territorial boundaries. It leads large scale banks and financial institutions controlling this excessive capital to encourage the state to introduce more expansionist policies. For Luxemburg, such imperialist conditions call for a global extension of primitive accumulation (Hunt 2011: 358). Capital, once excessively accumulated within national boundaries, can only find profitable investment through 'the systematic destruction and annihilation of all the non-capitalist social units' beyond its own territory (Luxemburg 1913: 350). Lenin understood imperialism as the highest stage of capitalism 'at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed' (Lenin 1916: 65). According to Lenin, this particular stage of capitalist development began in the late 19th Century when these monopolists became capitalists who relied upon money income rather than actually running factories and their interests were secured by large banks which formed a financial oligarchy. Financial oligarchies from powerful capitalist economies then form international trusts which share the world among themselves.

CHINA'S TRANSITION TO A CAPITALIST ECONOMY AND IMPERIALIST CONDITIONS

To see if China is becoming imperialist; therefore, we need to firstly see if China has such imperialist conditions within China before observing if China is behaving imperialist. Lee's theory of the 'encompassing logic of accumulation' focuses on what Chinese state capital does rather than where Chinese capitalism is and therefore does not say much about imperialist conditions. For Lee, the question would be about whether this peculiar logic is strong and peculiar enough to curb imperialist behaviours once imperialist conditions are met in China. It is Arrighi who makes a clear point about it. For Arrighi, it is *theoretically* impossible for China to be imperialist not because China has unique ethos or culture, but because it is not a capitalist economy. China is not a capitalist economy so that the Chinese ascent is peaceful and creates a harmonious world order as a result. Arrighi's China has not yet transformed into capitalist society despite the increasing number of capitalists in China. Three distinctive features of Chinese development supposedly support the idea of the non-capitalist market economy of China: 1) the state is not dominated by capitalists but insulated from them 2) major industries are under the control of the state rather than private capitalists 3) the Chinese population did experience accumulation without dispossession, which is the general trend of neoliberal capitalism, as Chinese population effectively owns the land and also collectively owns means of production through Township and Village Enterprises (TVEs).

Although these features perhaps marked the earlier period of Chinese development after its opening to the global economy, none of them survived through Chinese capitalist development for the last few decades. Arrighi described private firms and their rural-urban migrant workers producing goods for export as if they form a minority to SOEs and TVEs both in terms of employment and production. The number of workers employed by TVEs indeed continued to increase from 96.09 million in 1991 to 161.86 mil in 2012. This trend may seem to confirm Arrighi's observation that collectively owned enterprises and workers in those firms were still more important for contemporary China. However, this is misleading. Since the mid-1990s, the increasing number of workers in TVEs simply means the increase in the number of workers employed in private firms owned by capitalists in various forms as TVEs had been privatised to a large extent (Naughton 2007: 285-294). Hence, presenting TVEs as an alternative economic unit is no longer valid. In the earlier stage, the rural population left their land but stayed at their hometowns, mostly working for collectively owned TVEs. Soon this pattern was replaced by an explosive increase in rural-urban migrant workers seeking jobs in private industries or working as self-employed in urban areas. According to Chinese statistics, the number of China's internal migrant workers employed outside their home township (外出农民工) has reached 174.35 million by 2019 (NBSC 2020). Including rural workers employed in non-agricultural businesses within their township, total workers from rural households working for mostly private companies owned by both domestic and foreign capitalists amounts to 290.77 million in 2019 (NBSC 2020). They are no longer a minority resulting from the selective opening of the Chinese economy. They are the majority workforce of capitalist China.

Despite the gigantic size of individual SOEs, they are no longer the largest employers compared to urban private enterprises employing at least 139.52 million workers in 2018. As of 2018, SOEs employed around 57.4 million workers, accounting just for about 7.4% of 775.86 million total employed persons in China. Besides, workers in SOEs are becoming increasingly indistinguishable from ordinary, although perhaps relatively well-off, wage workers. This change started with the separation of management of work-units from ownership through the 'contractual management system'. The state reduced the extent of production planning and allowed enterprises autonomy in personnel management and profit allocation, commencing a capitalist form of capital-state relations. SOEs were also allowed to reinvest their earnings after submitting specific profit quota to the central or local state budget. They could also access commercial bank loans. Instead of direct control over SOEs by planning, now the state tried to control SOEs through commercial banks primarily owned and effectively controlled by the state. Privatisation of SOEs was then accelerated after the CCP began to 'grasp the big one and let the small one go' in 1991. Afterwards, all small- and some medium-size SOEs were subject to privatisation through selling off shares to domestic and sometimes foreign investors, reorganization, partnership, merging and so on.[2]

2 Restructuring of the construction industry in China demonstrates this transformation very well. According to official statistics, SOEs employed about 74.4% of total employees in the construction sector in 1980, most of them being permanent staffs. By 2010, SOEs employees account for only 13.9% of total employees in the construction sector. Urban construction work-units and rural construction brigades, which were all used to be part of the state organ, were subjected to this reform since 1980s. Many of them have been privatised and corporatised. During the 1990s, more 'rationalisation' was introduced by separating enterprise ownership, management and supervisory functions from one another. A pilot programme of the Ministry of Construction tested different corporatisation schemes for 41 construction SOEs in 1994 which turned 13 into state-owned companies, 10 into limited liability companies and 5 into shareholding companies (Qian and Hui 2004: 10). In following years, many large-scale SOEs were subjected to merge, acquisition

Meanwhile, the rural population in China continued to suffer from diverse forms of dispossession too - sharply declining welfare provision, land grabs by local authorities and corporations, and the growing influence of large-scale agribusiness operating around the collective land tenure system by organising production through 'putting-out system' or by 'leasing land and hiring labour' (Andreas 2008: 133). Between 1999 and 2005, about 1 million cases of land dispossession reported with the Ministry of Land and Resources and about 40 million farmers lost their land. Illegal or irregular conveyance of land has increased with the newly emerging practices of 1) 'supplying land to listed companies to convert into shares', 2) 'allowing developers to get land directly by taking over collectively-owned rural land', and 3) 'giving a rural administration urban status, thus changing rural collectively-owned land into state land' (Wu 2009: 885). Land dispossession has been happening even though it is not really legal to sell or transfer rural land owned by rural collectives to any entities other than the state. When the state acquires land from peasants, the actual users of land need to agree for land transfer and are to be compensated according to law. But in reality, there has been an increasing number of illegal conveyances of land to private developers without a formal agreement with, or compensation for, people collectively owning the land. It is reported that 34.1 % of the land acquired through conveyance between 1995 and 2003 involved illegal transactions (Xu, Yeh and Wu 2009: 899).[3] Land dispossession has become quite common largely because local governments rely for their income heavily on fund generated from land sales. Over half of their own income or 30% of their total income (including central government input) came from land sales (21.5% of total income) and property-development related taxes in 2009 (Kang 2011: 331). The RMB 4 trillion stimulation package announced in 2008 by the central government in response to the global recession also strengthened this vicious cycle between expanding devel-

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and other forms of rationalisation which created those gigantic general contractors such as China Railway Construction and China Communications Construction. and began to serve the general contractors as specialised contractors (Qian and Hui 20014: 11). The number of SOEs and collective-owned enterprises in the consturciton industry decreased from 9,030 and 24,756 to 4,810 and 5,026 respectively between 2000 and 2010 (China Statistical Year Book 2011). Other forms of construction enterprises, including cooperative units, joint ownership firms, limited liability corporations, share-holding corporations, units funded by Hong Kong, Macao, Taiwan and foreign-funded units, increased in number from 12,778 to 61,280 between 2000 and 2010.

3 A survey by Remin University and Landesa Rural Development Institute on 17 provinces in China in 2012 reveals that 43.1% of villages in the survey have experienced land acquisition for non-agricultural purposes since the late 1990s. 77.5% of those who experienced land acquisition have received compensation while 9.8% of them were promised for compensation but received nothing. No compensation was promised or given to 12.7% of them. The mean compensation paid to farmers was 18,739 RMB ($3,000) per mu (0.16 acre). Average sale price was 778,000 RMB per mu. This means the local governments enjoyed about 4000% of margin in this business. For the past two decade, the total earning of this business reached RMB 2 trillion for 14.7 million hectares (Landesa 2012: 2).

opment and dispossession. The central government contributed only 1.18 trillion to various projects, and the remaining 3.82 trillion had to be raised by local governments. Many had to rely on land transfer even more than before to fundraise these projects.

A close look at what the state has been doing at both the local and national level tells us that, rather than being an independent and neutral agent of national development, the Chinese state has been conspiring large scale dispossession of China's working population with various forms of capitalists for their accumulation of capital. Private capitalists have been allowed to join the CCP since 2002, and a majority of them are now in the Party. China now has many Fortune-listed monopolistic private corporations and SOEs, both of which are profit-oriented although the latter have to serve the state's goals as well. In 2008, Andreas rightly pointed out that what Arrighi's argument was missing as follows and what concerned Andreas in 2008 has become a general trend over the last 12 years.

> 'Arrighi is right to highlight characteristics that are part of the country's socialist legacy: a population that enjoys relatively good education and health, and a peasantry that retains possession of the land. These, however, do not change the fact that the sector of the economy that is growing most rapidly and successfully competing in international markets operates according to capitalist principles. Indeed, the enterprises in this sector are able to compete successfully *because they are capitalist*. Chinese entrepreneurs and their foreign partners, with strong and effective state support, have created what is—for the moment at least—the world's most efficient system of extracting surplus labour. The features that make this system competitive in the global marketplace are the same that are producing ever greater class polarization in China' (Andreas 2008: 141).

CHINA AS A CAPITALIST ECONOMY BEYOND CHINA

Arrighi's study tries to show that China is different, and therefore it *acts* differently. However, it seems that the uniqueness of China did not act against China's transformation into a capitalist economy. As a capitalist economy which shows the state's support for private capital accumulation, the sheer concentration of wealth in large (private or state-owned) corporations, and the deprived working class, China does not demonstrate any counter tendency against the development of imperialist conditions. For

Lee, China is different because it has a different 'logic of accumulation'. It is this particular logic of accumulation that allows China to act differently. Her study though is specifically about 'Chinese state capital'. To what extent it can be generalised for 'Chinese capitalism' expanding beyond its border? If we admit that China is now a capitalist economy, it is time to see if the different logic of accumulation makes China as a capitalist economy act differently *in general*.

It seems reasonable for many less developed countries to anticipate that China would assist rather than exploit them because China showed a strong political will to promote more South-South cooperation (SSC). Since the establishment of the PRC in 1949, China has been participating in various forms of development assistant projects in many developing countries across the world. It was China's humiliating decline from a major global power to a semi-colony over the 19th and 20th Century that cultivated a distinctive political stance leaning more to developing countries than to dominant powers of the 'West'. The basic tenets of this policy direction still remain at the core of China's foreign policy, particularly in the area of economic and technical aid to developing countries despite China's capitalist transition. China's *White Paper on Foreign Aid*, published in April 2011, states China's current foreign aid policy is still based firmly on the 'Eight Principles of China's Foreign Economic and Technical Aid' which was presented in 1964 and gained much supports from the Third World, including many leaders in the historic Bandung Conference. These principles emphasise 'equality and mutual benefit', 'no strings attached', 'no claim of privilege', 'self-reliance and independent development' and 'technology transfer to the recipient countries' (History of the People's Republic of China, the Committee for Party Literature Press, Beijing, 2005, Vol.3: 3063, quoted in Zhu 2009: 71-72)

However, it would be very naïve to say that China's foreign policy is based entirely on these politically oriented principles of solidarity. The determining factor in China's mode of engagement with less developed countries has been oscillating between the socialist rhetoric of solidarity and capitalist reality of economic growth. As time goes by, China's desperate need for natural resources to sustain its growth drive increasingly overshadows socialist rhetoric. As a result, China's engagement with less developed countries demonstrates a unique pattern. On the one hand, China maintains the principle of equal relations in SSC, respect for national sovereignty, no conditionality for aid and investment, and emphasis on self-reliance. However, the actual determination of the destination of Chinese foreign aid and investment has been heavily affected by strategic decisions for resource diplomacy (Cheng and Shi 2009). The consequence is that China's aggressive resource-seeking investment and aids take a *friendly* modality that 'actually' favours those resource-rich developing countries with concessional terms of aid and investment that involve less ownership and intention to intervene even though they tends to be concentrated almost exclusively on resource-rich developing countries (Sautman and Yan 2007). This modality created a perception of China as a development 'partner' rather than a conqueror among many developing countries, reinforcing China's influence in international development discourse. It is in this environment that China increasingly speaks out for and emphasises the role of SSC in shaping the global political economy and urges less developed countries to be 'an active part in formulating the "rules of the game" in the international economic field, propel the reform of the international economic, financial and trade systems and strive to win over the right to equal development' (Chinese Ministry of Foreign Affairs).

However, this perception of China as a 'big brother' for less developed countries is more rhetoric than real if looking at *China's relations to richer and poorer economies* in Asia. First of all, we need to think about how all these changes within China actually serve the major players of global capitalism. China is supplying cheap wage labour to global private capital. China is the most successful story of attracting FDI and turning it into the engine of economic growth. Although FDI became a major financial source for many national economies, such as the ASEAN countries from the 1980s, the FDI boom in China was unique. FDI inflow to China amounted to US$108.3 billion by 2008. By 2017, it reached US$ 136.3 billion, making China the second-largest FDI destination in the world. It is East Asia's advanced capitalist economies that take advantage of China as a production base. In 2017, FDI to China from five major East Asian investors such as Hong Kong, Singapore, Korea, Japan and Taiwan accounted for more than 80% of total FDI to China.[4] For them, China is offering a profitable outlet for the investment of excessive capital.

Contrary, China does not really benefit Asia's developing countries, at least not up to the extent China claims. China's attempt to tighten its relations to Asia's less developed economies is centred on promoting freer

4 China does the same to other developing economies and has invested US$ 571 billion in East Asia as of the end of 2018 (IMF World Economic Outlook DATA.)

trade relations with them, represented by the China-ASEAN Free Trade Area enacted in January 2010 and other schemes for tariff cut for products imported from developing countries. As long as trade policy is concerned, Chinese policy for developing countries is not too distinctive from other neoliberal policies pursued by more advanced economies of the region such as ASEAN-Japan Comprehensive Economic Partnership Agreement enacted in 2008 and ASEAN-Korea FTA enacted in 2009. China's free-trade initiatives create no condition to materialise China's growing potential as a big market for Asia's less developed countries though. China's purchasing power has dramatically increased since China's GDP increased. However, it is Asia's less developed countries which offer an export market for made-in-China goods rather than the other way around. [Table 1] suggests that developing countries in ASEAN suffer from large trade deficit with China and other advanced Asian economies.

Table 1.
ASEAN Balance of Trade by Country of Destination (US$ Million)

	1995	2005	2010	2015	2016	2017	2018
Japan	-35,854.5	-8,315	-12,946	1,082	-9,303	-6,923	-2,048
Korea	-2,771.2	701	-11,931	-29,725	-32,620	-41,399	-40,535
Taiwan	-2,479.7	-6,138	-16,818	-28,437	-29,381	-34,648	-37,893
China	-928.8	-8,912	-10,360	-72,914	-80,343	-66,952	-85,853
US	8,558.6	31,918	18,546	40,303	50,341	51,121	21,722

Source: ASEANStatsDataPortal (1995 figure from ASEAN 2009)

The China-ASEAN Free Trade Area allowed ASEAN's newer members such as Cambodia, Laos, Myanmar, and Vietnam (CLMV) to have more time to follow the general rule of zero tariffs. It also offered some special tariff cuts for mainly agrarian products exported from those weaker economies to China through the ASEAN-China Free Trade Area's Early Harvest Scheme. These free-market schemes contributed to increasing trade volumes between China and less developed countries in Asia. However, trade data show that these free-market schemes are not providing solutions to the chronic problem of trade deficit. China's increasing trade with the CLMV countries has been marked by increasing deficit on the side of the CLMV countries as [Table 2] shows.

Table 2.
Balance of trade of goods – CLMV against China (US$ million)

	2006	2016	2018
Cambodia	-502.382	-3941.471	-5,280.837
Lao PDR	-22.635	488.653	-1,053.534
Myanmar	-263.595	-472.918	-650.204
Vietnam	-4,290.374	-28,016.04	-24,149.71

Source: ASEAN Stats Data Portal

For Asia's developing countries, it seems that China's rise creates more competition and barriers than favourable conditions. It is particularly so for the countries whose domestic producers rely on low value-added goods. On the one hand, the domestic market share of local producers in less developed countries has been challenged by China-made low value-added goods. On the other hand, their export markets have been infringed by increasing export from China. As China moved upward with more sophisticated products and technology, Chinese firms were expected to delegate their obsolete technology and production of low-end products to firms in less developed countries in Asia. However, this anticipation is very unlikely to be realised in the near future as 'Chinese firms show basically no sign of moving out of low-sophisticated exports' (Memis 2009, p. 25). Rather, 'Chinese firms have increased their export share in all types of low-sophisticated products' (Memis 2009, p. 25).

Some Chinese export firms are also relocating their production to less developed countries. When certain manufacturing sectors leave China, they are relocated to smaller developing economies such as Cambodia and Vietnam; however, without Chinese firms relegating their technology to local firms. Instead, those firms tend to *expand* their production to developing countries through FDI, just like other advanced capitalist economies in Asia have done before. Technological transfer to local firms has occurred only to the extent that local firms in less developed countries can *assist* the smooth operation of FDI firms. Many developing countries are therefore involved primarily in low value-added processes such as assembling while highly relying on more advanced East Asian economies for capital, machinery, parts and technology. The consequence is 'the continued dependence of foreign subsidies on capital as well as technology and component inputs from abroad, without developing linkage with local suppliers' (Kasahara 2004: 16). Decreasing trade deficit on the side of less developed countries, if any, is based on the increasing value of export from the foreign subsidiaries of TNCs or increasing export of primary products rather than increasing the export capacity of local manufacturers in those countries.

Therefore, the expectation that China will benefit East Asian economies has been materialized mainly for more advanced economies in the regions – such as Japan, Korea, Taiwan, and Singapore who can take advantage of complementary nature in their relations to China. They and the more advanced 2nd generation Southeast Asian NIEs manage to increase export low-ends parts and components for TNCs who are from more advanced economies and assembling products in China. For less developed countries, rather than becoming magnetic for increasing import of consumer goods from developing countries, China is becoming a barrier. Therefore, although it is perhaps true that China has a great potential to assist the well-being of less developed countries in Asia, the potential remains to be materialised. In other words, there is no automatic correlation between the rise of China and the so-called inclusive regional development in Asia. China's potential to be a vehicle for more south-south cooperation with less developed countries in the region has been hampered rather than encouraged by the letting-the-market-rule approach that allowed the gap between China and less developed countries of the region to widen by creating a large deficit for smaller economies amid increasing bilateral trades. Under this free trade approach, most of the regional initiatives for less developed countries turned out to be chances for bigger players to take advantage of human and natural resources in less developed countries for the sake of their own interests. If this approach continued to dominate China's relations to Asia, China, like all other advanced economies in Asia is more likely to follow the West in 'kicking away the ladder' and, consciously or unconsciously, depriving less developed countries of opportunity to benefit from China.

THE BELT AND ROAD INITIATIVE AND THE ROAD TO IMPERIALISM

A look into *China's relations to richer and poorer economies* in Asia indicates that China does not have a specifically *Chinese* mode of engagement in its investment and trade. China offers a profitable outlet for advanced economies, hosting FDI and allowing FDI firms to utilise its vast working population to make a profit. China, as a capitalist economy, just like other advanced capitalist economies in Asia, takes maximum advantage of less developed countries, their people and the environment as export markets and resources. What is important here is that China contributes to rather than challenge a system of global political economy where the powerful exploits the powerless. Combined with maturing imperialist conditions within Chinese capitalism, China's participation in global exploitation certainly makes it an integral part of the imperialist system of exploitation if not the most powerful imperialist. Studies in the following sections of this volume show the ways in which China as a capitalist economy acts in different Asian economies such as Cambodia, Thailand, Indonesia, Myanmar, India, and Pakistan. With increasing investment, aid, loans and expansion of state-owned and private capital, China is becoming a dominant player in those economies. Indeed, studies show geographically uneven impacts and different behaviours of China as a capitalist economy across Asia. However, all studies point out that Chinese capital does not diverse from the common practice of capital, trying to keep the wages down, workers unorganised and the states tamed. Perhaps what the working population in Asia needs to be worried about is not the nationality of such practice but the practice as a whole.

If China is offering more concessional deals to certain developing countries in Asia, it is perhaps due to what Lee refers to the 'encompassing logic of accumulation' of the Chinese state capital. However, studies in this volume also show that this peculiar behaviour of Chinese state capital is not to be generalised. Lee (2017) also maintains that the behaviour of Chinese state capital, whose accumulation imperatives involves something beyond profit-making can also differ in the context of different local dynamics and power relations. Therefore, she shows that, without pressure from the state and labour, the Chinese state capital in the construction industry in Zambia became a 'perilous force that might perpetuate long-tern indebtedness from which Zambia had painstakingly emerged a decade ago" (Lee 2017: 55). Despite her cautious approach to two different consequences of Chinese capital investment in Zambia, Lee actually does not say which types of behaviours of Chinese capital are likely to be the dominant one – which would be a decisive indicator to measure whether China is helping or exploiting less developed countries. Although the real implication of the BRI remains to be seen, the grand narrative of the BRI is perhaps the first signal that China, with its maturing imperialist conditions within, begins to move toward more straightforward imperialism. If so, rather than Arrighi's statement regarding China's positive role for humanity's future that I quoted at the beginning of this preface, his warning to the world about the future of humanity in case China fails to pursue different development sounds more relevant. It goes as follows:

> '...if the reorientation fails, China may well turn into a new epicenter of social and political chaos that will facilitate Northern attempts to re-establish a crumbling global dominance or, to paraphrase once again Schumpeter, help humanity burn up in the horrors (or glories) of the escalating violence that has accompanied the liquidation of the Cold War world order' (Arrighi 2007, p. 389).

Chinese investment and aids for less developed countries are certainly not as significant as perceived in western media. It is, however, becoming increasingly important. China is not as imperialist as feared by many imperialist powers. However, it is becoming one. The conflicts that emerging China creates against other imperialist powers does not mean the end of the world. Yet, it is getting closer to it. It will be too late if we wait to collect evidence for China's neo-colonial behaviour. With or without it, China is an imperialist power that adds another challenge to the attempt of Asian workers to have a decent future.

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Patterns, Practices and Implications of Chinese Investment in Asia: A Critical Perspective

Rachel Page

With its effects being felt around the world, in recent years there has been significant global concern about the implications of China's increasing investments overseas. This is not least in Asia given its close regional proximity to China and where China has significantly upgraded its efforts at striving to assert its leading role in the region, not only for economic benefit but also to gain strategic leverage and potentially to counter US hegemony. While increased Chinese overseas investments in Africa has early received much more attention, the growth of China's economic activities in Asia have also become increasingly notable not only for their potential political implications but also for the way that they have been reshaping the lives of ordinary people and for the risks that some of the investments pose to the environment.

The aim of this chapter is to provide a critical overview of Chinese overseas investments and related economic activity in Asia, particularly as China has entered a new stage in its attempts to reassert itself in the region and globally, following the launch of its Belt and Road Initiative (BRI). The chapter addresses the forms and extent of investments, mechanisms through which China invests in Asia, investment incentives, as well as impacts and potential limits to that investment for recipient countries, people and the environment. It argues that although both the Chinese government as well as governments in recipient countries (to varying degrees) have pursued Chinese overseas investment, their agendas in doing so do not always put people and the environment first and the overall benefits to recipient countries are in many cases questionable. Although not intended as substantive comparative analysis with investments from other locations, it observes how the impacts of Chinese investments have contributed to problems which are far from new phenomena when countries receive loans and investments from other wealthier countries overseas. Nevertheless, as China, under the leadership of the Chinese Communist Party (CCP), strives to gain a stronger hand in advancing its interests overseas, this has meant that it is beginning to see a backlash from ordinary people and governments against its overseas economic activities, which may further contribute to acting as a break on its ambitions in the region.

BACKGROUND: AN EXPANSION OF CHINA'S OVERSEAS INVESTMENTS AND THE BELT AND ROAD INITIATIVE

Having earlier undergone dramatic economic transformation and growth through pursuit of an export-oriented strategy that continues to see huge influxes of Foreign Direct Investment (FDI) pour into the country, China has now become a leading global investor. Following the Chinese government initiating its 'Going Global' strategy in 1999, in the lead up to its accession to the World Trade Organisation (WTO), the promotion of outbound investment has been an important policy of the Chinese government. Subsequently, since the mid-2000s outbound investment has really taken off and its rapid expansion is one of the reasons why it can be considered so remarkable. This has not only included FDI, resulting in China becoming the world's second largest source by 2016, but also significant increases in its international lending. Chinese overseas Foreign Portfolio Investment (FPI) has also grown.[5]

The launching of China's One Belt, One Road (OBOR) initiative, later renamed the Belt and Road Initiative (BRI) might be viewed as a new stage in China's expansion of its overseas investment, or at the very least an upgrading of the political push by the party-state of its overseas investment ambitions. Dubbed 'globalisation 2.0', the scale of the projects that have been categorised under the umbrella of this initiative have the potential to impact on the lives of millions of people around the globe, and especially in Asia which is an important integral part of this project. As of September 2018, China listed 84 countries as a part of the BRI, the majority having signed some sort of BRI cooperation agreement (Belt and Road Portal, n.d.). This includes more than 40 countries or regions in Asia.

The BRI was first proposed by Xi Jinping in his visits to Central Asia

5 While some third worldists might argue that China's GDP per capita means that China is still far from catching up with 'first world' countries (e.g. King, 2018), the speed and scale of china's expansion in the global economy is unprecedented and the subsequent impact that this is having around the world is something that is undeniable and should not be downplayed

and Southeast Asia in 2013 and was then included in the Resolution of the Third Plenum of the 18th Central Committee of the CCP. Implementation then went into effect in 2015. Drawing on the legacy of the ancient Silk Road, the initiative comprises the Silk Road Economic Belt, which aims to link China and Europe through Central Asia and the Middle East, and the 21st Century Maritime Silk Road which links to Asia and the Pacific. The aim of the initiative is to develop trade and infrastructure networks, and the initiative has five major official goals for cooperation, including policy coordination, facilities connectivity, unimpeded trade, financial integration and people to people bonds. So far, implemented and planned projects have involved investments and construction in trade and infrastructure networks, ports, power stations, oil and gas pipelines, railway lines, roads, bridges, telecommunications and agriculture, as well as the development of coal, oil, gas, hydropower, nuclear, wind and solar power.

Nevertheless, while the initiative has attracted significant attention and numerous cooperation agreements, despite its grand ambitions, the scale of new investments related to this initiative have not proceeded so quickly and substantially as might have been expected. On the one hand, many of the projects included had in fact already been initiated prior to the introduction of the BRI. Projects in Asia under this category include, for instance, the Kunming-Vientiane railway, the China Pakistan Economic Corridor (CPEC), China-Singapore rail infrastructure project, as well as the China-Hong Kong-Macau Greater Bay Area. At the same time, the amounts invested have not been as numerous as anticipated[6] and several projects have faced restrictions, delay or cancellation. By March 2018, China had reportedly so far invested US$50 billion in 24 countries as part of the BRI since it had first been announced in 2013 (Jia, 2018). Moreover, according to official media between 2014 and 2017 about 50 SOEs have participated in around 1,700 BRI projects (The Economist Intelligence Unit, 2017), in other words a relatively small number of enterprises are participating in a large number of the projects. That said, BRI is still a significant political and economic undertaking, and in judging the scale of Chinese investments in the BRI, it should be noted that a lot of economic activity, particularly where infrastructure construction is concerned, takes place through contracted projects (see details below) that are not necessarily included in direct investment statistics.

6 The project is supposed to be a US$1.4 trillion initiative.

WHY IS CHINA KEEN TO INVEST IN ASIA?

A long-term major motivation of China's 'going global' strategy has been the export of overcapacity. This is something that has long plagued China, especially in industries such as steel, cement and aluminum, and is a problem that has only heightened following the 2008 economic crisis. Having recklessly pushed major infrastructure construction in mainland China, fuelled by Beijing's US$578 billion economic stimulus package, that has led to the construction of ghost cities, unused roads, airports and factories, as well as the mounting up of major debt and excessive environmental damage, driving infrastructure investment overseas potentially acts as a way to export surplus capital. Overseas investment in infrastructure and potential enhanced connectivity then helps with facilitating the opening of new markets to Chinese products and services.

Another goal of the BRI that has accompanied investment is 'unimpeded trade'. According to the 'Vision and Action plan for the Construction of the Silk Road Economic Belt and 21st Century Maritime Silk Road' (the Vision and Action Plan) this involves improving trade liberalisation facilitation and eliminating investment barriers (NDRC, 2015). Indeed, along with investment, China intends to increase its trade with Belt and Road countries. According to a speech by CDB Chairman, Hu Huaibang, to the Asian Financial Forum held in Hong Kong in January 2018, between 2014 and 2016 China's trade volumes with BRI countries reached $3 trillion. Hu then estimated that China would invest another $150 billion in these countries in the next five years and would import products worth $2 trillion (Sun, 2018). Efforts to sign bilateral trade agreements, including Free Trade Agreements (FTAs), and to set up economic and trade cooperation zones[7] have accompanied the expansion of Chinese overseas investment. In the first four months of 2018, US$389.1 billion of trade deals were signed with BRI countries. In Pakistan, while constructing CPEC investment, China has also been negotiating a second phase FTA to further lower tariffs. Beyond BRI countries, Chinese ODI in South Korea reportedly accelerated around the time of the signing of the FTA by Beijing and Seoul in 2015 (Song, 2015).

Access to natural resources, such as oil, gas and copper has been another key reason for China to push increased investment overseas. In Mongolia, for instance, where China has been the country's largest investor since 1998, one hundred percent of the country's coal and copper exports were reportedly going to China in 2009 (Li, 2011). Access to resources is

7 There were 75 such zones along the BRI as of April 2018.

something that has been a key factor in China's growing economic activity in regions such as oil rich Central and Western Asia. Meanwhile, advancing the development of China's undeveloped regions, especially Xinjiang, as a means to enhance social stability through economic growth and employment has been another goal related to the BRI designed to benefit China domestically.

Outwardly, in addition to natural resources, acquisition of strategic assets in strategic locations is another reason for investment. While this is economically beneficial due to increased connectivity, this also has potential implications for the country to be able to potentially assert itself in a more dominant manner in the region. The Gwadar port, which has been returned to Chinese control and is being expanded along with the creation of a free trade zone in connection to the creation of the China-Pakistan Economic Corridor (CPEC), is not only strategic due to its potential to shorten and secure routes for transporting oil and gas from gulf countries to China, its location also acts as an alternative to circumvent potential threats China's energy imports should they be interrupted due to actions by rivals or stemming from territorial disputes in the South China Sea (Lee, 2017).

Xi Jinping has talked about wanting to create 'an Asia-Pacific dream for our people'. In 2013 China's foreign minister, Wang Yi, announced that the focus of China's foreign policy would move to China's backyard, where it wants to build "a community of shared destiny" (Miller, 2017). These comments, which seemingly present a unified goal perhaps run somewhat in contrast with China's generally stated approach to foreign policy, whereby it insists on opposition to unilateralism, non-interference into the affairs of each country and its respect for differences. More broadly, the term tianchao zhuyi, which loosely translates to heavily dynastism, has been used by liberal critics to refer to China's ambitions and activities overseas. Debates have also arisen around suggestions that China is now imperialist or is in the process of returning to the role of an imperialist power. While this is a debate that requires further consideration elsewhere, in its own backyard, where it vies for political and economic influence in the face of regional and international rivals (the US and its allies in the region), attempts to establish itself as a regional hegemonic power are increasingly evident, not only through its economic activities but also as witnessed through its increasingly aggressive strategies in the South China Sea.

There is, however, some way to go. With an economy measuring US$10.9 trillion in 2015 (larger than other East and Southeast Asian economies combined), and as a major trading partner of many Asian countries, China already has very significant economic leverage. Nevertheless, although the BRI has been viewed as a way to further boost regional investment, it is not necessarily the dominant actor throughout the region. The EU and Japan, for instance, still invest more overall in Southeast Asia than China (Miller, 2017). Between 2011-2013, the EU invested US75 billion and Japan invested US56 billion, while China invested the lower amount of US$22 billion in ASEAN countries. Meanwhile, Japan remains the largest provider of aid (where it is defined as grants and loans at minimal interest rates) to Southeast Asia (Ibid). Successfully driving forward the BRI therefore may be viewed as a way to enable it to be more assertive in view of the comparative strength of its competitors. Indeed, this is something which has not gone unnoticed. China's growing investments and influence in the region may have prompted responses in the form of increased investments from states and associated institutions that see China as a rival for economic and political influence in the region. Following plans for the BRI and AIIB being outlined, in 2015 Japan's Prime Minister Shinzo Abe announced that Japan would provide US$110 billion for Asian infrastructure over the next five years, while the ADB expanded its lending capacity by 50%. Then in July 2018, US Secretary of State, Mike Pompeo, announced a new infrastructure initiative in the Asia-Pacific region, the 'Indo-Pacific Economic-Vision', to involve US$113 million in direct government investment in infrastructure, energy and new technology (Shi and Churchill, 2018). The US, Australia and Japan also announced that they had formed a trilateral partnership to mobilise investments in energy, transportation, tourism and technology infrastructure (Reuters, 2018).

MECHANISMS BY WHICH CHINESE INVESTMENTS ARE EXPANDING IN ASIA

As a part of its investment activity, the growth of China's ODI has received a lot of attention globally. While this is also a trend concerning its investments in Asia, Chinese overseas lending to the region is also very significant. Moreover, closely related to such Chinese investment, a large proportion of China's economic activity results from commercial contracts (for instance in infrastructure construction). The award of such contracts to Chinese companies are sometimes a condition of Chinese lending. Such loans and contracts are an important feature of the infrastructure investments being driven in association with the BRI. This section will discuss some of these components in more detail.

OVERSEAS DIRECT INVESTMENT

Globally, developed economies still dominate among major recipient countries of Chinese FDI, although this is beginning to change. While there has been a growth in Chinese FDI to all continents since 2001, Asia has received a substantial proportion of it (Kamal, Li, Bashir, Khan, Ashraf and Shaikh, 2014) if Hong Kong is included. This is in line with a general trend in the growth of Asia's global importance as a destination for inward FDI (not only from China). Its share of the global total of FDI stocks rose by 9.6 percentage points between 2005 and 2015 to reach 23.8% (Eurostat, 2017). Nevertheless, the significance of Chinese ODI flows to the continent has varied by region and country, and major statistical discrepancies make a clear picture difficult to obtain although there seems to be consensus on a general trend of growth.

In Southeast Asia, for instance, despite geographic proximity, China's ODI has been comparatively small as a percentage of China's global total ODI. In 2013, China only contributed a total of 2.3% of its ODI into ASEAN (Salidianova and Koch-Weser, 2015). However, Singapore, as a more developed country, receives a significant proportion of Chinese ODI to the region and ranks amongst the leading individual recipient countries globally of Chinese ODI (see table below), with its FDI to the country more than tripling from US$4,857 million to US$14,751 million between 2009 to 2013 (Ibid). It is thought, though, that some of this FDI to Singapore then flows to other ASEAN countries (Ibid). Other leading Asian recipient countries or regions of Chinese ODI have included Cambodia, Kazakhstan, Indonesia, Macau, Myanmar, Mongolia, South Korea and Pakistan. At the same time, it should also be noted that, while by global comparison the amounts received may be small, for some countries Chinese ODI may still account for a significant proportion of all FDI received by the country concerned.

It is Hong Kong, however, that receives by far the largest proportion of China's total ODI according to official statistics. At the end of 2016, Hong Kong accounted for 58% of China's total ODI stocks (a figure it has long hovered around for several years). According to the same statistics, if Hong Kong is excluded, the rest of Asia accounted for 9.5% of China's ODI stocks at the end of that year. However, statistics concerning Chinese ODI are widely considered unreliable, not least so where Hong Kong is concerned. Significant discrepancies have previously been found between the Chinese Ministry of Commerce's official statistics on the rate of mainland Chinese ODI to Hong Kong and the statistics published by the Hong Kong government[8] (Au and Li, 2009). The phenomenon of round tripping, whereby capital is invested in Hong Kong only for it to be reinvested back in mainland China to enjoy preferential rates, as well as the use of Hong Kong as an intermediary for mainland Chinese capital intended to be invested elsewhere overseas, are further factors that distort the picture concerning the extent of Chinese ODI. The existence of round tripping, mostly to Hong Kong and tax havens, has led some to question whether the growth of Chinese ODI is in fact overstated (Garcia-Herrero, Xia and Casanova, 2015). One earlier 2004 study estimated that the ratio of Chinese FDI involved in roundtripping was about 40% or between 30-50%, with Hong Kong playing a very important role (Xiao, 2004). In drawing on the estimates from this study, a later study estimates that after round-tripping and offshoring are accounted for and flows to other countries via Hong Kong redistributed[9] , in 2013 Asia' s share of Chinese ODI (including Hong Kong and Macau) fell from 70% to 50% (Garcia-Herrero, Xia and Casanova, 2015).

In other calculations of Chinese ODI, the proportion to Hong Kong also accounts for a lower amount. In the Economists' Going Global Investment Index Ranking, for instance, while maintaining a very high position, Hong Kong ranks lower than Singapore and the US. Several other Asian countries and regions, including Malaysia, South Korea and Kazakhstan also ranked amongst the top global recipients of mainland Chinese FDI in 2017.

Top destinations for Chinese ODI

Country	2017	2018	2019
Singapore	1	2	2
US	2	1	1
Hong Kong	3	7	3
Malaysia	4	20	18

8 The Hong Kong statistics actually give a higher figure.

9 According to these estimates, 40% of all ODI flows to Hong Kong are excluded as round tripped FDI, 30% is assumed to stay in Hong Kong and 30% is estimated to flow via Hong Kong to other countries around the world.

Australia	5	3	5
Switzerland	6	5	7
South Korea	7	8	28
Canada	8	4	6
Chile	9	29	22
Russia	10	24	9
Israel	11	17	31
Kazakhstan	12	51	38

Source: China Going Global Investment Index Ranking, The Economist Intelligence Unit

Nevertheless, Hong Kong's role vis-a-vis Chinese ODI should not be considered surprising, given its continued significance for mainland China's economic development. In this respect, the Hong Kong stock market has been important for helping to raise capital (including funds for investment overseas). IPOs of large mainland companies sometimes lead to the round-tripping of FDI as a result of mainland companies registering new local companies in Hong Kong in preparation for their listing as 'red chip companies' and buying up a large proportion of shares (usually 60-70% so as to exceed the 10% threshold to qualify as FDI in Hong Kong statistics) in the Hong Kong red chip company. Red chip companies have then been able to use mainland capital and funds raised from the IPO to buy into projects in the mainland which may be under the supervision of the parent company, again constituting FDI to China (Xiao, 2004). At the same time, as an important financial and services hub, Hong Kong has also been an important location for mainland multinationals seeking to do business overseas, many of which have set up subsidiaries in Hong Kong that have invested overseas, including in Belt and Road projects. The COSCO group's COSCO Shipping Ports Ltd. is headquartered in Hong Kong and has invested in the Port of Piraeus in Greece and the Khalifa Port in Abu Dhabi amongst other international projects.

More recently, Hong Kong has been seen as a tool to facilitate the advancement of the BRI, having been designated a role by China's National Development and Reform Commission (NDRC) in its Vision and Action plan for the initiative. This role was consolidated in December 2017 when Hong Kong Chief Executive Carrie Lam signed an agreement with the NDRC on 'Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative'.

CROSS BORDER FINANCING: CHINESE LOANS

Chinese lending is another important part of its overseas economic activity, particularly in Asia. Having previously been a major recipient of ADB financing, China's cross-border lending is something which has grown in significance with the launch of BRI, since many Chinese banks are responsible for providing loans to finance associated infrastructure investments in BRI countries and are therefore important for ensuring its viability. The loans provided vary in nature, from those that are interest free to loans repayable at fully commercial rates, however exact information on the details and scale are often difficult to obtain as the Chinese banks, as well as debtor countries, often do not report them in a systematic manner or disclose full details of agreements.

It should be noted that Chinese lending sometimes mistakenly gets classified as aid or development assistance. While China does provide some grants and soft loans that might be classified as aid, it generally does not distinguish between the different type of financial flows; what is often described as aid does not always meet OECD criteria for aid (also defined as Official Development Assistance or ODA[10]). This lack of distinction means that China is sometimes presented as one of the world's largest donors, whereas in reality this might be a dubious claim. According to a 2017 study by AidData, between 2000 and 2014, China gave or lent $350 billion; $75billion was grants or concessional lending but the remainder consisted of non-concessional loans (US aid was $424bn almost all concessional and/or in the form of grants). The same study found that China's non-concessional lending has not impacted on recipient countries' GDP and instead appears to act as subsidies for Chinese companies, as well as to benefit local elites (AidData, 2017).

Between 2000 and 2014, several Asian countries were amongst the top ten countries to receive financing from China classified as 'other official flows' (OOF), meaning that they were non- concessional or commercial in nature. Top sectors for overall OOF from China during this period were energy generation and supply (51%), transport and storage (17%), industry, mining and construction (10%), communications (5%) and agriculture, forestry and fishing (3%) (Khokhar, 2017). In other words, even before the BRI was fully underway, infrastructure was an important component of China's

10 Defined as 'government aid designed to promote the economic development and welfare of developing countries' … Aid includes grants, "soft" loans (where the grant element is at least 25% of the total) and the provision of technical assistance". See: (OECD Data)

official financing overseas and was significant in Asia. With the increased political push from the BRI and commitments to this by the Chinese banks (see below) such lending and the associated debt that will need to be repaid might likely be expected to increase.

The countries which received the greatest amount of conventional Chinese aid during this period were mainly in Africa, however Cambodia and Sri Lanka were also ranked in the top ten global recipients receiving US$3 billion and US$2.8 billion in ODA respectively. Although aid does not carry the same debt, a decision to grant or deny aid may affect overall relations (including other economic relations between countries concerned).

Top ten recipients of Chinese OOF 2000-2014

No	Country	Amount
1	Russia	$36.6 billion
2	Pakistan	$16.3 billion
3	Angola	$13.4 billion
4	Laos	$11 billion
5	Venezuela	$10.8 billion
6	Turkmenistan	$10.8 billion
7	Ecuador	$9.7 billion
8	Brazil	$8.5 billion
9	Sri Lanka	$8.2 billion
10	Kazakhstan	$6.7 billion

Source: AidData

FINANCIAL INSTITUTIONS

It is the Chinese policy banks, especially the China Development Bank (CDB) and the Export-Import Bank of China (Exim), that have been the main source of overseas lending for more than a decade in support of the government's going out strategy. With these two banks under the direct jurisdiction of China's State-Council, the Chinese government has injected significant amounts of capital into CDB and Exim since launching the BRI. Together, these banks had provided $200 billion in loans to BRI by end of 2016 (Peng and Jia, 2017). Nevertheless, the US$110 billion lent by CDB the end of 2017, still falls far short of the US$890 billion, that China's largest overseas lender had pledged to more than 900 BRI projects in 2013. Significantly, in discussing lending to BRI projects, CDB Chairman, Hu Huaibang, is reported to have stated that profitability was the first criterion when assessing which projects to fund (Sun, 2018).

China's state-owned commercial banks (such as Bank of China, Industrial and Commercial Bank of China and China Construction Bank) are also a significant source of overseas lending and have expanded the number of overseas branches and offices in recent years. By the end of 2016, China's three largest state-owned commercial banks were reported to have lent US$225.4 billion to BRI projects (Peng and Jia, 2017). Meanwhile, China has also set up various investment funds to aid BRI financing. The US$50 Silk Road Fund, which is largely funded from China's foreign exchange reserves is one such example.

The new Chinese led multilateral institutions are also expected to increasingly provide loans to Asian infrastructure projects, many in connection with the BRI. Although these do not directly constitute Chinese lending and do not explicitly favour Chinese investments, they closely support China's economic agendas in the region and Chinese companies are expected to benefit significantly from contracts related to lending on grounds of experience and competitive pricing. Indeed, it is significant that Xi Jinping announced plans for the Asia Infrastructure Investment Bank (AIIB[11]), in the same speech that he announced plans for the Maritime Silk Road in Jakarta in 2013 (Luhulima, 2014), thus coinciding with an upgrading in the importance China attaches to overseas investment.

It is however worth noting that the AIIB planned to lend no more than US$2 billion per year for the first five years of its operations (Miller, 2017), and so far lending has fallen far short of initial expectations[12] with it having only agreed to lend just over US$5.2 billion as of September 2018. By comparison, the Japanese led ADB lent a two-year total of US$36.6 billion for the years 2016 and 2017 (Babones, 2018). AIIB lending is also significantly less than other major existing multilateral development banks and only a fraction of the overseas lending of China's policy banks. Nevertheless, the AIIB can be viewed as an important part of a China-led Asian integration project, and an impetus to get other countries on board with its vision whether they share it or not. Although it has been viewed as a competitor to existing institutions, especially by the US (which declined to join and encouraged others not to) and Japan, China has been keen that the AIIB will complement

11 While the AIIB has won the support of many countries—it has 68 members as of September 2018—China retains a dominant role with 30% of the shares and a control of 26.6% of the total vote.

12 It was expected that the bank would lend $10-15 billion a year for the first five to six years.

the work of exiting multilateral financial institutions rather than act as a competitor. Of the 28 projects that it had agreed to make loans to as of the beginning of September 2018, the majority of projects are co-financed with existing multilateral institutions such as the ADB, World Bank, IFC, EIB, in which case they tend to refer to the exiting institutions' environmental and social impact assessments as their criteria.

Founded in 2015, the New Development Bank (BRICS bank) is another example of a China initiated multilateral institution, which is also expected to later co-finance projects with the AIIB. As of mid-September 2018, it had approved 29 loans, mostly for infrastructure projects, totalling more than US$6.2 billion. According to the NDB's procurement documents, bids for contracts on these projects are generally[13] only open to NDB member countries (New Development Bank, 2018) and currently this only includes BRICS countries. In other words, this significantly increases the chance of Chinese companies being awarded contracts for development projects financed by the NDB. This differs from projects financed by the AIIB, where companies and individuals from any country may bid to offer goods works or services for a project regardless of whether the country is a member of the bank (AIIB, 2016).

CONTRACTED PROJECTS

Although not strictly 'investment', contracts awarded to Chinese companies overseas are often an outcome of Chinese loans and other forms of investment, or simply awarded in their own right. As with FDI, as China's overseas economic activities have grown in line with its 'going global' strategy, both the number and value of China's overseas contracts have also risen significantly, especially since the beginning of the 2000s (see chart below). While the value of the projects has risen steadily, this does not directly relate to the number awarded in a particular year and, especially in the period since 2008-9, this may indicate the award more capital-intensive contracts.

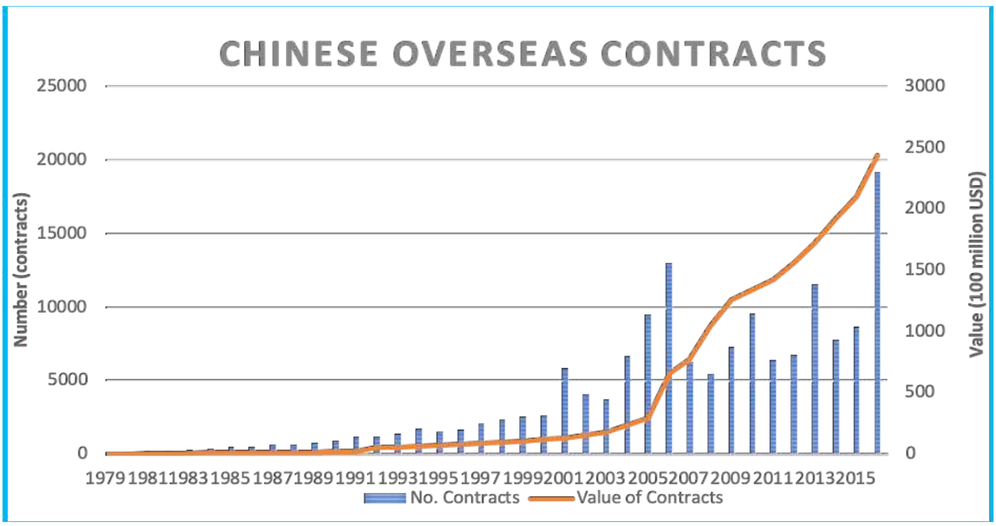
Overseas contracts sometimes total more than the value of China's non-financial direct investment. In the first four months of 2018, for instance, China's non-financial investment to BRI countries was $4.67 billion (a 17.3% increase compared to the same period the previous year), while

13 Exceptions may be made by the Board of Directors in special circumstances.

the volume of overseas contracted projects was US$24.2 billion (an increase of 27.7%) (Xinhua, 2018). Meanwhile, according to MOFCOM, in 2015 Chinese companies made $14.8billion in 49 BRI countries, however they also signed almost 4,000 engineering, procurement and construction projects in 60 countries worth a much larger US$92 billion (Miller, 2017).

Based on official statistical data, Asian countries account for a significant proportion of the value of projects contracted by Chinese companies overseas. In 2016, for instance, the value of Chinese contracts in Asia accounted for 48% of the total value of Chinese contracted projects. Saudi Arabia, from where China receives a significant proportion of its oil imports and with which it has recently signed agreements and letters of intent worth $65bn in energy, space and infrastructure agreements, has granted Chinese companies the greatest value of contracts, accounting for 12% of the value of contracts from all Asian countries in 2016. Meanwhile Pakistan, where China is making significant investment in the China-Pakistan Economic Corridor, accounts for the second highest value amounting to 9% of the total for Asia.

In recent years, construction, transportation and real estate are areas that have seen significant growth in the value of contracts in Asia in particular. The value of transportation projects contracted in Asia grew from $16.2 billion from 2006 to 2011 to $62.03 billion from 2012 to 2017, whereas the value of contracted real estate projects grew from $9.2 billion from 2006 to 2011 to $21.1 billion from 2012 to 2017 (China Power, n.d.).



Based on data from the China Statistical Yearbook 2017

When Chinese companies are awarded construction and other contracts overseas, they sometimes import Chinese workers to work on the projects. Asian countries receive a high percentage of all workers sent overseas in relation to contracts awarded to Chinese companies overseas. According to data from official statistics, in 2016, 61 per cent of Chinese dispatch workers sent overseas to work on contracted projects were sent to Asian countries, while a total of 46 per cent of Chinese persons abroad related to contracted projects were in Asian countries at the end of the year. It should also be noted, however, that official statistics only provide data on the number of workers sent overseas through legal channels such as overseas labour cooperation companies and employment agencies licensed by the Ministry of Commerce. Workers are also sometimes sent by unlicensed agencies and labour brokers (Chan 2011), and so the actual number is likely much higher.

In discussions with trade union and labour activists from countries in Asia and Africa where China imports workers to work on its overseas contracts, concerns are often expressed about whether China is using prison labour to work on these contacts. This is an accusation that China has refuted,[14] and despite such frequent concern, and despite this accusation having been around for many years, little (if any) solid evidence has emerged to confirm use of such labour. Meanwhile the Chinese style factory regime system has often been described as mirroring a prison system (see for instance Knowles, 2016), which may create the impression that prison labour is being used. This combined with the fact that interactions between local and Chinese workers are sometimes limited may exacerbate such concerns. Deeper investigation into this issue may be useful in the future.

PROBLEMS WITH CHINA'S INVESTMENTS IN ASIA

Infrastructure in parts of Asia are underdeveloped and in this respect infrastructure investments might be welcomed. Indeed, China has often presented its investments as a 'win-win situation', previously projecting, for instance, that Southeast Asian countries had plans to invest US$1.5 trillion in infrastructure between 2011 and 2020 and could therefore benefit from Chinese investment (He, 2014). As far as overseas governments are concerned, in many instances, China's overseas ambitions to invest in infrastructure are viewed as a way to gain the capital to meet the infrastructure and development aims of various Asian countries.

14 See for instance the Chinese embassy in London's response to accusations published in the Guardian: 'China's newest export: convicts'. Chellaney (2010).

The Thai government, for instance, has sought Chinese investment and integration with the BRI for its own Eastern Economic Corridor development plan. Under this plan Thailand hopes to attract US$46 billion in foreign investment (not only from China), for development of train, rail, road and marine transportation and investment in strategic industries such as biotechnology, biofuel, IT, medicine and aviation for which it has reportedly offered investors additional corporate and personal income tax privileges (Ongdee, 2016). Related to this, construction of the first phase of the China-Thailand high speed railway, seen by China as a flagship project of the BRI, began in late 2017, albeit after some delay due to disagreement over the loan that China Development Bank was offering the Thai government to finance the project (Pan, 2017). China is also expected to be a key financier in Duterte's 'Build, Build, Build' infrastructure project in the Philippines. Meanwhile, in Cambodia, where China is the country's largest foreign investor, the government has continued to seek aid and investment for infrastructure such as bridge and road construction, in the face of rising concern from civil society about some of the adverse impacts (Chan, 2018) that have also been the cause of growing anti-Chinese sentiment (Wright, 2018). In Pakistan, however, one of the criticisms levied against the CPEC relates to lack of transparency in investment allocation and the Pakistan central government giving preferential treatment to some provinces along the eastern0 route and denying other areas the benefits of the investments (Markey and West 2016).

That overseas governments seek Chinese investment, however, does not mean that all (infrastructure) investments are useful -- China itself has suffered from significant overinvestment and white elephant projects -- or that they bring local benefit to the countries concerned and local communities. The political agendas, mechanisms of investment and methods of implementation means that investments are often pursued that are not necessarily in the interests of local people and the environment.

UNSUSTAINABLE DEBT

With Chinese banks making huge loans to developing countries often to finance infrastructure and other mega-construction projects, concerns have been raised about the sustainability of the projects and whether the countries taking out the loans really have the ability to repay or whether they will be left with unsustainable debt problems. Indeed, Chinese loans may carry increased risks, since, according to Chu Yu, a professor at the University of International Relations, Chinese banks have 'limited experience in assessing the risks in foreign-related projects', compared to US, European and Japanese banks and this is one reason why they may charge higher interest rates (Chu, 2016). Moreover, for recipient countries, since loans are mostly denominated in dollars or RMB, borrowers are also potentially susceptible to risks form changing exchange rates. These are therefore factors that may increase debt burdens.

The CPEC in particular has received a lot of criticism from those that claim that the loans are not economically viable, and Pakistan will likely have a hard time meeting its repayment obligations. The IMF, for instance, previously warned that when Chinese investors start repatriating profits and after 2021 when repayments are expected to rise, if the CPEC does not generate enough growth, then Pakistan's debt from Chinese bank loans risk becoming a burden (Husain, 2016). More recently, Pakistan's overall debt levels have contributed to economic crisis prompting the Pakistan government to approach the IMF for a bailout. In addition to Pakistan, a study by the Center for Global Development has identified seven other BRI countries (the majority in Asia) that face significant risk of debt distress due to high levels of debt owed to China, with some potentially at risk of having to default especially if further loans are made. These countries include Kyrgyzstan, Mongolia and Laos, Maldives, Djibouti, Montenegro, Tajikistan and Mongolia (Hurley, Morris and Portelance, 2018). Such risks have already turned out to be a real problem for some countries. In Sri Lanka, for instance, the inability to repay debts to China has already resulted in the country having to cede majority control over the Hambantota port in exchange for debt relief, leading to major protests in 2017.[15]

While debt may cause challenges for overseas countries, the impacts may not always[16] be so detrimental to China. Chinese loans have also provided a way to secure land, resources and further contracts for Chinese companies. Some loans by Chinese banks to overseas countries are backed by natural resources, a notable example being oil, meaning that the country may be required to pay off the debt using the resource, regardless of the domestic need. The same is true of infrastructure as in the case of Sri Lanka above. There are also examples of cases, for instance in Cambodia, where

15 As a result of protest the exact percentage stake ceded to China was lowered from 80% to 70%, although this still means de facto control.

16 Unrepayable debt is nevertheless a significant risk to China, even where payment is to be made in natural resources, as the case of Venezuela shows (Globalization Monitor, 2018).

repayment of debt is allegedly rescheduled or cancelled in exchange for Chinese companies being awarded further contracts (Chellaney 2017).

It is not just resources and control of infrastructure that are potentially at risk. If countries get trapped in debt to China or become overly reliant on its investment then this may create a higher level of dependency, something which may limit these countries' autonomy and enhance China's influence in the region.

POLITICAL INDEPENDENCE AND CHINA'S LEVERAGE

China has long stated a position of non-interference in the internal affairs of other countries, dating back to the Five Principals of Peaceful Coexistence for relations between states (including mutual respect for territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and cooperation for mutual benefit and peaceful co-existence) that were first codified in 1954 in an agreement between China and India and later incorporated into the Bandung declaration. This policy, combined with the legacy of hardship inflicted as a result of loans and debt associated with Western lending and structural adjustment programs on which loans have sometimes been conditioned, has sometimes made Chinese investment and loans more attractive to developing countries than those from the West. Indeed continued emphasis on its policy of non-interference allows China, at least on the surface, to present itself and its investments as different, even if many of the associated impacts concerning labour rights violations and environmental abuses (as discussed below) may bear similarities from earlier and existing lenders and investments from other countries. Moreover, for China, while this position has an additional advantage in allowing it to continue to justify economic relations with countries in the face of repressive regimes and human rights violations, the degree of non-interference may sometimes be questionable, especially when China's own political and economic interests are at stake.

Some impact on Asian regional politics might also be seen for instance with countries more likely to take favourable political lines towards China in exchange for investment. Cambodia received 600 million in development aid and loans in 2016 shortly after calling for ASEAN to retract its statement of the South China Sea dispute. It has also reportedly made exemptions to its laws for China, awarding land to Chinese companies far exceeding legal limits, coinciding with loans and investments (Nachemson, 2018). In Myanmar, China has also allegedly directly tried to involve itself in the conflict issues faced by the country. In 2013 China designated a special envoy of diplomats, which continues to facilitate talks between armed organizations and the Myanmar government. China has also defended the Myanmar government over Rakhine state, an area where China has significant economic interests related to infrastructure and a planned Special Economic Zone, and where armed forces have carried out ethnic cleansing of the Rohingya population (USIP, 2018). Chinese diplomats have denied involvement in the conflict, although admitted that there have been 'individual acts that broke the law of either country or affected the peace process of Myanmar' that were unrelated to China's policies (Xinhua, 2015). Regardless of more direct political intervention, however, concerns have also been raised more recently about the debt implications for Myanmar related to plans to build the Kyaukpyu port, without it facing similar risks to those that have already affected Sri Lanka. When countries become trapped in debt and have to give up their resources, or if they adapt laws and environmental regulations to attract Chinese investment then this already has potential political implications for the countries concerned.

PROTECTING LABOUR RIGHTS?

The behaviour of Chinese companies operating overseas has been widely criticized for either having little awareness of or acting in disregard of local laws and regulations, thereby sometimes resulting or contributing to labour rights violations and environmental destruction. Over the years, the Chinese government, increasingly aware of the bad reputation surrounding Chinese investors, has issued a number of (often non-binding) guidelines and, to an increasing extent, regulations that partially cover these issues to promote better practice by Chinese companies operating overseas.

Issued in 2005, the State Council's nine principles to 'Encourage and Standardise Enterprises Overseas Investment' represent one of the most comprehensive examples. These principles state that Chinese companies investing overseas should abide by local laws, bid for contracts on the basis of transparency and equality, protect the labour rights of local employees, protect the environment and implement corporate social responsibility. As far as overseas contracts are concerned, according to Article 4 of the Administrative Regulation on Contracting Foreign Projects, issued by the State

Council in September 2008, Chinese enterprises contracting overseas projects should protect the legitimate rights and interests of overseas personnel, comply with local laws and respect local customs as well as protect the environment and promote local economic and social development (State Council, 2008). Additional guidelines also exist for companies operating in some specific industries, such as mining. More recently in late 2017, in line with the increasing attempts to regulate Chinese investment activities overseas following their greater promotion, the government issued a Code of Conduct for Overseas Investment by Private Enterprises, while in March 2018 the new Administrative Measures for Overseas Investments by Enterprises came into effect, notably expanding, amongst other aspects, the scope of earlier measures such that they also apply to Hong Kong, Macau and Taiwan enterprises controlled by domestic enterprises or persons. Although sometime lacking in explicit mention of labour rights, such regulations and guidelines do consistently require that legal requirements be met, social responsibilities fulfilled, and the environment protected. Nevertheless, violations of local laws, abuse of labour and trade union rights and poor working conditions are still frequently reported at Chinese companies overseas.

While the official line has been one of non-interference, respect and legal compliance with each country's local situation, Communist Party controlled media have warned that Chinese companies might not be so keen to invest if local unions are too militant. One example involves a case in early 2017 where local workers and trade unions sought to defend their rights at a Chinese invested factory in Myanmar that was a supplier to the clothing brand H&M. The workers and union activities received negative reporting and criticism from Chinese media, with one piece arguing that the Myanmar government needed to restrict the power of local unions if it wanted to attract more Chinese investment (Hu, 2017).

Even where there is compliance with laws, the lower wages (including lower minimum wages) and other benefits in some countries when compared with China has been an additional factor that makes investing in developing countries in Asia more attractive to Chinese companies (a similar factor drove the massive influx of foreign capital into China from the 1990s). Chinese overseas investment in the Cambodian garment sector offers one such example (Franceschini, 2017).

Infringement of labour rights not only affect local workers but also the Chinese workers imported to work on contracted projects. Indeed, many overseas Chinese workers have faced exploitation and right violations at the hands of the Chinese contracted or investing company as well as the labour dispatch employment agency. Unpaid wages and visa issues have been amongst problems that they have faced. In 2017, for instance, Malaysian media reported that Chinese migrant workers working on the construction of the Forest City project in Malaysia were facing wage arrears and had not been provided with the proper work visas after being cheated by agents in China to whom they needed to repay huge loans (Kow and Wong, 2017).

ENVIRONMENTAL AND LAND CONCERNS

Chinese overseas investment has also been a cause for concern due to environmental issues such as pollution, destruction of habitats and natural resource depletion, as well as impacts to the livelihoods and homes of local people due to land use or displacement. Despite the guidelines and regulations identified in the discussion of labour rights also applying to these issues, specific (albeit non-binding) Guidelines for Environmental Protection in Foreign Investment and Cooperation having been issued in 2013, and China making explicit commitment to environmentally sustainable investment and advancing clean energy related to BRI, Chinese investments in Asia have also run into numerous environmental problems. The US$62 billion CPEC, for instance, has come under significant criticism due to potential adverse environmental impacts, with the destruction of farmlands, forests, strain on natural resources already reported) and some negative impacts on livelihoods already reported (Lee 2017). In some cases, for instance involving dams on the Mekong River, Chinese invested projects have been implemented without adequate Environmental Impact Assessment approvals (Urban and Nordensvard, 2014).

One area of concern regarding the long-term environmental consequences of Chinese investment relates to the expansion of investment in non-renewable energy sources. Despite commitments to renewable energies, in the official NDRC Vision and Action plan for the BRI, 'the exploration and development of coal, oil, gas, metal minerals and other conventional energy sources' is highlighted as an area for increased cooperation (NDRC, 2015). Between 2001 and 2016, China was involved in 240 coal power projects in countries that it now classifies as part of the BRI. India, Indonesia, Mongolia, Vietnam and Turkey were the top five countries in which it was involved (Feng, 2017). This commitment not only impacts countries where China is involved in building coal power plants and other energy related infrastructure, supply of fossil fuels such as oil and gas to China has been something that BRI projects have sought to secure or further develop. Such is the significance of this type of energy for Chinese overseas investment that, as of 2017, Russia had been the largest recipient country of Chinese overseas financing (OOF and ODA), largely as a result of a $25 billion loan package provided by China Development Bank in 2009 to oil company Rosneft and pipeline builder Transneft. A further $6 million was provided to Russia in loans-for-coal in 2010 (Allen-Ebrahimian, 2017). Meanwhile, with Saudi Arabia now also invited to join CPEC, there are reportedly plans to turn Gwadar Port into a petroleum city (Jiang, 2018).

Land use is another major issue. Myanmar is one country where problems related to land use as a result of Chinese invested projects have surfaced. From 1988-2010, during the military period, many land intensive infrastructure projects were approved in Myanmar without safeguards for communities and the environment, of which a large number involved investments by Chinese SOEs (Mark and Zhang, 2017). However, Myanmar is also an example of a country where Chinese investments have frequently met significant public opposition related to these issues. In 2011, the construction of a $3.7 billion Chinese backed hydro dam project was halted due to opposition, then later in the year a Chinese backed copper-mine project was also temporarily put on hold following protests. The Sino-Myanmar pipeline project has also been met with opposition from local communities due to negative impacts on livelihoods and inadequate compensation for loss of land. The Chinese invested Letpadaung Copper Mine has also been a site of several protests that have often been met with violent repression (Amnesty International 2015) due to land seizures, dissatisfaction over the compensation offered to villagers for resettlement and pollution. It has subsequently been argued that in view of earlier experiences including the backlash from civil society, as well as changing political circumstances and insecurity in the region, the Chinese government and some Chinese companies are attempting to improve relationships with communities and minimise conflict by engaging with different stakeholders (Mark and Zhang, 2017), although the effectiveness remains to be seen.

It is not just humans that have been affected by inadequate assessments and consideration of environmental impacts; ecological destruction also endangers wildlife. In the Batang Toru rainforest on Sumatra in Indonesia, the development of a US$1.6 billion hydroelectric dam has raised concerns due to the threat it poses to the habitat of the endangered Tapanuli orangutan and the Sumatran tiger. The power plant, which is being developed by Indonesia company PT North Sumatra Hydro Energy, is reportedly being backed by the Bank of China, while Sinohydro (the SOE that built the Three Gorges Dam) has been awarded the contract for design and construction. According to conservationists, the threat to the orangutans was given little attention in the project's environmental impact assessment and the Indonesian Forum for the Environment (Walhi) filed a legal challenge against the project's environmental permit in August 2018. The environmentalists also reportedly claim that while the Bank of China continues to back the project, the World Bank dropped out of due to environmental concerns (Pearl, 2018).[17] The dam project has also led to protests by indigenous people, for instance in August 2017, faced with eviction from their land, dozens protested against the project leading to violent clashes with representatives of developer and police (Karokaro, 2017).

MOUNTING COSTS, CHANGING POLITICAL SITUATIONS AND THE CANCELLATION OF PROJECTS

As the examples above suggest, it has not all been plain sailing for Chinese investors overseas. Concerns about some of the adverse effects of Chinese investment, the mounting costs to the countries involved, increasing anti-Chinese sentiment and popular backlash related to the growth and impacts of Chinese investment, along with the election of politicians that have adopted positions less favourable to such investment, have resulted in delay and even cancellation of projects. Disputes have also frequently occurred between Chinese investors and the countries in which they invest, some of which are brought to arbitration in Hong Kong. Last year the Hong Kong International Arbitration Centre recorded a 17% rise in the number of disputes that it handled involving mainland Chinese parties and parties from other BRI countries (Ng, 2018).

A prominent recent example of the reversal in fortune for Chinese investment overseas following a change in government comes from Malaysia and its halting of the construction of the East Coast Rail Link after costs greatly exceeded original estimates. With most of the work on the planned 620-kilometre railway line awarded to China Communication

17 This is something that the World Bank has also reportedly declined to comment on.

Construction Company (CCCC) and 85% of the financing being provided by China's Exim bank, the project was supposed to connect the East Coast of Malaysia with Kuala Lumpur and Thailand, and aid in creating a trade route connecting China with markets beyond Asia. By late 2017, the project had been hailed the largest ongoing project by a Chinese company overseas, however in July 2018 Malaysia suspended the project with concerns having been cited about the project's costs and the borrowing from China that would have been required to complete it (Pham, 2018). The suspension of the projects came following the election of new Malaysian Prime Minister Mahathir Mohamad, who had promised to curb China's influence and to renegotiate some of the terms of the estimated $34 billion worth of deals Malaysia had signed with China under predecessor Najib Razak (Pham, 2018), a big supporter of the BRI. This type of U-turn is not unique to Malaysia, however. The Nepalese government has also cancelled plans for Chinese companies to build hydroelectric plants in the country. In November 2017 it scrapped as $2.5 billion deal for a Chinese company to build a plant on the Budhi Gandaki river, and then in May 2018 it announced that it would build a plant on West Seti river, which was previously to be constructed by China's Three Gorges International Corporation, by itself .The recent change in leadership in Pakistan has also been considered a potential cause for concern for the future of CPEC.

It is not just decisions taken by overseas governments that have placed some of China's overseas investments on shaky ground. Increasing restrictions and scrutiny of overseas investments by the Chinese government has also curbed some overseas investment activities. This includes both limits on the industries invested in as well as strictly enforced regulations to monitor the conversion of the Yuan into foreign currency. While the Dalian Wanda Group and its investments in the entertainment industry in the US and Europe is one of the more well-known examples of companies to be hit by new restrictions in 2017 when it was found to be in breach of them, prompting it to sell off some of its assets (many to another Chinese company), such restrictions have also been felt in Asia. In South Korea, for example, restrictions introduced from late 2016 and formalised in summer 2017 resulted in a 63% fall in Chinese ODI in the first three quarters of 2017 (Cho and Lee, 2017). Globally, according to Chinese MOFCOM figures, there was a 29% decline in Chinese ODI in 2017, while according to the State Administration of Foreign Exchange figures the decline was as much as 52% (BRINK, 2018).

At the same time, perhaps due to the sometimes poor reputation and changing attitudes towards Chinese overseas investments that have resulted in a more cautious attitude, Xi Jinping has recently sought to defend Chinese overseas investment in his speeches. At a seminar in Beijing held in the summer of 2018 to mark five years since the BRI was first announced Xi stressed that, 'The Belt and Road Initiative is an economic cooperation initiative, not a geopolitical or military alliance. It is an open and inclusive process, and not about creating exclusive circles or a China club.' (cited by Wong, 2018). Likewise, at the G20 summit held in late 2018, Xi did not mention the BRI at all, something which is regarded as a remarkable omission by some analysts (Xuan, 2018), and may represent a sign of a softening in its promotion faced with a cooling in attitudes towards the initiative by some countries. Although the continued expansion of approved Chinese overseas investment looks set to continue, the road ahead for BRI and investments in Asia contains many uncertainties.

CONCLUSION

Chinese investment and related economic activity in Asia have substantially increased in recent years. Indeed, such activities have received significant political upgrading on the part of China since the launching of the Belt and Road Initiative. For countries in Asia, this does not necessarily represent 'non-interference'. Although China has presented its overseas economic activity as being about 'win-win cooperation' bringing benefits to all parties, 'mutual respect' and 'non-interference', this has not been very convincing especially when China as the stronger economic partner, stands to benefit more than the overseas countries that may increasingly become indebted to China as a result. While China may benefit from resource extraction, access to new markets and opportunities for Chinese companies, internationalisation of its currency and asserting its role as a global and regional power, it has been leading to or has the potential to lead to significant problems for other countries in Asia and for local people and the environment. These are of course problems that are not unique to Chinese investment. Violations of human and labour rights, environmental pollution and debt have long been a burden to developing countries as a result of the actions of Western powers. However, having only more recently grown to take on the role of major global capitalist power but one which is quickly having a major global impact, awareness of China and the specific ways in which the expansion of Chinese capital overseas is being driven and shaped by the Chinese Communist Party at this time may help equip activists in their struggles against its worst abuses. At the very least, as this report suggests, it shows that for the people of many countries in Asia, relying on China may not provide a more attractive alternative.

Moreover, it is important to observe how despite the growth and political importance of China's overseas investment related activity, it has not been a smooth ride for China so far. The amount invested as a part of the BRI has so far not been as great as initially intended, while many planned investment projects have run into problems or faced cancellation. This, along with the fact that some activities have been undertaken in collaboration rather than in competition with its rivals may mean that, for now, Chinese overseas investment in Asia might not be such an immediate threat to rival capitalist powers as is sometime portrayed. For many people in Asia, affected by increased economic hardships and destruction of the natural environment resulting from Chinese overseas, however, it is a different story. Nevertheless, their activism in opposition to these hardships has been one factor that has at times helped to contain investment and may have contributed to the more cautious approach adopted by some overseas governments that China is now having to heed.

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Part Two

Chinese Investment in Southeast Asia

A Confluence of Development Agendas: Assessing the Impacts of Chinese Direct Investment in Thailand

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INTRODUCTION

A confluence of economic development interests is driving an increase in Chinese foreign direct investment (FDI) in Thailand. While the two countries have had a long history of economic ties, mainly in the form of trade and Chinese immigrant business, Chinese companies (both state-owned and private) historically have not been a major source of FDI in Thailand, ranking well below that from Japan, Singapore, the United States, and some European countries since Thailand became a popular investment destination in the 1980s. This picture, however, is now changing, as Chinese investment in Thailand is on the rise. In the past few years, China has emerged as a highly engaged, and highly sought after, source of investment in the country, and economic analysts project the rising global economic power to be among the top sources of FDI in Thailand moving forward.

This budding economic partnership appears to be driven for the most part by mutual interests in large-scale infrastructure development. China sees Thailand as an entry point and key logistical hub to advance its Belt and Road initiative (BRI) – an ambitious development strategy involving infrastructural investments to foster trade and economic growth across Africa, Asia, and Europe – throughout an economically integrating Southeast Asia. As a well-established production, logistics, and export base in the region, as well as large consumer market, Thailand can serve Chinese interests in reaching into consumer markets of the Association of Southeast Asian Nations (ASEAN) and beyond. For its part, Thailand seeks to harness China's capital and expertise (among that from other foreign investors) to support its "Thailand 4.0" economic agenda, which seeks to develop infrastructures that will enhance connections to regional and global trade partners while also advancing an economy based on technological innovation to propel the country out of the "middle-income trap" and into the echelon of "developed" countries. This growing partnership, and the development ambitions that are riding on it, is at an early stage, with Chinese state-owned enterprises assuming key roles in Thailand's railway development projects and several companies committing to investment projects in the Eastern Economic Corridor (ECC), Thailand's flagship development project.

At this stage, when large-scale Chinese investment in Thailand is on the rise, it is important to assess the causes and impacts – current and potential – of these developments. Thus, we ask: What is driving the recent increase in Chinese direct investment in Thailand? And what impacts will the growing investment relationship have on Thai labor? Drawing from an extensive review of academic literature, news articles, government investment data and promotional materials, as well as from interviews with workers in Chinese-owned enterprises in Thailand, Thai labor leaders, and academics and Thai government officials, this chapter seeks to provide some initial answers to these questions by mapping the history, trajectories, and potential impacts of Chinese direct investment[18] in Thailand. The chapter starts with a history of the economic relationship between China and Thailand before detailing their current investment relationship, focusing on the convergence of China's Belt and Road Initiative with Thailand and Southeast Asian development agendas. It then turns to current and potential impacts of this budding investment relationship, highlighting key issues to monitor from a Thai labor perspective as it develops.

IMMIGRATION, TRADE, AND INVESTMENT: THE ECONOMIC RELATIONSHIP BETWEEN CHINA AND THAILAND

Chinese actors have long played prominent roles in Thailand's economic history. Chinese traders lived and did business in Ayutthaya, the former capital of the Kingdom of Siam, as early as the 14th century (Baker and Pasuk, 2017). By the 19th century, Chinese immigrants were common in Thailand, with around 1 million Chinese people added to the Thai popu-

18 We define such investment as involving both Chinese state-owned and private enterprises based in China.

lation between the 1880s and 1930s (Hewison, 2018). Dominating commerce in Bangkok, Chinese immigrants made up the majority of the emerging capitalist class (Porphant and Yoshihiro, 2001). Ethnic Chinese also constituted much of Bangkok's working class, which experienced upward mobility to eventually dominate the city's middle class by the mid-twentieth century (Hewison, 1989). With such immigration, ethnic mixing became common, with about 14% of Thailand's population being ethnic Chinese by the 1980s (Liu and Jayanthakumaran, 2016:78). Thai-Chinese entrepreneurs have been very influential in Thai society, particularly in such industries as agriculture, banking and finance, real estate, and wholesale trade, and cultural links have facilitated Chinese investments in agribusiness, textiles, electronics, rubber, and real estate, among others (ibid, 79). This history forms a background for much of the "shared culture" rhetoric that governments use when promoting new investment partnerships between the countries. More recently, a "new wave" of Chinese immigrants, coming from diverse origins for work, education, and investment opportunities, have been converging in new Chinatowns throughout Bangkok (Wangkiat, 2016).

Historically, active trade has been the main feature of the economic relationship between the two countries, much more than investments. Following a period of cold-war economic and diplomatic distance, China and Thailand resumed diplomatic relations in 1975 (Chinwanno, 2009:88), and a renewal of trade relations soon followed. The countries signed their first trade agreement in 1978, launching a trade partnership that would continue to flourish. Though Chinese companies pursued a limited amount of select investments (e.g., construction and trade) in the late 1970s and early 1980s, they were mainly precursors to actual industrial investment that would commence in the mid 1980s. The supportive response of the Chinese government in expanding bilateral trade after the 1997 economic crisis reinforced the economic friendship (Hewison, 2018), and by 2013, spurred by a boost in trade activity under the China-ASEAN Free Trade Agreement (CAFTA) (Hongfang, 2013), China had surpassed Japan to become Thailand's largest trading partner.

Chinese investment in production in Thailand took off in the 1980s, especially after the two governments signed the Agreement on Promotion and Protection of Mutual Investment in 1985 during a China state visit to Thailand (Manarungsan, 2009:315). This trend coincided with a general surge of FDI flows into Thailand as the government shifted to an export-oriented economy (Anuchitworawong, 2011:181-185). In the years that followed, investments from China grew and diversified as companies sought a share of the Thai consumer market while also establishing the country as an important export base (Suvakunta, 2006:130). Between 1987-1991, Chinese companies invested around 5,993 million Thai baht, mostly in agriculture (Manarungsan, 2009:318). In the next five years, between 1992-1997, investment value was around 5,109 million baht but diversified as chemical products and paper projects grew in popularity, while mining and ceramics had the largest investment value (Suvakunta, 2006:127; Manarungsan, 2009:320-322). The period between 1998 and 2004 showed a huge spike in the post financial crisis (1997) period, also coinciding with China's "Go Out strategy," an agenda highlighted in the country's 10th five-year plan (2001-2005) to promote outward investment (Suvakunta, 2006:123). During this time, investment value reached 17,488 million baht, with the highest number of projects in the agriculture sector and textile and garments exhibiting the highest value (Manarungsan, 2009:322-324). Investments in real estate and construction also grew. In 2003, the Thailand Board of Investment opened an office in Shanghai and established a special unit to promote investment in Thailand (ibid, 2009:335), signaling its long-term interest in attracting Chinese capital. As many joint ventures in agriculture and agro industries commenced, investment values amounted to 22,851 million baht between 2005 and 2008, a time when investments in the manufacturing sector also grew (ibid, 2009:324-325). Manufacturing projects continued from 2009 to 2012, along with finance and financial services, and by 2016, investments scattered and diversified into several sectors, including manufacturing, real estate, construction and finance (BOT, 2017).

Though Chinese FDI in Thailand has diversified, much of the activity has been geared toward production and export, as reflected in some of the major Chinese companies operating in Thailand. In 2001, China Worldbest group, for example, a Shanghai-based, state-owned enterprise, built four factories for textile spinning and printing, along with a citric acid lab, in the Rojana Industrial park of Rayong Province. At the time, the endeavor was China's biggest investment project to date in Thailand, worth $175 million (Suvakunta, 2006:128). These projects were geared toward both upstream and downstream production for Thai markets as well as international exports (mostly to US and EU markets). Haier, a private Chinese enterprise from Shanghai, is another major company investing in production facilities geared toward the Thai domestic market as well as international exports. Entering into joint ventures with Thai companies, Haier uses Thailand as its production base for manufacturing refrigerators, washing machines, and other electrical appliances (Suvakunta, 2006:140-141; Manarungsan, 2009:327-329).

Much of China's investments in manufacturing have occurred in the Thai-Chinese Rayong Industrial Zone in Thailand's eastern seaboard, where years of production and export projects have served as precursors to the current investment focus in the Eastern Economic Corridor, discussed below. Beginning in 2005, China's Ministry of Commerce introduced a series of "jointly going out" policies to encourage the establishment of "economic and trade cooperation zones" in foreign countries (Song et al., 2018:1289-1293). In 2006, the Chinese government stated aims to establish up to 50 such zones,[19] and the Thai-Chinese Rayong Industrial Zone became one of the first (Brautigam et al., 2010; Kosaikanont, 2019:176). For its part, Thailand offered an attractive location in the eastern seaboard. Initially financed with the help of Japan in the 1980s, the purpose of the eastern seaboard was to establish an infrastructural network to enhance industrial development and global export of Thai products (Kosaikanont, 2019:170). Chinese incentives to invest in the zone, as stated by Wu Guangyun, Vice President of the Holley Group, included the size of the Thai market, the capacity to distribute goods to other ASEAN countries, high quality infrastructural facilities (e.g., road and seaports), and welcoming FDI policies (Kosaikanont, 2019:180). On the Thai side, the government saw Chinese FDI as key to financing development and spurring economic recovery after a 2005 financial crisis that was the worst since the 1997 Asian financial crisis (Kosaikanont, 2019:180). At this time, Surakiart Sathirathai, Thai Minister of Foreign Affairs, proclaimed an "Asia for Asians" approach to economic diplomacy (MOFA, 2006), encouraging stronger economic partnerships with China.

In this context, after a Beijing meeting between then Thai Prime Minister, Thaksin Shinawatra and Chinese Prime Minister, Wen Jaibao, in 2006, Holley Group (Chinese) signed an MOU with Amata Group (Thai) to establish the Thai-Chinese Rayong Industrial Zone in the eastern seaboard (ibid, 171). This zone offers corporate tax breaks for eight years, additional 50% reduction in corporate income tax for five years, import duty reductions or exemptions on machinery and raw materials for up to five years, among other incentives (Kosaikanont, 2019:174). Now considered an "industrial Chinatown," the zone is a key piece of Thailand's eastern seaboard, which has attracted approximately 100 Chinese enterprises with investments total-

19 By 2017, 56 zones were set up (Kosaikanont, 2019)

ing over $8 billion (Songwanitch, 2018). These companies, both state-owned and privately-owned enterprises mainly based in Zhejiang, Shenzen, Beijing, Heibei, and Shandong, have invested in automotive, electronics, chemical, and food industries (Kosaikanont, 2019:175).

Despite this background of active and increasing economic activity between China and Thailand, China has been a relatively small source of FDI in Thailand compared to other countries. China's FDI in Thailand in 2015, for example, was $3.19 billion, behind Japan's $66 billion, Singapore's $27 billion, USA's $15 billion, and the Netherlands $12 billion (Hewison, 2018:120). Even so, analysts expect FDI from China to Thailand to increase given China's economic rise and interest in Thailand, and Thailand's current courtship of Chinese capital (Chaitrong, 2017; Songwanitch, 2017, 2018). Indeed, since 2016, investment values of approved project applications to the BOI from Chinese companies have ranked third overall, behind Singapore and Japan (BOI, 2019). Previous investments have demonstrated a successful track record of production within and export from Thailand, particularly through projects located in industrial zones of Thailand's eastern seaboard. As will be detailed below, current and planned investment projects of China in Thailand are now launching off from these previous activities, expanding and diversifying in infrastructure and innovative technology sectors. Furthermore, previous motivations on both sides to engage in investment partnerships foreshadow the current investment relationship between the two countries – China's use of Thailand's infrastructure, geographic location, and export capacity to increase its footing in new markets, and Thailand's harnessing of Chinese capital to spur economic recovery and to propel a national development agenda.

THE CONVERGENCE OF BELT AND ROAD, THAILAND 4.0, AND SOUTHEAST ASIAN ECONOMIC INTEGRATION AGENDAS

Decades of investments in production and export has set the stage for the next phase of Chinese FDI in Thailand. Currently, Chinese production and manufacturing projects are ongoing, especially in the eastern seaboard, and there has been a recent boom in real estate investment (Srimalee, 2018). The Thai government has also attempted to advance Chinese investment projects in extractive industries, particularly potash and coal mining, which have been met with local resistance (Greenpeace, 2014; Isaac Record, 2018; Reuters, 2017; Rujivanarom, 2016, 2018; Saisom, 2018). The current investment relationship, however, and the focus moving forward, is characterized primarily by Chinese enterprise participation in Thailand's intertwined transportation infrastructure and technological innovation projects. A closer look at recent project commitments and projected investments reveals a convergence of development agendas, namely among China's BRI, the "Thailand 4.0" development model, and regional economic integration agendas in Southeast Asia.

China's motivation for expanding its FDI in Thailand is directly related to the outward-looking, expansive, and long-term ambitions of its Belt and Road Initiative. This initiative aims to assert China as a prominent economic player across Africa, Asia, and Europe through investments in infrastructure and facilities networks, policy coordination, enhancing investment and trade relations, and financial cooperation (Johnston, 2018; Liu and Dunford, 2016). Reflecting the importance of the Mekong region in the BRI, in 2015, China and five other countries located along the Mekong river (Lancang in Chinese) launched the Lancang-Mekong Cooperation (LMC), a sub-regional economic cooperation mechanism that links trade and investment within the Mekong region with the BRI. Thailand is of particular interest to China given its central geographic location in Southeast Asia (neighboring the emerging "CLMV countries" – Cambodia, Laos, Myanmar, and Vietnam – on the mainland and sharing oceans with Indonesia and Malaysia) and its background as a production and export base with strong infrastructure and logistical capacity to ship Chinese products to the ASEAN market and beyond (Kosaikanont, 2019:177; Li et al., 2014).

In Southeast Asia, overlapping regional economic integration agendas also correspond with China's BRI. The ASEAN has been developing its Economic Community (AEC), which seeks to foster a common regional production base and consumer market able to compete in the global economy (ASEAN, 2008, 2012). In line with these goals, the Master Plan on ASEAN Connectivity highlights priorities of sustainable infrastructure, digital innovation, and seamless logistics, among other cooperation areas (ASEAN, 2016). Furthermore, since the early 1990s the Asian Development Bank (ADB) has emphasized subregional economic integration through the development of infrastructure and trade connectivity among countries in the Greater Mekong Subregion (GMS)[20] (ADB, 2012). It has done so by investing in hard and "soft" infrastructural upgrades along "economic corridors" that aim to foster economic development within designated geo-

20 See Glassman (2010) for a class-based analysis and critique of the ADB's GMS program.

graphic areas (ADB, 2018:4). Due to its geographic location and production and logistical capacities, Thailand is a key actor in both ASEAN and GMS economic integration efforts. As such, China sees Thailand as providing a strategic gateway into ASEAN (Li et al., 2014; Zawacki, 2017) and its accelerating economic integration processes.

Thailand is seeking to attract Chinese (among other) capital to bolster its stagnant economy and advance its own national development agenda. Thailand's economy has had the slowest growing economy in Southeast Asia in the past few years, lagging behind its neighbours, and its share of FDI in the region has also fallen from 14% in 2013 to below 6% in 2017 (Mellor, 2018). The Thai state sees FDI, particularly from China, as an opportunity to boost the national economy. Furthermore, Thailand's courtship of Chinese FDI is oriented to its long-term development goals. In 2015, Prime Minister, Prayut Chan-Ocha announced a 20-year national vision and strategy, aimed at restructuring the economy around infrastructural upgrades and development of innovative technology sectors. The national strategy complements the "Thailand 4.0" development model, which boasts the country's ambition to be the hub of Southeast Asia's forth industrial revolution, building on the progress of previous agriculture (1.0), light industries (2.0), and complex industries of production and export (3.0) to transform Thailand into a "developed" country by 2037 (BOI, 2017; Mellor, 2018). The twelfth National Economic and Social Development Plan (2017-2021) details the agenda for the first five years of the 20-year strategy, emphasising "investment in large-scale infrastructure and logistics systems (NESDB, 2016:30-31) and developing technologies and skilled labor to advance new industries. The plan explicitly states the intention to build from Thailand's existing strengths as a diverse production base to "step up to knowledge-based and innovative production processes" (ibid, 45). The plan focuses priorities on developing so-called "S-Curve" industries, including automotive, electronics, affluent medical and wellness tourism, agriculture and biotechnology, and food, which Thailand has already been fostering, and expanding into new industries of robotics, aviation and logistics, biofuels and biochemical, the digital industry, and medical hubs (BOI, 2017).

To bolster its development agenda, Thailand is marketing itself as an attractive FDI destination, as reflected in the numerous brochures and promotional materials that are regularly released by the Board of Investment (BOI) to boast the "strategic location" and unique production, logistics, and trade capacities of the country. One brochure announces Thailand as a "dynamic gateway to a fast-growing economic market," with a "growing economy, world-class infrastructure, competitive human capital and strong government support" that will foster its emergence as "the centre of a new economic engine of ASEAN" (BOI, 2016). As these documents reflect, Thailand's development plan corresponds to regional economic integration agendas, emphasising national infrastructure as complementary to that which reaches beyond its borders to regional trade partners, something that also corresponds well to the priorities of China's BRI. Importantly, Thailand is carrying out its marketing campaign in a context where its neighbours pose increasing competition as primary manufacturing production countries, particularly the CLMV countries, which offer much cheaper production costs due to low wages as well as a Generalised System of Preferences (GSP) that provides tariff reductions on many products. Thus, Thailand is highlighting its location, superior infrastructure, developed business climate, and track record of production and export in the region to stand out among these new investment frontiers. While Thailand is seeking FDI from many countries, several proposed projects from Chinese companies match well with the "Thailand 4.0" focus on infrastructure and innovation and further Thailand's aim of gaining technology transfers to improve the target industries mentioned above. Chinese investments in the EEC and railway development projects in particular are indicative of the confluence of Chinese and Thai development interests.

Chinese Investment In Thailand's Eastern Economic Corridor And Railway System

Decades of investments in production and export has set the stage for the next phase of Chinese FDI in Thailand. Currently, Chinese production and manufacturing projects are ongoing, especially in the eastern seaboard, and there has been a recent boom in real estate investment (Srimalee, 2018). The Thai government has also attempted to advance Chinese investment projects in extractive industries, particularly potash and coal mining, which have been met with local resistance (Greenpeace, 2014; Isaac Record, 2018; Reuters, 2017; Rujivanarom, 2016, 2018; Saisom, 2018). The current investment relationship, however, and the focus moving forward, is characterized primarily by Chinese enterprise participation in Thailand's intertwined transportation infrastructure and technological innovation projects. A closer look at recent project commitments and projected investments reveals a convergence of development agendas, namely among China's BRI, the "Thailand 4.0" development model, and regional economic integration agendas in Southeast Asia.

Entering Thailand's eastern seaboard, one is presented with an intense industrial landscape filled with factories, stacks on stacks of shipping containers, billboards advertising industrial estates and ready production facilities, production zones, and ever-present road construction. Advertisements of factory, warehouse, office, and residential properties are displayed in English, Chinese, and Japanese languages. As a labor leader in the area tells us, while the industrial infrastructure is very developed, there is limited social infrastructure, characterized by a lack of hospitals and schools. This industrial area is the site of the new Eastern Economic Corridor, the emerging hotspot for Chinese investment in Thailand.

While the EEC is a new flagship project of the "Thailand 4.0" development model, it is actually the latest phase of infrastructure development in the eastern seaboard dating back to the 1980s (Kosaikanont, 2019:170). While the government conceived of another large-scale development plan – the construction of ten special economic zones (SEZs) along its borders – earlier than that of the EEC, the latter has surpassed the border SEZ projects in development, according to the head of the Tak SEZ office,[21] because of the existing infrastructure in Thailand's eastern seaboard. A senior official at the National Economic and Social Development Council[22] tells us that the EEC is essentially an upgrade of the eastern seaboard, which already has a developed road and water transport system, along with completed production facilities.[23] Aimed at enhancing as well as moving beyond export-oriented production, the EEC focuses on infrastructural enhancements and innovative technology development. A flashy BOI brochure hails the EEC as the "Gateway to Asia", touting plans for new production facilities, a strategic location, a grand vision for infrastructural upgrades (e.g., new airport and railway connectivity), and a variety of innovative industries in the three eastern provinces of Chachoengsao, Chonburi, and Rayong. As news reports indicate, there is much interest from Thai and foreign investors in the EEC (The Nation, 2017; Tanakasempipat, 2018).

Considered a "magnet" to entice Chinese capital (Songwanitch, 2017), the intended three-province-large EEC is beginning to attract new levels of interest from China. In 2017, the Chinese conglomerate, HNA Group,

21 Interview on September 6, 2018.
22 Formerly the National Economic and Social Development Board.
23 Interview on March 29, 2019.

which is based in Hainan province and involved in aviation, real estate, financial services, tourism, and logistics, entered into partnership with Thailand's CT Bright (the investment unit of Charoen Pokphand) to set up a $5 billion fund for EEC investment (contributing to a total projected cost of $43 billion) (The Nation, 2017). In addition, in April 2018, the Thai government entered into a strategic partnership with the China-based e-commerce giant, Alibaba to work on such projects in the EEC as the establishment of a "smart digital hub" to support trade with China and other markets, training small and medium enterprises (SMEs) in e-commerce skills, and developing digital tourism, among others (Tanakasempipat, 2018). Most recently, in August 2018, Thailand courted 500 Chinese companies in a gathering in Thailand to promote investments in the EEC to link the corridor to China's BRI. Seventeen resulting MOUs cover cooperation in digital economy, technology transfers and "next generation automobiles" (Phoonphongphiphat, 2018a). Reflecting Thailand's development priorities, Thai Industry Minister, Uttama Savanaya, touted these MOUs as turning the EEC into the center of "next-generation industries," allowing connections to SEZs in CLMV through the Belt and Road rail infrastructure. Indeed, Thai government officials have been clear in highlighting the potential of the EEC to connect to China's BRI in ways that will benefit both countries, especially by strengthening supply chain networks and expanding export markets (Wangkiat, 2018).

As stated, the acceleration and intensification of Chinese investments in Thailand reflect a convergence of interests among the two country governments, reflected in seemingly complementary development agendas. Such complementarity was reflected in the August 2018 Thailand-China Business forum, titled "Comprehensive Partnership through the Belt and Road Initiative and the EEC," where Thailand's Deputy Prime Minister, Somkid Jatusripitak, emphasized the strong fit between China's investment and rapid economic development and the development of logistical and transportation projects in Southeast Asia (BOI, 2018). Elsewhere, Wang Long, member of the State Council of the People's Republic of China, identified the corridor as making Thailand "an attractive investment destination in the region" due to opportunities in building high-speed railways linking three airports, new generation vehicles, smart logistics, digital infrastructure, and other projects concentrated in the EEC (Apisitniran, 2018). For Thailand, Chinese investors offer expertise in the target industries of digital and software development, electric vehicles, automation and robotics, aerospace technologies, and other innovative ventures. As such, the BOI has set up three offices in China to date and has organized road shows to promote and facilitate investment to Thailand (BOI, 2018).

Another highly publicized infrastructure project with Chinese involvement, in the form of a “contracted project”, is the Thailand-China high-speed railway, which would cut rail travel time between Bangkok and Kunming to 13-15 hours (Phoonphongphiphat, 2018a). In line with its expansive BRI ambitions, China plans to connect the Thai railway to the Malaysia rail network, which reaches South to Singapore (Ganesan, 2018). In December 2014, Thailand and China signed a railway co-operation MOU, and as negotiations on financing and implementation commenced, domestic opposition to interest rates and land rights along the track grew (Hewison, 2018:122). After stalled negotiations due to disputes over high interest rates of initial loan proposals, in 2016, Thailand’s Prime Minister, General Prayuth announced that Thailand will fund the project with Chinese contractors playing an overseeing role, and in June 2017, the junta issued a decree to override legal hurdles and expedite project implementation (Hewison, 2018:122-123). In September 2017, Thailand signed two contracts, worth 5.2 billion baht (157 million USD), with Chinese state-owned enterprises to implement the project (Thepgumpanat, 2017), and construction began in December 2017. Analysts contend that the railway is part of broader state initiatives to establish Thailand as “the key strategic and logistics gateway to the ASEAN Economic Community,” with the potential to improve “connectivity” with Myanmar, Laos and Vietnam (and with eventual links between China, Bangladesh, and India) via local projects related to the BRI (HKTDC, 2017). In addition to this railway project, China Railway Construction plans to join a CP-led consortium to bid on the construction of a high-speed railway connecting Thailand’s airports, including the U-Tapao airport in the EEC (Phoonphongphiphat, 2018b).

As these examples show, there appears to be a symbiotic relationship between China and Thailand as they advance respective and complementary development agendas. In contrast to other examples of large-scale FDI in other countries, China is not exerting direct control over Thailand’s development agenda or attempting to transform its economy to fit its broader imperatives. Instead, the economic partnership seems to be mutually beneficial, at least on the surface. As Thailand scholar, Kevin Hewison states, “This is a maturing economic relationship, but not yet a dominant or dominating relationship” (2018:125). However, as discussed further below, the

Thai government has shown a willingness to deploy authoritarian powers to advance Chinese investment projects, reflecting a tendency to prioritize the interests of Chinese capital and the Thai state over those of Thai communities. Therefore, it is important to further assess the impacts of this growing investment relationship.

CURRENT AND POTENTIAL IMPACTS OF CHINESE FDI ON THAI COMMUNITIES AND LABOUR

The current phase of Chinese investment in Thailand, described above, is in the early stages, with companies bidding and presenting proposals or just starting early implementation of railway and EEC production and technology projects. Thus, concrete details and the full scope of its impacts on the environment, local communities, and labor are not yet clear. However, we can look at previous examples of Thai government and Chinese industry practices to forecast potential impacts that should be monitored closely as investments and developments unfold.

Thai state behaviour vis-a-vis Chinese capital

For one, Thai government practices in relation to Chinese capital and the domestic population raise concerns. Thailand's military government has shown a propensity to use its authoritarian powers to expedite Chinese invested projects, disregarding established protocols despite opposition from societal groups. In particular, the government has used Section 44 of the interim charter, which gives it absolute authority in policymaking for the sake of reforms in any field, to fast-track development and investment projects. For example, the government used Section 44 to exempt the Thailand-China rail project from state procurement laws and environmental regulations covering forest reserves that the line's construction will go through. Chinese engineers were also made exempt from licensing requirements to work in the country, much to the dismay of Thai engineers who could benefit from working on the project. Organisations of Thai engineers and architects expressed disagreement with the use of broad administrative powers to override existing laws that prohibit Chinese engineers from working in Thailand without going through proper certification channels (Corben, 2017). In addition, the government allowed the rail project's feasibility study to be done by the Chinese, with limited transparency. As Thai newspapers reported, rising opposition to the junta's use of the decree resulted in threats and arrests of critics (Hewison, 2018:124). In May 2017, the government also used Section 44 to expedite development of the EEC, cutting the environmental impact assessment process down from two to one year and cutting the public-private partnership process from 15-20 months to 8-10 months (Songwanich, 2017).

The Thai government has also used special powers to fast-track Chinese-invested extractive industries projects. For example, in January 2016, the government used Section 44 to expedite construction of an 870-megawatt coal-fired plant in Krabi, to be built by the Power Construction Corporation of China in partnership with the domestic Italian-Thai Development company. In particular, it ordered an exemption to the city plan law for power plants, gas plants, water treatment facilities, garbage incinerators, landfills and recycling plants that had previously been restricted to zoned areas (Rujivanarom, 2016). Civic groups, particularly the Protect Andaman from Coal Network, protested this order and urged the Natural Resources and Environment Ministry to renew the Krabi Environmental Protection Zone and prevent the building of a coal-fired plant. After continued opposition and some delays, the government is attempting to move ahead with the plan (Greenpeace, 2014; Reuters, 2017; Villadiego, 2017). In another example, in 2015, the local government in Sakon Nakhon granted the Chinese state-owned China Ming Ta Potash Corporation an exploration permit to survey the area for potash reserves. Locals expressed concerns about toxic contamination of farm lands and water sources, as well as a lack of transparency in the project plans (Saisom, 2017). Importantly, the Sakon Nakhon case reflects a new legal framework for mining that decentralises decision-making and expedites the approval of mining concession. Activists say this legislation ignores environmental and health impacts of mining and suppresses community opposition to mining projects (ibid). In response, locals organized a network of environmental and health protection groups against the project (Chuenta, 2017), and with increasing resistance to the project, authorities stepped up surveillance of anti-mining activists, creating a risky environment for protest (Isaan Record, 2017; Macan-Markar, 2018).

The government's demonstrated readiness to override existing laws and regulations to push through development projects is of particular concern, as it weakens mechanisms for project assessment and negotiation that were established in the interest of the environment and local communities. More generally, Section 44 precludes meaningful opposition to potentially harmful government actions, as it allows for unchecked government authority to implement policies and practices in a broad range of areas, including economic development and promotion of FDI. By using Section 44 to fast-track investment projects, the government is thus marginalising the needs and preferences of Thai communities and labor in favour of those of Chinese capital and the Thai state. The above examples also show a lack of transparency in planning and implementation processes as well as worrisome intimidation tactics against activists.

Behaviour of Chinese capital in Thailand

Characteristic of Chinese capital in Thailand is a high level of Chinese state involvement in the investment projects of Chinese enterprises, whether state-owned or private, particularly in the Thai-Chinese Rayong Industrial Zone. While enterprises from other countries, including Japanese automobile firms, have concentrated production in Thailand's government-established industrial estates, taking advantage of the ready infrastructure and tax incentives (Lecler, 2002), direct Japanese state involvement in such activities is not common. As detailed above, China's "jointly going out" policies encouraged state-owned and private companies to invest in economic zones in foreign countries such as Thailand. While Holley group, the Chinese enterprise that developed the Thai-Chinese Rayong Industrial zone, is a privately-owned enterprise from Hangzhou, Zhejiang province, the Chinese government was closely involved in promoting the project as one of the first such zones (Kosaikanont, 2019:171). Furthermore, Zhejiang provincial government officials helped to guide the implementation of the zone, reflecting a trend of local Chinese government involvement in constructing overseas industrial parks (Song et al., 2018:1299). The Chinese government also provides allowances to Chinese enterprises investing in such parks (ibid, 1302), including advisory and operation services, asset management, emergency support, state and local government subsidies for feasibility studies, site visits, negotiations with host government officials, and legal fees and insurance (Kosaikanont, 2019:176). Reflecting a continued interest in controlling Chinese investment in Thailand, Chinese government representatives and investors recently expressed interest to the Industrial Estate Authority of Thailand (IEAT) in buying 10,000 rai (approximately 3,954 acres) of industrial estate land in the EEC to "create its own community…to serve investors and supply chains from China to ASEAN" (Apisitniran, 2019). Somchint Pilouk, the IEAT governor, has remarked that she expects the Chinese *government* to bring more than 500 Chinese businesses to invest in the EEC (ibid).

In addition, labor practices in major Chinese firms already operating in Thailand's eastern seaboard raise concerns as more companies are expected to set up shop in the EEC. For one, worker accounts indicate the common use of flexible and subcontracted labor. While Art,[24] a 25-year-old production line operator at the Zhongce rubber tire company,[25] has a permanent employment contract, he tells us that most of his coworkers are employed by subcontractors on a temporary basis.[26] Somsak, a 32-year-old warehouse worker who has spent four years at the factory, also told us that the majority of his co-workers are hired on temporary subcontracts, which do not afford health and social security benefits.[27] Aroon, a 32-year-old production line worker who has been at the company for two years, has been employed on a series of short-term contracts, starting as a daily worker for six months and then moving to an eight-month contract and subsequent short-term contracts after performance evaluations. The company, he says, has a quota for how many permanent workers it will hire, so it is difficult to get those positions.[28] The Huawei battery factory also hires a subcontracting company, though in this case the company supplies Huawei with migrant workers from Myanmar. According to Naing, a migrant worker from Myanmar's Bago region, the factory employs about 700 migrants, recruited by the subcontracting company though Thailand's guestworker system.[29] Interestingly, while the Thai workers on short-term contracts do not receive benefits, migrant workers have two-year contracts that ensure health insurance and social security. While labor flexibility trends are common in Chinese firms operating in Thailand, according to workers and labor leaders we talked to in Chonburi, it is important to note that they reflect characteristics of work arrangements throughout Thailand's economy (Hewison and Tularak, 2013), not just in Chinese companies.

Furthermore, Chinese companies in the eastern seaboard (and presumably elsewhere) are non-unionized. Krit, a labor leader who provides legal assistance to workers on the eastern seaboard, says that many factories in the area have labor unions, but to his knowledge there are no unions

24 All names of interview respondents are pseudonyms.
25 Zhongce is a Chinese state-owned enterprise from Hangzhou that has operated in Thailand since 2014; See Kosaikanont, 2019 for a profile of the company.
26 Interview on May 19, 2019
27 Interview on November 15, 2018
28 Interview on May 19, 2019
29 Interview on May 19, 2019

in Chinese-owned factories. In the past, he assisted in ad hoc attempts to organize workers in such factories, but those involved were quickly fired. [30]Likewise, Art says that he heard rumors of an attempt to organize Zhongce workers before he arrived, but organizers were forced to leave the company. In a case study of the Zhongce factory, Kosaikanont (2019) found that human resources staff asked prospective hires if they had ever been part of a union and informed them that those caught organizing in the company would be fired (188). Reflecting a general intolerance of labor resistance in the Huawei battery factory, Chaiwat, a former quality control worker (and one of the few Thai employees there), told us that human resources officers transferred him from his quality control station to a general maintenance position after he began advocating for better health and safety conditions in the factory. After he refused the reassignment, the company gave him the option to leave voluntarily with a compensation package or be fired. He refused to leave and was fired.[31] Krit tells us that he tried to organize unions in two newly-established small factories in the Thai-Chinese zone in the past, and these enterprises responded by quickly closing down shop and re-opening again later. He says that rather than allowing labor organizing, Chinese companies prefer to rely on legal procedures for addressing workplace grievances, using lawyers to tie cases up in lengthy legal processes that can last years.

Another prominent labor issue is the practice of Chinese companies bringing in Chinese nationals to work on their investment projects. According to a Thai academic with expertise on Thai political economy and migration, this practice is particularly common in the construction industry, where those working in positions above general laborers are most often Chinese.[32] Other studies have also identified this practice, revealing that most management positions go to Chinese nationals, while Thais are hired on the production line or in junior management positions (Kosaikanont, 2019:186). This trend is less prevalent, according to Krit, in non-Chinese owned factories. Aroon estimates that there are about 500 Chinese nationals working in high-level management positions at the Zhonce factory. Workers also told us that such a hierarchy within the company negatively impacts the labor process, as it is difficult for Thai workers to communicate with Chinese management. In most cases, they must use a translator to talk to managers, though raising workplace issues, discussing grievances, and

30 Interview on May 19, 2019
31 Interview on May 19, 2019
32 Interview on October 1, 2018

negotiating various aspects of work are still difficult endeavors. This difficulty is compounded by the fact that it is difficult for the workers to interact with the company's human resources department and have no reliable mechanisms to raise grievances. There thus seems to be a workplace hierarchy within the company that obstructs lines of communication between Thai workers and Chinese management, precluding possibilities for the former to assert its needs.

Furthermore, according to our interviews as well as secondary sources, the management style in Chinese-owned factories is often arbitrary and not standardized within the workplace. When workers raise issues with their supervisor, says Aroon, outcomes often depend on which supervisor they are dealing with, and it is often a hassle to follow up on issues that get ignored. Naing, from the Huawei battery factory, says that the two Huawei factories in the area have completely different policies. For example, one will give paid sick leave while the other will not, and conditions often depend on the manager of each unit. Comparing the Zhongce workplace to those in Japanese companies, Kosaikanont finds that while the latter give clear career path information, grade and test skills with standard measures, and consider education when negotiating salaries, the former does not (2019:188). In addition, Japanese companies spell out policies, plans, work flows, and performance indicators, making them accessible to employees, while Zhongce has low transparency in its decision-making (ibid).

As discussed with workers as well as with a Thai scholar familiar with Chinese investment in Thailand, Chinese companies adhere less strictly to Thai laws than other companies, reflected in the use of loopholes and arbitrary rules. Krit tells us that in cases he helps with, there are common wage issues, e.g., workers being denied minimum wage or receiving late payments. There are also non-transparent and arbitrary wage systems, wherein the firm agrees to pay workers for reaching certain production targets but then finds reasons to cut wages so that they only provide the base fare. According to workers at the Zhongce factory, arbitrary dismissal and harsh punishments for workplace mistakes are common. It is also difficult for workers to gain permission for sick leave and days off for legal holidays, which are afforded by Thai labor laws. One of the most common problems in the factory is that of wage theft from overtime work. As Somsak reported, he and his coworkers usually only receive 1.5 times the regular wage for hours of work past eight PM as opposed to the required three times pay. In addition, while the law stipulates a one hour per day break, Art reports that he only gets a 30-minute lunch break, and there are no break rooms or rest areas. Likewise, at Huawei, workers take their breaks outside, on the road. In contrast, a man we talked to who works in a Japanese rubber factory says that he has clear break times and break areas (though he is quick to point out different problems they have in the factory).[33] Chinese construction companies are also known to work around regulations regarding importing or hiring local labor, depending on skill category. As one scholar told us, these companies can be tricky in the way that they designate skilled categories in need of foreign expertise that are in fact low-skilled labor roles.[34]

Lastly, substandard safety practices in Chinese-owned factories came up frequently in our worker interviews. The man who works in the Japanese rubber factory says that it is a common perception among workers in the eastern seaboard that Chinese factories have many safety issues, and many do not want to work in these places if they can avoid it. In Krit's experience as a labor organizer, machines in Chinese factories are often below safety standards, and some factories do not supply their workers with personal safety equipment, requiring them to purchase them themselves. He says that when he hears of fatal workplace accidents, it is often from Chinese factories.[35] While Art says his employer did provide him with a helmet, they do not carry out regular inspections of factory machinery. Aroon, makes a comparison between Zhongce and the Japanese rubber (for electric cables) factory, where he worked for four years prior: at the former, if there is something wrong with a machine they do not fix it as long as it is still running. They focus on production rather than safety, and he says he feels less safe at this job than in his previous one. In addition, the Japanese company would take responsibility for accidents, whereas his current factory will punish workers for making a mistake resulting in an injury. In one incident, management fired two workers who they caught taking photographs of their fingers after an accident. Workers in Kosaikanont's study reported similar company priorities of productivity over quality, resulting in questionable safety standards (Kosaikanont, 2019:188). Workplace health issues are also a concern. A recent environmental health impact assessment report that Bun was involved with revealed that 22 workers tested in the Huawei factory were found to have unhealthy levels of lead in their system. According to three workers we talked to from this factory, their bosses forced them

33 Interview on May 19, 2019
34 Interview on October 1, 2018
35 On the day we interviewed him, a Zhongce worker was reporting to him a fatal accident that recently occurred in the factory.

to ingest vials of Chinese medicine, which they had no information about, before all three of the lead tests in an attempt to flush their systems.

CONCLUSION

After three decades of growing and diversifying Chinese investment in Thailand, particularly in export-oriented manufacturing, the economic relationship between the two countries is entering a new phase characterized by a close confluence of economic development agendas. Current and proposed investments in Thailand's transportation infrastructure and emergent innovative technology industries fulfill objectives of China's Belt and Road Initiative, Thailand's 20-year strategy and "Thailand 4.0" development model, and Southeast Asian economic integration agendas being pushed forward by the ADB and ASEAN member states. Chinese investments in the Eastern Economic Corridor and Thailand's railway projects are the most pronounced examples of this confluence of interests.

Our research on Chinese investment in Thailand raises important issues for Thai communities and labor that we should continue to monitor as the relationship progresses. First, the Thai government's use of authoritarian powers under Section 44 to overwrite existing development project protocols and expedite projects to attract Chinese investment is in need of continued observation. By using these powers to fast-track the EEC, railway projects, and extractive industries projects, the Thai government has shown a willingness to bypass local community concerns and established planning and implementation procedures to facilitate Chinese capital and Thai state agendas. More broadly, the political context maintains a difficult climate for resistance, and local activists campaigning against some projects have faced intimidation. To be sure, these issues are not necessarily specific to Chinese companies and Chinese investment projects in Thailand but reflect broader trends in the country. Nevertheless, the examples in this chapter show that they have been prominent in Chinese FDI cases and are thus worth continued attention.

In addition, while it is difficult to generalise based on our small sample of worker interviews in two Chinese-owned factories, worker accounts of labor practices in these workplaces raise concerns for Thai workers, especially with the expected expansion of Chinese capital in the EEC. As discussed above, workers in two major Chinese-owned factories in the eastern seaboard identified the common use of flexible, non-unionised labor, lax adherence to labor laws, arbitrary management styles, communication barriers between Thai (and migrant) workers and Chinese management, and a frightening neglect of safety protocols. In the context of an expanding investment partnership between China and Thailand, an increase in Chinese investment in the country, and in the EEC in particular, raises concerns about an expansion of these practices. Furthermore, if Chinese enterprises begin to take the lead in developing new industries in the EEC, as government officials and analysts expect, there is a risk that such practices, if continued by these firms, can become normalised in a booming sector of the Thai economy. In addition to monitoring labor practices of these companies and industries, it is important to continue to assess what is unique about such practices in Chinese as opposed to other (Thai and foreign) companies in Thailand. Relatedly, there should be more research on the differences in labor practices of Chinese state-owned and private companies, as well as differences in the Thai state's relationship to them.

New industries in the EEC, which Chinese enterprises are taking a leading role in developing, may also give rise to new labor issues that we should follow closely. The so-called "4th industrial revolution" that Thailand seeks to lead in Asia will purportedly rely on digitisation and "integration between cyber and physical dimensions" (Petrillo, et al. 2018). With such changes, we can expect changes in the labor market and labor process that could impact Thai workers. Once concern is the contraction of the Thai labor force due to automation. The disappearance of factory jobs is a trend identified in China (Ford 2015), and in Thailand, 44% of automobile and auto parts industry workers are at a high risk of unemployment (Maneechai, 2018). In 2016, according to data from a Welfare and Labor Protection Statistical Report of the Ministry of Labor, there were layoffs of 2,778 workers in 41 companies caused by "technological change and downsizing" (ibid). Other, more optimistic, forecasts see job transformation rather than job displacement as the main labor impact of these new industries (BKK Post, 2017; Segal, 2018). These changes would come with their own challenges, as a reimagining of work tasks could privilege higher skilled workers over those currently employed in the industrial hubs of Thailand. According to a Bank of Thailand study, new entrants into the labor market may have trouble finding jobs in factories using fully automated systems, and other workers could find it difficult to adapt to the new required skills (Maneechai, 2018). In addition, a transformation of jobs would also mean a transformation of labor processes, which would yield new labor issues and challenges. Leaders from the Federation of Thailand Automobile Workers Unions say that working alongside robots could put added pressure on workers to manage the work in front of them, which could be dangerous. According to them, changes in the labor process have also indicated changes in labor resistance: after the introduction of robots in a Thai Suzuki plant, the tactic of production line slowdowns was difficult to put into practice (ibid).

Lastly, and more broadly, as developments unfold, we must better assess the long-term interests of China and Chinese companies in Thailand and Southeast Asia from a labor perspective. Academics have characterized China as advancing a type of "patient capital" around the world, in which a stakeholder invests in a country's development more broadly (Wang, 2018). Chinese state-owned capital in Africa has demonstrated more concern for long-term development in extractive industries than private companies that prioritize short-term yields in the interest of shareholders, allowing for more opportunities for national governments to assert their interests vis-à-vis the former than the latter (Lee, 2017). China's ambitions to expand its Belt and Road Initiative throughout Southeast Asia suggest long term interest in controlling supply chains and tapping into consumer markets, with Thailand serving as a strategic point to do so. In this developing context, we must continue to follow the existing and emergent impacts on Thai labor as well as identify what opportunities may exist for Thai labor to assert its interests vis-a-vis Chinese capital and the Thai state.

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Chinese Capital Footprint in Indonesia: A Dirty Energy and its Contradictions

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INTRODUCTION

Launched in 2013, 'one belt one road' "involves China underwriting billions of dollars of infrastructure investment in countries along the old Silk Road linking Asia with Europe. The ambition is immense. China is spending roughly USD$150bn a year in 68 countries that have signed up to the scheme. For Indonesia, China's capital presents an enormous opportunity to accelerate infrastructure development and become the flagship of the economic development policy.

Today, China is Indonesia's biggest capital supplier, especially in the energy sector. In this sector, most of China's capital is concentrated in the coal subsector. Fifteen out of twenty-two coal-fired power plants in Indonesia are Chinese-owned and funded through Chinese Banks. The second biggest sector is metal, specifically the steel subsector. In this sector, China and Indonesia set up an industrial zone which the Ministry of Finance calls the China Overseas Economic and Trade Cooperation Zone.

This paper is an attempt to understand the context, forms, and different strategies of China's capital operating in Indonesia, including resistance and responses from workers and the public. Therefore, this paper will be divided into several parts. Following this introduction, there will be a methodology section that outlines how the research was undertaken, including several definitions, technical terms and so on.

Section Three discusses the current context of Indonesia's development policies, including a discussion on infrastructure development policies which became the flagship of all development policies over the last ten years. Section Four discusses the relation between Indonesia and China, from its genesis to present day, including an outline on the size, shape and strategies of China's capital operating in Indonesia. Section Five discusses China's Capital in the energy sector, especially in electricity infrastructure development i.e., coal-fired power plant. Section Six discusses the working conditions in companies and/or infrastructure development projects funded through loans and investments and loans from Chinese Bank. Within this section, there is an analysis of employment relations and working conditions, including how Chinese are involved in the projects. Section Seven examines the struggle of workers and unions, including communities and individuals who are leading a resistance movement as they are disturbed by the presence of Chinese migrant workers.

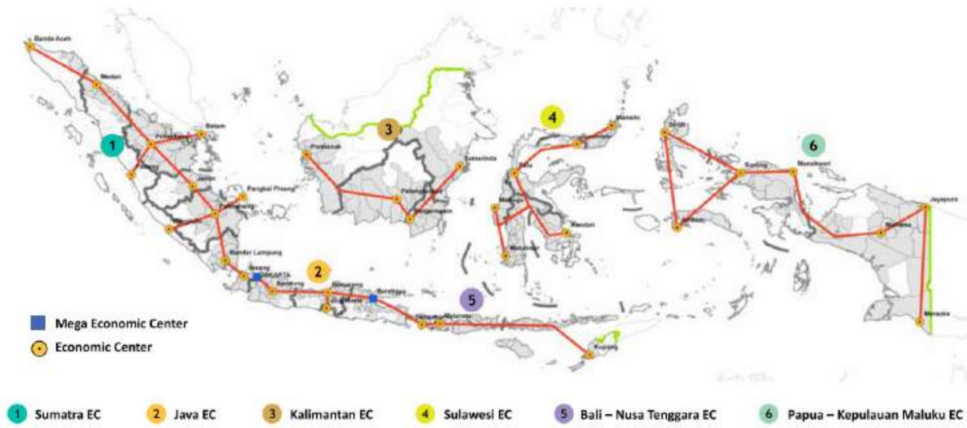
METHODOLOGY

This study was conducted in within a context where there was limited access to reliable data. There were observed differences and inconsistencies in government bodies' data, which might be caused by differences in recording methods and calculations. The most difficult challenge of this study on Chinese investment in Indonesia was understanding how to define "Chinese company". Does this term include Chinese companies which are registered in Singapore or Hong Kong? How to identify them? Despite the disclosed challenges, this study was conducted in two ways. First, the research team explored and used data from media, documents, and releases from government bodies who had conducted studies and monitored the latest Chinese investment. This paper uses data released by China Global Investment Tracker which is managed by American Enterprise Institute, AIDDATA, and other official data released by Indonesian Government such as Bank Indonesia, Investment Coordinating Board (BKPM), Ministry of Finance and many others.

The methodology involved fieldwork to several locations where Chinese investments are underway, mainly to investigate working condition and labour relations at these various sites. Fieldwork was done to also investigate environmental impacts and labour conflicts and community resistance. LIPS worked together with labour unions in this effort. Overall, the research team visited two coal-fired power plants and one industrial park. The research team experienced significant obstacles during fieldwork, particularly around access to Chinese migrant workers. Aside from the language barrier, direct interaction with Chinese migrant workers presented great difficulty as they are treated differently from local workers by the management. Generally, the Indonesian government is very secretive on this matter which exacerbates the obstacles faced.

INFRASTRUCTURE DEVELOPMENT IN INDONESIA

Infrastructure development became the flagship idea for every budget policy and economy of the Indonesian Government following the issuance of Master Plan of Economic Acceleration and Development (known as MP3EI) in 2011. This document is the direct derivative of Comprehensive Asia Development Plan published by Economic Research Institute for ASEAN and East Asia (ERIA), a think tank institution of ASEAN Secretary.



Picture 1: Map of Indonesia's economic corridors.

Basically, MP3EI is a document of space reorganization for capital accumulation through splitting the archipelago into several economic corridors. Overall, Indonesia is divided into six economic corridors. The development themes of each corridor in the acceleration and expansion of economic development are as follows: (1) Sumatra Economic Corridor as a "Centre for Production and Processing of Natural Resources and As Nation's Energy Reserves", (2) Java Economic Corridor as a "Driver for National Industry and Service Provision", (3) Kalimantan Economic Corridor as a "Centre for Production and Processing of National Mining and Energy Reserves", (4) Sulawesi Economic Corridor as a "Centre for Production and Processing of National Agricultural, Plantation, Fishery, Oil & Gas, and Mining", (5) Bali – Nusa Tenggara Economic Corridor as a "Gateway for

Tourism and National Food Support" and (6) Papua – Kepulauan Maluku Economic Corridor as a "Centre for Development of Food, Fisheries, Energy, and National Mining" (Indonesia Ministry for Economic Affairs, 2011).

Since it launched in July 2011, the total amount of capital invested for infrastructure development in Sumatera corridor reached IDR 422.11 T; Java corridor IDR 922.4 T, Kalimantan corridor IDR 165.7 T; Sulawesi IDR 186.9 T; Bali-NTT corridor IDR 70.2 T; and finally, Papua-Maluku IDR 121.3 T. Overall, it reached IDR 1,888,6 T (Riyadi and Yunistia, 2013).

After the succession of national leadership in 2014, 'corridorization' was no longer a major guide for development policy. Joko Widodo's administration preferred the word "pillar" as the way to organize the infrastructure development agenda, yet it is actually similar to the previous agenda. Four pillars of infrastructure development are: (1) the pillar of energy, oil, gas and electricity development; (2) the pillar of maritime and transportation; (3) housing development pillar; and 4) food sovereignty pillar (Ihsan et al., 2015).

The main argument for the first pillar is the decline of oil production in Indonesia as a consequence of deteriorating infrastructure, i.e., the oil wells. On the one hand, if oil consumption increases, presumably labour income increases and therefore soaring number of car sale. On the other hand, an increase in oil imports leads to an in-deficit trade imbalance where foreign exchange is burdened and rupiah declined. To rectify the situation, the government planned to improve gas and electricity infrastructure rather than revoke oil subsidy entirely. For gas development, the government came up with a roadmap that divides the development process into two periods. The first period is from 2014 to 2021. In the first period, there will be gas transmission pipe development from 3476 km (in 2013) to 7390 km at the end of the period. This includes the trans – Java and Sumatera gas pipe integration project. The second period is from 2021 to 2025. This includes the pipe construction in Kalimantan –Java program and Natuna – Java piping. For the electricity sector, the government has set the electricity power supply to 35000 Megawatt for the next five years. It is estimated that the investment in this sector could reach IDR 980 trillion up to 2019 (Ihsan et al., 2015).

The second pillar is the Maritime and Transportation Pillar. The big dream in this sector is putting in place land transportation system, integrated railway system, airport and seaports. The purpose of this development is to lower the cost of transportation, especially within the logistics sector and also to boost economic growth. In order to reach this goal, the government increased road capability by building 2650 km of new roads, increased the roads' capacity by 4200-line km, increased toll road construction by 2000 km, and also improved the length of roads by a collective 45,592 km in Sumatera, Java, Kalimantan, Maluku and Papua. In the railway sector, the government plans to build new railway track as long as 3,258 km in Java, Sumatera, Sulawesi, and Kalimantan. Regarding aerial transportation, the government will build 15 new airports, 20 utility planes, and develop airports to have cargo service across six locations. The government prioritized the maritime sector by claiming it as the of the era "maritime and sea toll" axis. In this sector, the government will build 24 new seaports, buy 26 utility cargo ships, 2 livestock carriers, 500 boats, and construct a seaport in 60 locations. The government will also improve the capacity of seaports in order to support the sea toll by building new hub ports and 19 feeders (Ihsan et al., 2015).

The third pillar is the Housing Development Pillar. The main argument for this sector is that increasing urbanization has led to the creation of slums and poverty in big cities. Since 2015, the government has targeted the development of 2.2 million housing units for lower middle class of the society. This sector includes sanitation improvement (Ihsan et al., 2015).

Next is the Food Sovereignty Pillar. In the food sector, the government plans to build 49 dams and irrigation systems in order to support the agriculture sector. The target for the period of 2015 to 2019 is to be able to increase the production of rice as much as 82 million tonnes of rice per year and exceeds the previous period of 70.6 million tonnes (Ihsan et al., 2015).

The massive infrastructure development needed an immense amount of money. For the fiscal year of 2015 to 2019 only, the government needed at least IDR 4,796 trillion. In addition to cutting fuel subsidies, the government sought funds from 1) newly formed infrastructure banks; 2) a public-private partnership; and 3) foreign loans, which are discussed below.

Infrastructure bank

The first source of funding was the Infrastructure Bank. This bank is the result of PT Sarana Multi Infrastructure (SMI) after the PT Pusat Investasi Pemerintah (PIP) joined. Today, despite how the draft bill of the establishment of LPPI (stands for Lembaga Pembiayaan Pembangunan Indonesia or Indonesian Development Finance Institution) is still being discussed at Parliament, PT SMI has acted as the impromptu infrastructure bank with its ability to finance up to IDR 150 trillion.

Public-private partnership

Infrastructure projects are long term, high risk projects where the government views private public partnerships as the best solution in order to mobilize private fund in infrastructure development as business.[36]

Foreign loans

The government of Indonesia has signed a memorandum of understanding with the Chinese Government in March 2015 for the cooperation of infrastructure development, including Jakarta-Bandung bullet train construction project. Previously, Indonesia also had a collaboration with Japan via Japan International Cooperation Agency (JICA). A loan from ODA Japan for 62,334 billion Yen for several projects has been signed, alongside a cooperation with South Korea. The government of Indonesia is cooperating with the Korea International Cooperation Agency (KOICA) who have provided USD$100 million to build Karian Dam in Lebak, Banten Province. In addition to the dam construction project, Indonesia and South Korea are collaborating on a project called National Capital Integrated Coastal Defence (NCICD). This project will mainly manage the water reservoir which is a main supply of drinking water in Indonesia (Ihsan et al., 2015).

TRAJECTORY AND RECENT TREND OF INDONESIA-CHINA RELATION

China was the first communist country to have a diplomatic relation with Indonesia soon after the Dutch handed over its power in 1949. Official diplomatic relations were established when China sent its first ever ambassador to Indonesia in 1950. Even so, the relations between Indonesia and China were fragile and problematic, especially regarding the Indonesian Communist Party (PKI). Elite majority, Islamic groups and conservative nationalists suspected view the trio of the PKI, Chinese Communist and Chinese in Indonesia as a powerful threat to national security (Sukma, 1999).

36 Basically, public-private partnership refers to cooperation form between public authority with private sector in financing, building, renovating, and maintaining infrastructure or services (Deloite, 2004).

A failed coup by a group of armies in 1965 marked the beginning of new era of Indonesia's domestic politics era. Soon after Soekarno handed over the power to General Soeharto, military force destroyed PKI which was its main rival and declared that PKI was a forbidden organization since. At the same time, military also tried to eliminate PKI's international ally, China, by accusing China of being behind the failed coup. As a consequence, Indonesia-China relations rapidly worsened. The tension between both countries had led to diplomat expulsion by both countries. On October 9, 1967, according to a cabinet decision, the Government of Indonesia officially stated that diplomatic relations with China would be halted. China responded in similar fashion. On October 28, 1967, China officially announced the suspension of its diplomatic relation with Indonesia. China, who had been in an important position in Indonesia's foreign policy before, finally was considered as a threat to national security (Sukma, 1999).

During the 1980s, Indonesia – China relations improved. Domestic politics had long hindered the normalization of both countries' relations, but those inhibitions gradually subsided. Economic difficulties caused by the decline of revenue generated from oil exports forced Indonesia to increase its non-oil export. China was considered to have the greatest potential market for non-oil commodities. Direct trade between Indonesia and China was revitalized in 1985. By 1989, Indonesia – China diplomatic relation were back to normal (Sukma, 1999).

After the New Order fell in 1998, relations between China and Indonesia must considered from the perspective of a bilateral relation and also consider the wider context and its impact on the rise of China in East Asia. Abdurrahman Wahid, the first president after the reformation, chose China as his first overseas visit. During the first years of his administration, China – Indonesia relations improved significantly. There are several reasons that could explain why Abdurrahman Wahid's administration established a better and closer relation with China (Sukma, 2009)◎.

Firstly, the dissatisfaction around western domination within international relations. Many Indonesian elites at that time felt betrayed by the West, especially Australia, in the case of East Timor's independence. They felt that western countries used the critical situation in Indonesia as a way to detach East Timor from Indonesia. In this context, building a closer relationship with China was believed to be a way to "counterbalance the western and American influence" and also "limit foreign power that bear the potential of threatening Indonesia's sovereignty" (Sukma, 2009).

Secondly, the need to accelerate economic recovery by way of strengthening domestic and international trust to Abdurrahman Wahid's administration, especially among Chinese Indonesian and Chinese business communities across the globe. For Abdurrahman Wahid, it would be helpful for Indonesia's economic recovery process if Chinese Indonesian business people brought capital back in and returned to Indonesia to build their business. In doing so, Wahid initiated several policies that abolished the discrimination created by the New Order.

Thirdly, during his visit to China in late 1999, Abdurrahman Wahid gained a lot of support from China in fighting against separatist movement, especially in Aceh. In Beijing, Abdurrahman Wahid received a lot of support for maintaining national unity and integrity. In 2000, Vice President HU Jiantau announced that China always supported preserving Indonesia's sovereignty, especially in the face of possible interventions from more advanced, powerful countries.

President Megawati succeeded Abdurrahman Wahid in 2001. She too made China her first overseas visit during her travel around Asia in 2002. During that visit, both countries agreed to expand their bilateral cooperation in many aspects, especially energy and agriculture. In April 2002, Petro China acquired six oil wells belonging to Devon Energy; China National Offshore Oil Corporation acquired a few assets in the oil and gas sector in Indonesia. By the end of 2003, trade between both countries had increased 25 times, amounting to USD$8.8 billion.

During Susilo Bambang Yudhoyono's administration, who started their term back in October 2004, China had already become Indonesia's fifth largest trade partner. In the same year, Indonesia's exports to China increased by 232% or USD$12.6 billion. Cooperation between both courtiers rapidly developed and expanded to other sectors such as energy, security and defence. The relation actually improved on 25 April 2005, when President Yudhoyono and President Hu Jintau signed an agreement called a "strategic partnership". This agreement improved Indonesia- China bilateral relations and cooperation significantly.

In his visit to Indonesia between the 2nd and 3rd of October 2013, President Xi Jinping held a meeting and in-depth discussion with Indonesia's president Susilo Bambang Yudhoyono, where it was agreed that there would be a bilateral relation between both countries and regarding different regional and international issues. Both Presidents agreed to improve the bilateral relation to the level of "comprehensive strategic partnership' based on the Joint Declaration on Strategic Partnership between Republic of Indonesia and the People's Republic of China signed on 25 April 2005 and the 2010 – 2015 Plan of Action for the Strategic Partnership between the Government of the Republic of Indonesia and the Government of the People's Republic of China signed on 22 January 2010. In this agreement, the importance of mutual benefit from industry cooperation was realised. Both Presidents agreed to build Indonesia-China Industrial Park by Chinese companies in Indonesia. President Xi Jinping reaffirmed China's readiness to support infrastructure development in Indonesia, particularly the ones mentioned in the Master Plan for Acceleration and Expansion of Indonesia's Economic Development 2011 – 2015.

President Joko Widodo, who replaced Yudhoyono in 2014, also visited China in his first visit as president. He visited China during the APEC Conference in Beijing. In the meeting, Joko Widodo had a bilateral talk with President Jinping. In the discussion, Jokowi emphasized the opportunity of cooperation between Indonesia and China and explained Indonesia's big plan to join as a member of Asian Infrastructure Investment Bank (AIIB) (Rastika, 2014). On 26- 28 March 2015, Joko Widodo visited China once again and had a bilateral discussion with President Xi Jinping where they agreed upon several matters related to bilateral relation and other international problems. In this agreement, both presidents agreed to sign the Five-Year Plan of Action for China-Indonesia Comprehensive Strategic Partnership.

When it comes to trade, investment and economic development, both presidents agreed that the initiative of the 21st- Century Maritime Silk Road proposed by President Xi Jinping and the strategy of the Global Maritime Fulcrum initiated by President Joko Widodo are highly complementary to each other. Both also agreed to impose principles of free trade between China and ASEAN. The Chinese government agreed to encourage their companies to increase their imports of goods from Indonesia and facilitate the companies to do promotional activities in China. Both presidents also agreed to advance their industrial and infrastructure cooperation, encouraged exchange and cooperation in construction and management of railway system, road, airports, electricity, solar energy, steel, non-ferrous metal, shipbuilding and building materials.

Finally, since 2014, Indonesia-China relations have been improving and expanding to different fields and forms. The most recent one is a currency swap agreement between both countries signed in 2018. This agreement enables both countries to have direct exchange as much as 200 billion yuan for 400 trillion rupiah and vice versa. This agreement is applicable for … years and could be renewed and is aimed at facilitating trade, investment and to maintain currency market stability (Yurou, 2018).

Today, Chinese investment in Indonesia is one of the biggest. Data released by Indonesia's Coordinating Investment Board (or BKPM) showed that in 2015 the realization of Chinese direct investment was USD$0.6 billion. This number increased rapidly in 2016 and 2017, as much as USD$2.7billion and USD$3.4 billions respectively (BKPM, 2018). Combined together with direct investment from Hong Kong, the number was USD$5.5 billion in 2017. This amount is the second biggest of investment after Singapore, which reached as much as USD$8.4 billion and put Japan in third position, where Japanese investment was only USD$5 billion.

A similar trend is shown by data released by American Enterprise Institute (AEI). In 2008, Chinese Investment in Indonesia was USD$ 130 million. In 2012, the number peaked to be $2,500 million and then declined in 2013 with $ 1,260 million. In 2014 and 2015, the investment went back up significantly with USD$7,560 million and USD$11,280 million respectively. In 2016, the number declined once again to only USD$1,350 million, only to nearly quadruple to USD$4,530 million the following year. While in 2018, Chinese investment in Indonesia reached $1,500 million.

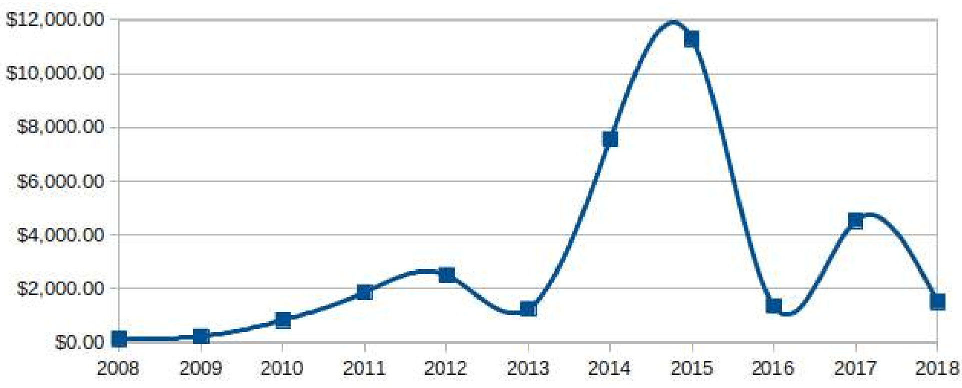


Figure 1: Trend of Chinese direct investment in Indonesia (2008-2018).

The most interesting facet of Chinese investment in Indonesia is the sector distribution in which it operates. The most preferred sector of Chinese investment in Indonesia is energy. Overall, Chinese investment from 2005 to 2018 in energy is the largest by value, with USD$15,370 million invested. The second largest is in the metal sector, where China invested 30%

of its total investments, or USD$9,990 million. Following on, the sectors receiving the most investment after the metal sector are real estate, transportation and other sectors (communication, consumer, education, industry, textile, and timber) who contribute 11%, 8%, and 3% respectively.

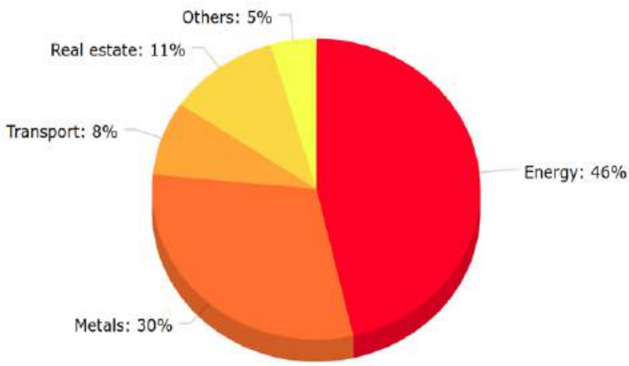


Figure 2: Chinese investment by sector.

Within the energy sector, the coal subsector accounts for 91.85% of total investment in the sector. There are four big Chinese investors who have direct investment in this subsector, i.e., CIC who cooperates with a private company called Bumi Resources Mineral; Huadian who cooperates with Bukit Asam, coal mining state-owned enterprise; and Power Construction Corp and Shenhua who cooperate with State Electricity Company (PLN). PLN had a project to construct a mine mouth power plant. The second subsector receiving the most investment after coal is the gas subsector at 5%, next is alternative energy at 2%, and finally oil at 1%. A combination of other subsectors makes up the rest of the remaining total at 2%.

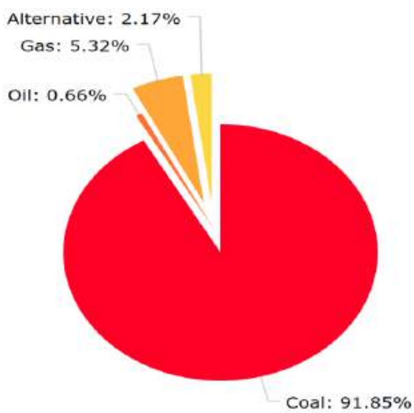


Figure 3: Chinese investment in energy by subsection.

The Metal sector is dominated by the steel subsector. The biggest transaction parties are companies who operate in Indonesia Morowali Industrial Park (IMIP) in Central Sulawesi. IMIP is an Overseas Economic and Trade Cooperation Zone located in Bahodopi town, Morowali Regency, Central Sulawesi. PT. Indonesia Morowali Industrial Park (IMIP) is the developer, as well as the land owner and manager. This company is a joint investment and is owned by and founded by Shanghai Decent Investment (Group) Co., Ltd. (a corporation of Tsingshan Steel, holding 66.25% shares) and Indonesia PT Bintangdelapan Group (holding 33.75% shares). In 2015, the Park was awarded "The Best Performance of New Industrial Estate" by the Ministry of Industry of Indonesia and in August 2016, it was jointly accredited by the Ministry of Commerce and the Ministry of Finance as China Overseas Economic and Trade Cooperation Zone.

The real estate sector is dominated by the property subsector, while the transportation sector is dominated by the auto subsector. The latter is investment of two China companies i.e., Tencent and JD.com who invested in the two-wheel ride-sharing service app, Go-Jek. Total investment of both companies is USD$2,640 million. Other sectors included the Alibaba investment in Tokopedia, the biggest web-based commerce company in Indonesia, as much as USD$ 1,500 million.

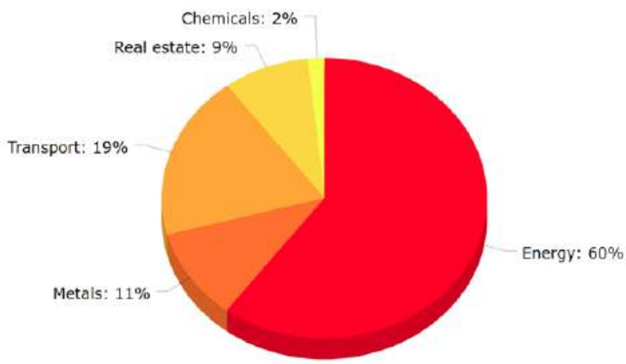


Figure 4: Chinese construction contract by sector

Direct investment has also become Chinese Construction Companies' favourite. Usually, the main argument is to accelerate development and technological advancement. The interesting thing is that there is a correlation between construction project contracts with direct investment. The biggest construction contract value is within the energy sector. It takes up 60% of the total value of investments. The second biggest investment in construction is the transportation sector, taking up 19%, followed by metal, real estate, and chemicals which consume 11%, 9% and 2% of investments, respectively.

Similar to direct investment, China's construction project in the energy sector is dominated by coal related construction projects which contribute 66% or USD$10,640 (million atau billion?). Receiving the second most investment within subsector are hydro energy projects who take up 25% or $4,080 of total investments. Alternative energy gets 1% of investment with other projects, whose information is not readily available, receive 7% of total investments. Direct investment and construction projects undertaken by Chinese companies in Indonesia are also accompanied by loans from Chinese banks like the Bank of China, China Development Bank and Export-Import Bank of China.

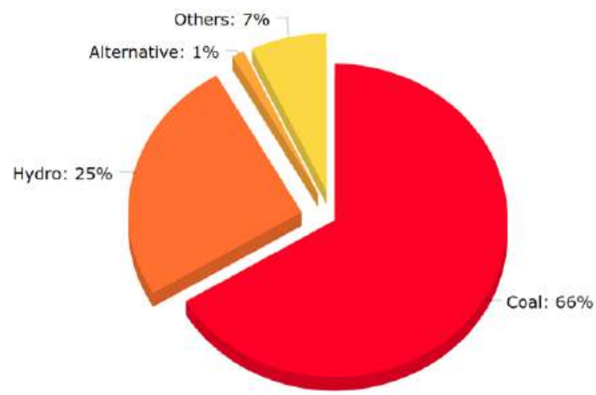


Figure 5: Chinese construction contract in energy by subsector.

Besides receiving loans from Chinese government-owned banks, Indonesia also obtains loans from the Asian Infrastructure Investment Bank (AIIB). AIIB is a multilateral development bank led by China. Indonesia is one of the founding members and eighth largest share owner of the bank. There are five AIIB approved projects in Indonesia: 1) Mandalika Urban and Tourism Infrastructure Project; 2) Strategic Irrigation Modernization and Urgent Rehabilitation Project; 3) Dam Operational Improvement and Safety Project Phase II; 4) Regional Infrastructure Development Fund Project; and lastly, 5) National Slum Upgrading Project.

The aim of the Mandalika Urban and Tourism Infrastructure Project is to provide sustainable core infrastructure for the development of a new tourism destination in the Mandalika region of Lombok. According to the Mandalika Masterplan, serviced land lots are to be leased to private investors to construct and manage retail facilities, accommodation, and other tourist facilities to an internationally acceptable standard. In addition, the project includes improvements to basic infrastructure and services in adjacent communities that would serve both visitors and residents. This project requires USD$316.5 million and AIIB is the main source of funds (USD 248.39 million?).

Strategic Irrigation Modernization and Urgent Rehabilitation Project provides a platform for rehabilitation and modernization of the irrigation sector in Indonesia by increasing participatory development, improved levels of service, infrastructure upgrade and sustainable management. The Project is designed around the Directorate General of Water Resources' (DGWR) five pillars of irrigation management modernization which are intended to support the Government's efforts to address the infrastructure, institutions, information and technical issues for enhanced irrigation efficiency. This project needs USD$578.00 million. AIIB contributes $250 million out of total.

The Dam Operational Improvement and Safety Project Phase II costs USD$300 Million, which USD$125million comes from AIIB. The Project Objectives are to increase the safety and functionality of existing dams in selected locations and strengthen the operation and management capacity for dam safety. Direct beneficiaries of the project include those directly dependent on the water from the dams under the project as well as those populations in downstream areas that would be at risk in the case of dam failure. Other expected results include dams which are returned to full operation with reduce risk of failure and the preparation of emergency response plans including dam break analyses for project dams.

The objective of the Regional Infrastructure Development Fund Project is to increase access to infrastructure finance at the subnational level through creation of a sustainable financial intermediary, a Regional Infrastructure Development Fund (RIDF), that channels funds from AIIB, the World Bank, and the government to the sub-national governments. The main project beneficiaries are residents in urban areas that will be served by the infrastructure sub-projects funded under the project.

National Slum Upgrading Project is to improve access to urban infrastructure and services in targeted slums in Indonesia. Direct and indirect beneficiaries of the project are expected to include 9.7 million slum dwellers living in 154 cities. Slum dwellers are likely to experience significant betterment of living conditions due to improvements in access to urban infrastructure and services.

CHINESE DIRTY ENERGY

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Electricity ambition and coal-fired power plant

In discussions about public policies related to energy, it is always said that Indonesia, with its growing economic posture, is still lacking electricity supply in almost every part of the country. Even in densely populated regions, such as Java Island, are lacking electricity supply (ini benar? PLN kan selalu surplus). In this context, what is considered as the target of electricity supply increase is not the people but the industry. Following the argument, the way to encourage economic development while also maintaining the necessary pace to remain on tract is to build a more robust electricity infrastructure. That is exactly why, as we will see later, Joko Widodo's electricity development program is mainly for supporting industry rather than the people. And this program is mostly implemented in areas where the biggest electricity usage is located.

Jokowi administration proclaimed an ambitious 35,000-Megawatt electricity plant project to accelerate economic growth. To be able to meet the target of 35,000 MW, there is a plan to build 291 power plants. As shown in graphic 1 (di mana graphic 1?), 71% (or 25,070 MW) will be supplied by IPP power plants. While the other 29% (or 10,471 MW) will be supplied by PLN's power plants[37]. This program is mostly located in areas where most electricity usage occurs, such as Java, Bali, and Sumatera. As noted by Greenpeace, about 21,000 MW (60%) will be built in Java and Bali; 9,061 MW (25,5%) will be built in Sumatera; and 2,574 MW (7.2%) will be built in Sulawesi; 1,881 MW (5.3%) will be built in Kalimantan; 665 MW (1.9%) will

37 "*Kebijakan Pemerintah dalam Pembangunan Infrastruktur*". http://iesr.or.id/wp-content/uploads/Kelistrikan-Indonesia.pdf (accessed 2 Agustus 2018).

be built in Nusa Tenggara; 317 MW (0.9 %) will be built in Papua; and 241 MW (0.7 %) will be built in Maluku[38].

This ambitious program is considered to be capable of improving the electrification ratio to 100%, where every part of the country has access to electricity. This target was planned to be met by 2019. However, considering the timeline between the commencement of planning phase to today's implementation, this project has moved very slowly and the target was difficult to meet. One of the reasons is that the electricity consumption rate is lower than national economic growth, and simultaneously there is a surplus in electricity supply, especially in regions with the most electricity load[39]. For example, in 2016 there was 7,153 MW of electricity surplus in Java and Bali where the peak load usage is 24,461 MW of net capable power of 31,614 MW[40]. In 2017, electricity surplus reached the number of 7,000 – 8,000 MW or 31 per cent [41], while up to mid 2018 Java – Bali's electricity supply surplus was as much as7,432 MW[42] .

Most of the surplus is supplied by private owned plants, also known as Independent Power Producers (IPP). IPP plants were established by a consortium whose main job was to implement a contract agreement with PLN under a scheme called Power Purchase Agreement (PPA). The consequence of the PPA contract was that PLN was obliged to buy from IPP, then distribute and sell the power to its subscribers. The contract binds both parties and is applicable for the next 30 years for each and every kind of power plants. The contract also contains a clause of take-or-pay where PLN must pay and absorb at least 80% of total maximum capacity generated by IPP. If PLN is unable to do it, PLN must pay a fine. With today's surplus, PLN must pay whatever capacity IPP generates, whether it is consumed or not. What was just described previously leads to what is known as advanced energy sector privatization. The impact of such privatization is mainly that PLN experiences financial loss, where they must pay IPP as long as the contract is still applicable. In 2015, PLN paid Rp 4.4 trillion. In 2016, the pay-

38 "*Kontroversi Proyek 35.000 Megawatt*" http://www.greenpeace.org/seasia/id/blog/kontroversi-proyek-35000-megawatt/blog/54278/ (accessed 12 Agustus 2018).

39 "*Target Proyek Pembangkit 35.000 MW Dinilai Sulit Tercapai*". http://mediaindonesia.com/read/detail/103561-target-proyek-pembangkit-35-000-mw-dinilai-sulit-tercapai (accessed 12 Agustus 2018).

40 "*Beban Listrik Jawa-Bali Capai Rekor 24.461 Megawatt*". https://www.cnnindonesia.com/ekonomi/20160515185315-85-130832/beban-listrik-jawa-bali-capai-rekor-24461-megawatt (accessed, 16 Agustus 2018).

41 *"Pasokan listrik Jawa surplus hampir 40%"*. https://industri.kontan.co.id/news/pasokan-listrik-jawa-surplus-hampir-40. https://industri.kontan.co.id/news/pasokan-listrik-jawa-surplus-hampir-40 (accessed 1 September 2018)

42 "*Mengatasi Surplus Listrik*". https://investigasi.tempo.co/254/mengatasi-surplus-listrik (accessed, 1 September 2018).

ment rapidly increased by 1,256.82% to Rp 59.7 trillion. Up to September 2017, PLN had spent Rp 53 trillion to buy electricity power from IPP plants. This has impacted PLN's financial situation. In 2015, PLN suffered a loss of Rp 8.2 trillion. The loss increased by Rp 31.6 trillion in 2016.[43] Thanks to its status as a state-owned company, the government's subsidy was able to save PLN from further loss. The situation caused the government to evaluate the aim of the program. However, up until today, there have not been any steps taken in order to evaluate and revise the 35000 MW program. The government seems confused and unsure of whether or not to revise the program. The State-Owned Enterprise Ministry, who has the biggest role in the electricity business as well as the Ministry where PLN belongs to, said that that program will be revised.[44] While the Ministry of Energy and Mineral Resources (ESDM), who has more relation with national energy policy, said that the ambitious program will not be revised.[45] The government's insecurity was triggered by an inaccurate business calculation, the pressure to find a solution that maintains the state budget, and to earn investors' trust and guarantee them profit.

Construction of new IPP plants is being sped up. Big capacity power plants are under construction in Sumatera, Java, Bali and Sulawesi. Most of those plants use dirty fuel, i.e., coal. The investors are mostly giants from China, Japan, and Europe. Coal plants became the favourite because it is cheap. Some of the plants that are being built are mine-mouth power plants. Some of them are on the riverbank, and others are on the coastal areas. The ramping up of construction was encouraged by the availability of the government's technocratic policy. However, the policy has resulted in the proliferation of bribery practices around the construction projects.

The recent bribery case was found in PLTU Riau-1 construction project in Riau Province, Sumatera. The Corruption Eradication Commission (KPK) detained several politicians for bribery. This case was exposed after KPK arrested Parliament member, Eni Saragih, who received money from Johannes Kotjo, a shareholder of Blackgold Natural Resources Limited. PLTU Riau-1 was built by a consortium which consists of PT Pembangkit Jawa Bali (PLN subsidiary), PT Blackgold Natural Resources Limited and

43 "*Duri dalam Daging Proyek Listrik 35.000 MW*". https://tirto.id/duri-dalam-daging-proyek-listrik-35000-mw-cBuP (accessed on 3 September 2018).

44 "*Rini Beberkan Alasan Presiden Jokowi Revisi Target 35 Ribu MW*". https://www.jawapos.com/ekonomi/bisnis/06/10/2017/rini-beberkan-alasan-presiden-jokowi-revisi-target-35-ribu-mw (accessed on 3 September 2018).

45 "*ESDM tegaskan tak revisi proyek 35.000 MW*". https://industri.kontan.co.id/news/esdm-tegaskan-tak-revisi-proyek-35000-mw (accessed on 3 September 2018).

PT China Huadian Engineering. PLN Director, Sofyan Basir, was allegedly involved in the bribery case.

Up to July 2019, there were 367 coal-fired power plants in Indonesia with the status of 68 units announced, 15 units pre-permit, 8 units permitted, 4 units are under construction, 25 units shelved, 150 units operating and 73 units cancelled (2010 – 2018). These projects are scattered all over Indonesia as shown in the picture below[46].

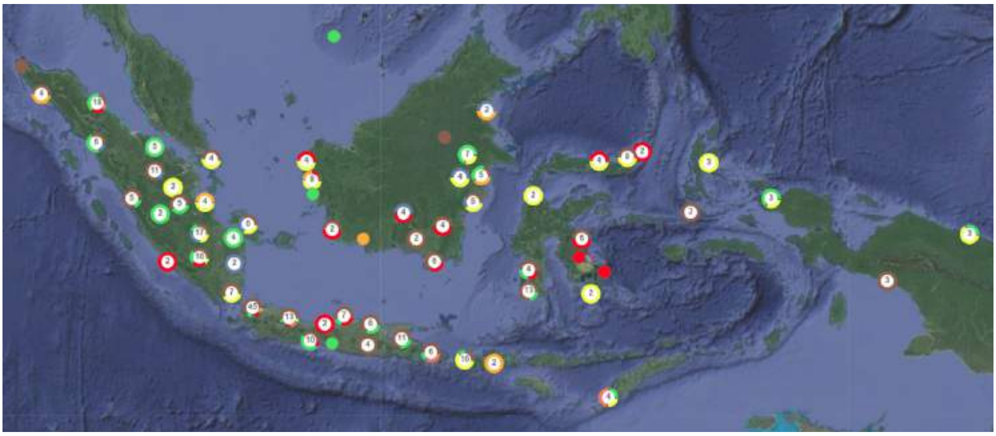


Figure 6: Coal-Fired Power Plants Indonesia (source: https://endcoal.org/tracker/).

Chinese ownership and finance of coal-fired power plant

The Indonesian government's tempestuous ambition to boost power plant constructions is in sync with Chinese government's policy to export labour power, skill, technology and financial investment to countries who are seeking greater deployment of coal-fired power generation. The impetus to export the capacity to build coal-fired power plants in other countries is also in accordance with China's domestic environmentalist pressure to reduce the production and consumption of coal. State-owned coal mining enterprises targeted to reduce the production by as much as 12.65 million tonnes by 2018. Reduction of coal-fired power generation within China is also actively encouraged. As China commits to reduce its local coal production and use, Indonesia on the other hand is pursuing policies to divert its coal from export to domestic electricity generation (Lixia, Andrews-speed and Zia, 2018).

China's involvement in the coal-fired power plant construction projects in Indonesia is mainly focused on overseas project constructing, equipment exportation, outward investment, bank loans and labour. As an il-

46 https://endcoal.org/tracker/D

lustration, based on data released by AIDDATA, the Bank of China gave a USD$408 million loan to build Cilacap Power Plant, a coal-fired power plant with the capacity of 600 MW (cek lagi, sebelumnya ditulis 2x300 MW) in Cilacap, Central Java. This coal-fired power plant was built by Chenda Engineering, together with two Indonesian companies i.e., Geo Dipa Energi and Sumber Sakti Prima Energi. Chenda contributes 70% of the total cost. In April 2013, China Development Bank signed a loan contract valued USD$700 million, given to Sumber Segara Primadaya to build additional power plant with the capacity of 600 MW. The funding is a non-collateral loan, without a government guarantee, which has an 11-year tenure with an interest rate of LIBOR + 5.3%. As part of the terms of the loan, the power plant will use Chinese-made equipment and machinery.

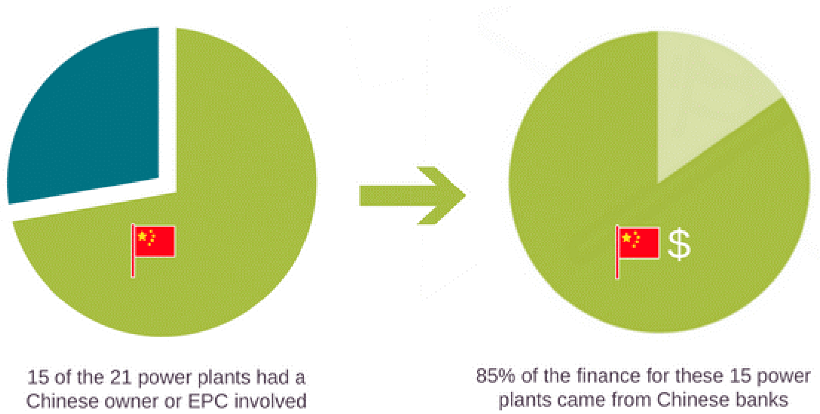
CDB did not only provide the loan for the Cilacap Power Plan extension, but in 2012, CDB also provided a loan for Sumsel-5 Power Plan construction. This project is an IPP project. The plant belongs to Sinarmas, who will supply electricity to PLN under the BOOT scheme for the next 25 years based on a PPA signed on November 2, 2014. To finance the construction project, CDB spent USD$318 million. The loan was used to buy machineries and equipment from China National Electric Engineering Co. Ltd. The value of the overall project is more than USD$400 million.

The Bank of China also provided USD$455 million for Banten Lontas Power Plant construction, a fast-track program. The loan has 13 years of maturity, which includes a three-year grace period. The USD$808.4 million power plant in Lontar, Banten (known as Banten 3 or Banten Lontar), has a capacity of 945 MW (3 x 315 MW) and was built by a consortium that included Chinese power equipment giant Dongfang Electric Corp. and Indonesian Dalle Energy. The December 28, 2012 marked the handing over ceremony of the structures and operations of power generators completed from China to Indonesia. The plant is currently still in operation.

Another fast-track program financed by BoC is Tanjung Awar-Awar Power Plant. BoC's loan given to PLN to build this power plant was USD$371.5. The loans were fully supported by Sinosure, a government export credit insurance agency in China. The loans, payable in 13 years including a three-year grace period, carry a floating interest rate based on the London Interbank Offered Rate (LIBOR). The project was contracted to a consortium consisting of China National Machinery Equipment Corp. (Sinomac), China National Electric Equipment Corp. (CNEEC) and a local company, PT Penta Adi Samudra.

China Exim Bank also spent an enormous amount of money for financing construction projects in Indonesia. In the energy sector, in 2011, China's Exim Bank provided a USD$133 million loan to Indonesia for the construction of the Parit Baru coal power plant in Bengkayang, West Kalimantan. The loan represents 85% of the total cost of the project, which is approximately USD$172 million. The construction was done by Chinese firm Gezhouba Group and PT Praba Indopersada, a subsidiary of general contractor firm Praba Group of Indonesia.

Previously, in 2008, the Export-Import Bank of China and Indonesia State Power Corporation attended an agreement signing ceremony, where a total of USD$610 million was committed. The Chinese Ambassador to Indonesia, Lan Lijun, and the Indonesian Finance Minister, witnessed the signing. This loan will primarily be used to finance the Suralaya plant and Paiton plant. In 2009, China's Exim Bank provided a USD$481 million loan to Perusahaan Listrik Negara (PLN), an Indonesian state-owned company, for the construction of the Pelabuhan Ratu power station in West Java. The loan has a maturity period of 15 years, with a three-year grace period. Construction for the 3x350MW coal-fired Pelabuhan Ratu power station was contracted to Shanghai Electric Group. The plant was completed in late 2012 and began commercial operations at the beginning of 2013.



Market Forces reported that 15 out of 21 coal fired power plant projects in Indonesia involve Chinese ownership in one way or another. Overall, 15 coal fired power projects are financed by Chinese banks[47].

Therefore, in order to see how Chinese capital operates in financing coal-fired power plants and hydropower plant constructions in Indonesia,

47 https://www.marketforces.org.au/research/indonesia/public-finance-to-indonesian-coal/

the following data was collected by the Development Policy Centre. Overall, there are three banks from China which lent a total of USD$8.9 billion.[48]

Table 1. China Development Bank (CDB), 11 projects, $4.1 B

Projects	Location	Borrower	Energy Source	Value
Celukan Bawang	Celukan Bawang, Buleleng Regency, North Bali	Government	Coal	$880M
Cilacap Sumber Power Station with BOC and Bank Rakyat Indonesia	Cilacap, Central Java Province	Government	Coal	$700M
Indramayu Sumuradem	West Java Province, Indonesia	PLN (Perusahaan Listrik Negara)	Coal	$562M
Jambi DSS Power Station	Approximate of Bungo Regency, Jambi Province	Sinar Mas Group	Coal	$500M
South Sumatra Mine Mouth	South Sumatra Province, Indonesia	Sinar Mas Group	Coal	$318M
Sumsel (SS-5) Power Station	Bayung Lencir District, Musi Banyuasin Regency, South Sumatra Province	Government	Coal	$318M
Adipala Power Station	Bunton Village, Adipala District, Cilacap Regency, Central Java Province	Government	Coal	$277M
Kendari-3 Power Station (100MW)	Tanjung Tiram, South Konawe, Southeast Sulawesi	PT Dian Swastatika Sentosa Tbk	Coal	$150M
Teluk Sirih Sumbar Coal-Fired Power Plant (224MW) Station	Bungus Teluk Kabung District, Padang City, West Sumatra Province, Indonesia	PT PLN Persero	Coal	$138M
Rembang Power Station	Rembang, Jawa Tengah, Central Java, Indonesia		coal	$131M
Java-7 Coal-Fired Power Plant (2000MW)	Java Island, Indonesia, about 100km northwest of Jakarta	Shenhua Group and PT PLN subsidiary	Coal	$128M

48 https://www.bu.edu/cgef/#/all/Country/Indonesia

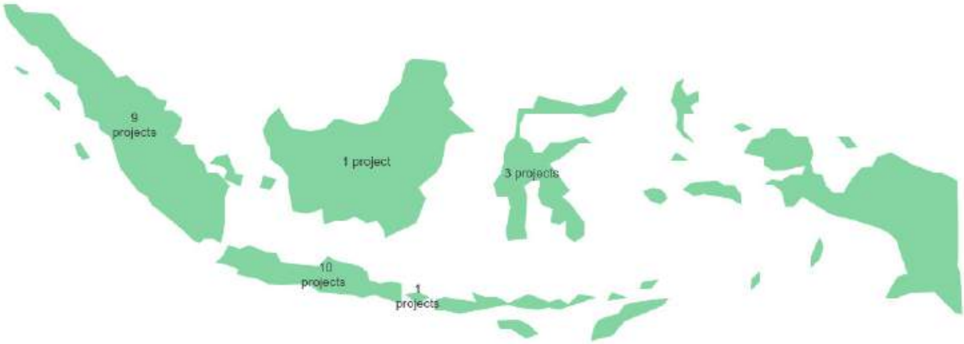
Table 2: Ex-Im, 11 Projects, $3.3 B

Projects	Location	Borrower	Energy Source	Value
Indonesia Morowali Industrial Park Captive Coal-Fired Power Plant (300MW)	Bahodopi, Morowali, Central Sulawesi, Indonesia	Guangdong Guangxin Holdings Group	Coal	$700M
Pelabuhan Ratu Power Station	Pelabuhan Ratu District, Sukabumi Regency, West Java Province	PLN (Perusahaan Listrik Negara)	Coal	$481M
Paiton Power Plant Unit 9	Bhinor Village, Paiton District, Probolinggo Regency, East Java Province	PLN (Perusahaan Listrik Negara)	Coal	$330M
Pangkalan Susu Unit 3 & 4 Coal Fired Power Plant	Pasir Village, Pangkalan Susu District, Langkat Regency, North Sumatra Province, Indonesia	Indonesian State Electricity Company	Coal	$317M
Pacitan Coal Power Plant	Sudimoro District, Pacitan Regency, East Java Province	PLN (Perusahaan Listrik Negara	Coal	$293M
Suralaya Unit 8 Power Plant	Pulomerak District, Cilegon City, Banten Province	PLN Indonesia	Coal	$280M
Jatigede Dam (Hydropower Plant)	Middle Reaches of Cimanuk River, Sumedang Region, West Java Province	Government	Coal	$250M
Takalar Steam Coal-Fired Power Plant (200MW)	Location:Punagaya village, Bangkala District, Jeneponto Regency, South Sulawesi Province, Indonesia	Indonesian State Electricity Company	Coal	$241M
Tanjung Kasam Power Station with Sinosure	Batam, Riau Province, Sumatra Island	Government	Coal	$150M
Parit Baru Power Station	Jungkat Village, Siantan District, Pontianak Regency, West Kalimantan Province	Government	Coal	$133M
PLTU Nangroe Aceh Darussalam Thermal Power Plant	Southwest of Banda Aceh, Northern Sumatra Island, Indonesia	PLN (Perusahaan Listrik Negara)	Coal	$124M

Table 3: Ex-iM & CDB, co-financing, 2 projects $1.5 B

Projects	Location	Borrower	Energy Source	Value
Bangko Tengah, aka South Sumatra 8 or Sumsel-8	Muara Lenim and Lahat Regencies, South Sumatra	Government	Coal	$1.2B
Bengkulu Power Station	Western Indonesia Bengkulu Province	PT Intraco Penta and PowerChina	Coal	$270M

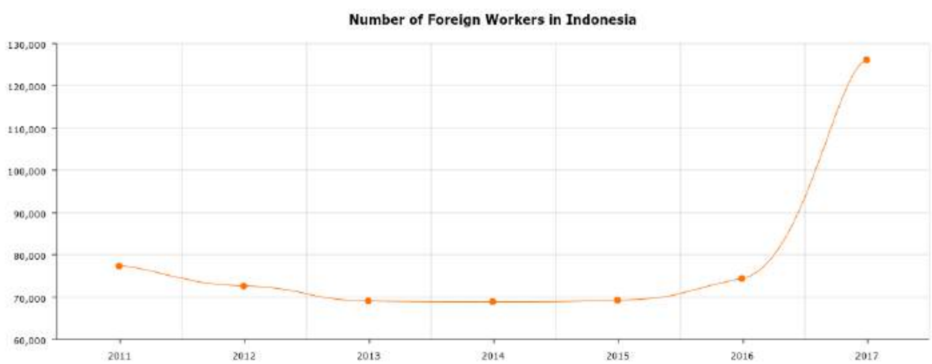
The projects are all over Indonesia. If they are categorized by the island, there are 9 projects in Sumatera, 10 projects in Java, 1 project in Bali, 1 project in Kalimantan, and 3 projects in Sulawesi.



CHINESE MIGRANT WORKERS IN INDONESIA

Speeding-up the construction

In 2017, foreign labour in Indonesia was 126,000 people, an increase of 69.85% compared to the end of 2016 where the foreign labour population was just 74,813 people. The composition of foreign workers in 2016 was dominated by workers from China (29%), followed by Japan (17%) and South Korea (11%).



The number of foreign migrant workers increased as the government issues the President Regulation No. 20 of 2017, which helped companies who require foreign workers to hire and register them.

The acceleration of administrative arrangements required to employ foreign workers is related to the wish to improve the investment climate which was expected to increase in the coming years. When foreign investors set up companies in Indonesia, they also brought along their workers to sit as the directors, commissioners, and managers. The increase of the number and magnitude of the investment and construction contracts by Chinese companies also increased the number of Chinese workers in Indonesia, including blue collar workers.

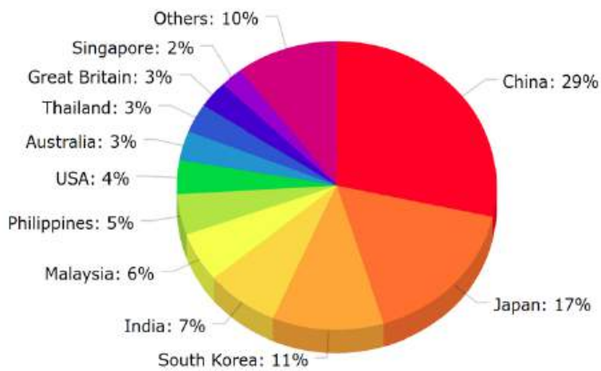


Figure ....

Labour relations and working condition

The inquiry on employment relations and working conditions was done in PLTU Celukan Bawang and PLTU Gunung Raja and also IMIP. PLTU Celukan Bawang is located in Celukan Bawang, Gerokgak, Buleleng, Bali Province. This coal-fired power plant holds a concession of 30 years and was established under a joint venture of PT General Energy Indonesia (10.51%), China Huandian Energy (51%) and Meeryline International (38.49%) in Singapore. The construction of this coal-fired power plant was done using a loan from CDB with the investment USD$700 million. The first phase of this coal-fired power plant started to operate in 2015 and consisted of three generators with the capacity of 3 x 142 MW. The second phase was built and consists of 2 generators with the capacity of 2 x 330 MW. In this particular coal-fired power plant, according to Buleleng Local Labour Office, there are 469 workers, where 148 are Chinese migrant workers and 321 local workers.

PLTU Gunung Raja is a mine mouth coal-fired power plant located in Rambang Dangku, Gunung Raja, Muara Enim Regency, South Sumatera Province. This coal-fired power plant has a business name, PT Guohwa Energi Musi Makmur. It has a Power Purchasing Agreement with PLN for 20 years. Similar to Celukan Bawang, this PLTU was built under a joint venture between PT Shenhua Guohua Lion Power Indonesia (owner: a subsidiary of China Shenhua Energy) controlling a share of 70% and PT Energi Musi Makmur with a share of 30%. The construction project cost USD$330 million funded by a loan from Ex-Im Bank of China. In this coal-fired power plant, there are 1,000 workers -- 700 of them Indonesian and the other 300, Chinese migrant workers.

Figure 7: PLTU Gunung Raja, South Sumatra.

Other than two coal-fired power plants, fieldwork was also undertaken on an Industrial zone in Morowali, Central Sulawesi named Indonesia Morowali Industrial Park (IMIP). This industrial zone, which China called the China Overseas Economic and Trae Cooperation Zone, is located in Bahodopi Town, Morowali Regency Central Sulawesi Province, Indonesia, northeast tip at 122°9’47” E and 2°48’55” N. Indonesia Morowali Industrial Park is close to an interprovincial highway 1 km away from the coastline. The developer of the industrial park, the land owner and park manager, is PT. Indonesia Morowali Industrial Park (IMIP) which is jointly invested and founded by Shanghai Decent Investment (Group) Co., Ltd. (a corporation of Tsingshan Steel, holding 66.25% shares) and Indonesia PT Bintangdelapan Group (holding 33.75% shares).

Figure 7:

In these three locations (PT IMIP, PLTU Celukan Bawang, dan PLTU Gunung Raja) the average working day is 8 hours long. A working day is divided into three shifts. Frequently, workers work overtime as dictated by the management. Overtime work is mostly decided unilaterally. Meanwhile, the average wage received by workers, either operators or cleaning services, is insufficient to cover the cost of their living expenses. In IMIP Morowali, their wage is higher than Kabupaten Morowali. But in reality, workers' wages fall short in IMIP whose prices and living costs are twice what they are in other areas in the Regency. Although workers are able to get leave, they choose to use their leave to earn additional income, but it does not add up. For example, a worker with an income as much as four million rupiah, including benefits and overtime payment, he/she is only capable of saving one million rupiah at most.[49] A similar situation is experienced by workers in PLTU Celukan Bawang, Buleleng, and PLTU Gunung Raja, Muara Enim. In all three locations, workers with families frequently do not receive any family benefits.

The employment status in IMIP is different from that of PLTU Celukan Bawang and PLTU Gunung Raja. In IMIP, workers work under the status of regular workers in the main company. The number of workers in IMIP is about 21,000 people. The workforce composition is mainly Indonesian workers (~16,000 people) with Chinese workers (~5,000 workers). In both PLTU, some of the workers are outsourced and supplied by an out-

49 LDN, wawancara di Morowali, 22 Nov 2018

sourcing agency. There are 1,000 workers in PLTU Gunung Raja, with 300 Chinese workers. Out of 700 Indonesian workers, more than half of them are outsourced. There are four outsourcing agencies who supply workers to work the canteen, carry-out cleaning services, and occupy maintenance and security roles. Meanwhile, in PLTU Celukan Bawang there are 469 workers. Out of that number, 148 are Chinese workers, and the rest are Indonesian. Out of 321 Indonesian workers, more than half are outsourced workers. There are three outsourcing agencies who supply the workers to work in the various different roles.

Working conditions in each location are generally poor with long working hours without occupational health and safety rules imposed. In PLTU Gunung Raja, workers were forced to work overtime without consent. In IMIP, while most interviewed workers said that the work load is not bad, there are times when they could use a rest. However, research conducted by Adiansa Manu (2017) from Yayasan Tanah Merdeka, Palu, presents a different result. Workers whom he interviewed said that the working condition in IMIP is poor. "I could not stop even just a minute. Every time I try to take some rest, there comes a dump truck who already waited to transport ore to the production site. I can say that we don't have time to take a break," said Uling, an excavator operator in Logistic division of PT SMI. As a consequence of long working hour and high-pressure work, and also sitting for hours driving, Uling suffers lower back-pain. One of the workers the logistic division of PT SMI also faces similar issues with their lower due to heavy work.[50]

Personal protective equipment is also an important problem. Many workers feel that several items of PPE worn by the workers and provided by the company, such as mask and wear pack, are insufficient. In PLTU Gunung Raja, maintenance workers and coal handling workers said that the mask do not protect them from coal dust. Every day, they work while inhaling coal dust and sulphuric air. One of PLTU Celukan Bawang's employees who works in the coal handling section, whose job is to put out the coal flame from combustion residue, said that he and his fellow workers did not receive any anti-heat wear pack. They work in thin wear pack which is not heat resistant and they frequently suffer burns. There is also issues with medical check-ups. In PLTU Gunung Raja and IMIP, there are free annual medical check-up for all workers. This test is not mandatory, but workers

50 Adriansa Manu. 2017. "*Kondisi dan Dinamika Buruh Tambang di Morowali*". Palu: Yayasan Tanah Merdeka. Tersedia online, http://ytm.or.id/kondisi-dan-dinamika-buruh-tambang-morowali/ (accessed 1 November 2018).

are suggested to do it. Nonetheless, the result of medical check-ups have never been given to workers. They never know the result. Meanwhile, in PLTU Celukan Bawang, there is not any medical check-up facility for workers.[51] PLTU Celukan Bawang's workers do not have access to BPJS Kesehatan service although their wages are deducted to pay the BPJS Kesehatan dues. Many workers go to hospital or other medical facilities without using their BPJS because their memberships are considered inactive.

Poor working conditions and unavailability of sufficient medical facility have caused many occupational accidents and various occupational diseases. For example, in IMIP, a worker died because an iron plate fell on him when he was working.[52] Meanwhile in 2018, an Indonesian worker fell sick and died because he was rejected by a hospital for not being registered as a member of BPJS Kesehatan. There might be more occupational accidents and diseases but there are limited records. IMIP is a big industrial park with thousands of workers but there is a noticeable lack of monitoring and regulation from the government.

Only two locations out of three have unions, i.e., PLTU Gunung Raja and IMIP. There has not been any union in PLTU Celukan Bawang. The situation across the three locations is similar. Management did not like unions and tried to prevent workers from building a union. Management also tried to bribe workers who aspired to build a union with a position and promotion. The objective is to weaken workers spirit and quiet their organising to build a union and fight for better working condition and wage.

The working condition described above are specifically experienced by Indonesian workers. The fieldwork attempted to reach Chinese workers. However, it was difficult to access them. The biggest obstacle was the language barrier. One Indonesian journalist who speaks Cantonese and visited IMIP an earlier time to do a report, said that the Chinese workers he met did not speak Cantonese. Most of those workers come from the northern part of Mainland China who speak Mandarin. PLTU Gunung Raja workers said that they do not speak with Chinese workers very often. Mostly speak using body language, even to communicate their job. There are translators but the numbers are limited, and the translators are Indonesians who speak Mandarin.

There are about 300 translators in IMIP, however, that number is not

51 Interview withA, a villager of Celukan Bawang, July 2018.
52 Adriansa Manu, op. cit.

sufficient[53]. Translators only work in two shifts: shift one in the morning and shift two in the afternoon. While in shift three (the night shift), Indonesian and Chinese work without any translators. The language barrier frequently creates a problem, where some fights break out due to misunderstanding caused by it.

Another obstacle is Chinese workers' isolation. Chinese workers have very limited interaction with Indonesian workers and people around the industrial park. Both groups of workers only interact during working hours and for work only. Outside their work hours, there are not any interactions between them whatsoever. Chinese workers live separately from both Indonesian workers and other people. Indonesian workers mostly live-in rented rooms or houses in villages around the industrial park whereas Chinese workers live in dormitories inside the industrial park. IMIP also provides facilities for Chinese Workers such as basketball and football court, a mini market, canteen and laundry. Any Chinese workers who want to go out of IMIP to have a walk for example, must be accompanied by a translator. Chinese workers have limited freedom of movement. They are allowed to have a walk only after their workhour is finished.

The lack of interaction with Chinese workers has triggered a prejudice and scepticism of Chinese workers and one of them is about wages. Although nobody could show any documentation, Indonesian workers said that for the same work and same level, Chinese workers received bigger wages compared to them. However, what we know so far is that Chinese workers work longer hours and their working conditions are poorer and they are not protected by any domestic law.

RESISTANCE TO CHINESE INVESTMENT

Infrastructure development projects can sometimes be problematic. First, such projects require a lot of land. Secondly, those projects impact people's livelihood. Since the beginning, PLTU Celukan Bawang construction in Bali has been full of manipulation. For example, Environmental Impact Analysis (called AMDAL) and the data used to support the argument was augmented fraudulently, bribery was used to obtain the project's location, several evictions were enacted during the land acquisition process, and administrative fraud occurred during the PLTU Celukan Bawang construc-

53 Interview with DF, Morowali, July 2018.

tion in Bali.[54] One of the business persons involved in the construction is Tjandra Limanjaya. He is the owner of PT General Energy Bali, a company which has a joint venture with China Huadian Engineering. Limanjaya has lobby experience and a criminal record. He was declared guilty by Supreme Court in 2014 for the charge of bank guarantee forgery to acquire a loan of USD$54.8 million from Morgan Stanley[55]. The loan was used to finance PLTU Celukan Bawang contruction together with a loan from the China Development Bank. Oddly enough, despite the Supreme Court's decision, Limanjaya was never jailed.

Celukan Bawang people's rejection of the PLTU began with manipulations as described earlier. What made the people even angrier is that they did not get full compensation for their land and buildings that were bought by the company. In other words, the company is indebted. In addition to this, people were not given opportunities to work in the plant although they gave their land and livelihood for the plant. People were also worried about the environmental impacts caused by the plant. Their resistance is still mainly legal, supported by a pro bono legal aid network, the Bali Legal Aid. The lawsuit against the company was filed a few years ago. The newest development in the case is that the people also filed for an environmental permit lawsuit against the company on 24 January 2018 to the State Administrative Court (PTUN). The lawsuit was in response to the company's plan to build two new units which will once again require massive land acquisition. This lawsuit is currently in the Supreme Court.

The People's rejection movement was carried out democratically. People were involved in each and every process. Bali Legal Aid does not only provide legal advice and legal aid but also holds a learning forum where people are able to participate, which has led to community empowerment. After the lawsuit was filed in the state court, and people appealed to the Supreme Court, they started to evaluate and review their legal struggle. People and Bali Legal Aid, together with several other environmental NGOs, are now doing a study to find and to organize a wide-ranging campaign involving more Balinese. The campaign and public involvement will establish a good precedent, if we also consider the *Bali Tolak Reklamasi* Movement, which was successfully cancel the reclamation project belong to

54 Alfian Al-Ayubby dan Gina Sabrina. 2018. "*Membangun Infrastruktur Untuk Siapa?*". Indoprogress, https://indoprogress.com/2018/10/membangun-infrastruktur-untuk-siapa/ (accessed 16 Oktober 2018).

55 "*Kisah Morgan Stanley Tertipu Bank Garansi Palsu 'Bank Mandiri' US$ 55 Juta*". https://finance.detik.com/moneter/d 1628223/kisah-morgan-stanley-tertipu-bank-garansi-palsu-bank-mandiri-us-55-juta (accessed on 13 July 2018). See also http://putusan.mahkamahagung.go.id/putusan/5f6088e3f0b2c8d71b2efbe7c811a128 (accessed 15 July 2018).

Tommy Winata who is among the Suharto's cronies.

The process of mine mouth power plant Gunung Raja construction started back in 2011. The plant began operations in 2016. A year later, in 2017, people were still holding demonstrations to demand their land compensation[56]. At first, the plant was surrounded by rubber farms but construction meant more and more people lost their farms and the people demanded the company pay fair price for their land.

One of the issues that gained a lot of attention from the labour movement in Indonesia and the wider public was the racism related to Chinese investment. Racism does not occur as an isolated event. Racism grew from the grassroots level, and it was used by union elite for their political campaign. Racist propaganda was utilised where phrases like 'Chinese workers take away Indonesian workers' right to work', 'Chinese workers have become proxy for China's military to colonialize Indonesia', and many other were used to catalyse unrest. After Joko Widodo issued President Regulation No. 20 of 2018 on The Use of Foreign Workers (known as Perpres TKA), racism spread even more widely. There are rumours that millions of Chinese workers enter Indonesia illegally. Both pro-Joko Widodo unions and against Joko Widodo unions took up the rumour and said that the coming of millions of Chinese workers is the early step for China's investment in Indonesia.

One of the biggest sources of racism and ignorance is on the inconsistency of the number of Chinese migrant workers in Indonesia. Each government body has different data in terms of this number. And this has contributed greatly on the public misinformation and confusion. The Labour movement, then, absorbed the confusion and took a racist stance. The inconsistency of the data mirrors the government's falter in the face of capital pressure from China. China's capital is flooding but is not responded with sufficient legal framework in Indonesia. It means that law and regulation, including migration regimen, in Indonesia are not flexible enough in the face of capital and workers' penetration from China.

China has been one of the economic giants in the globe over the last few years and the investment went to different developing countries under different schemes (bilateral, multilateral, etc.). Now, under new project called Belt and Road Initiative (BRI), China is leading capital accumulation by opening new distribution and logistics sites in many countries.

56 Direktori Putusan Mahkamah Agung. Putusan Nomor 3/Pdt.G/2017/PN Mre

So far, China's investment in Indonesia is the third most valuable investment[57]. China's investment does not seem to be slowing down, as it seems it will grow even bigger as the geographical coverage of its infrastructure projects expand further.

Different from capital from the United States, Europe or Japan, China's infrastructure projects bring along contractor companies from China. In Indonesia, as noted by Ta Kong, there are 49 Chinese contractor companies that came together to work on these Chinese investment projects[58]. To build these infrastructure projects, companies were recruited by the banks and companies who provided the investment — with massive financial support from the Chinese Government. Contractor companies also bring with them workers from China. In some African countries, which are now flooded with hundreds of infrastructure project worth billions of dollars Chinese investment, the pattern is quiet the same. Contractor and subcontractor companies from China insist on employing Chinese workers across hundreds of infrastructure projects, properties and so on.[59]

Studies and information on China's investment in infrastructure projects that involve Chinese workers in Afrika is not available. Information and studies about the same thing but in Indonesia are also not available. To add more complication, official data on the number of Chinese migrant workers varies from one government body to another. General Director of Immigration, Ministry of Law and Human Rights, Franky Sompie, said that the differences lie in the way each government body records data. The Immigration Department calculate the number based on workers' traffic in and out of the country and temporary resident permits issued for migrant workers and their families[60]. Meanwhile, the Ministry of Manpower calculates the number of foreign workers using the number of Foreign Worker permits. The Ministry of Law and Human Rights noted that in 2016 there were 31,030 Chinese migrant workers in Indonesia.[61] Meanwhile, Pusdatin of the Ministry of Manpower said there were 21, 271 migrant workers in

57 "*Investasi Cina di Indonesia Terus Meningkat*". https://bisniskeuangan.kompas.com/read/2017/04/26/165855826/investasi.china.di.indonesia.terus.meningkat (accessed 28 July 2018).

58 "Mixed messages of Chinese investment in Indonesia". http://www.eastasiaforum.org/2017/05/18/mixed-messages-of-chinese-investment-in-indonesia/ (accessed, 25 July 2018).

59 "Ghana Resident: Why Does China Send Workers to Africa When So Many Here Are Unemployed?". https://www.huffingtonpost.com/entry/china-workers-africa_us_57ad51ace4b071840410bb60 (accessed 25 July 2018).

60 "*Penyebab Data TKA Versi Imigrasi dan Kemenaker Berbeda*". https://nasional.sindonews.com/read/1172394/15/penyebab-data-tka-versi-imigrasi-dan-kemenaker-berbeda-1484822660 (accessed on 3 August 2018).

61 "*Imigrasi: Tenaga Kerja Asal Cina Mencapai 31 Ribu Orang*". https://nasional.tempo.co/read/830295/imigrasi-tenaga-kerja-asal-cina-mencapai-31-ribu-orang/full&view=ok (accessed on 3 August 2018).

2016[62]. If we see the overall number of migrant workers in Indonesia in 2016/2017, there are more than 86,000 people (Sumber datanya harap disebutkan). This number is relatively small compared to the number of migrant workers in ASEAN countries. Brunei Darusalam has 137,200 migrant workers, Singapore has 1.4 million migrant workers, and Malaysia has 1.8 million migrant workers.[63]

Therefore, because government bodies have varying data on the number of migrant workers, the narrative about millions of Chinese workers entering Indonesia illegally does not make sense and is exaggerated. Nevertheless, the inconsistency has created public misinformation and confusion which could lead to the spread of racist ideologies. On the ground, workers and the public have conducted illegal persecution of Chinese workers. The aggressors thought that Chinese workers did not have a working visa or permit but continued to work anyway. Mass media also reported this. Persecution was carried out because the aggressors thought that the immigration department was not doing its job and that they allowed immigration violations happen. In IMIP, for the last three years, there have been two persecutions of Chinese workers by people around the Park. The first, in December 2016, was done by students, and the second, in June 2018 was done by tens of people who went to IMIP operational office to persecute the Chinese workers.

CONCLUDING NOTES

Capital flows into Indonesia are part of a story about infrastructure development which was vigorously undertaken by the Indonesian government over the last 10 to 15 years. Chinese capital flow into Indonesia must also be viewed as an integral part of the story around how recent economic development and distribution of global capital were used to overcome an over-accumulation crisis. The overcapacity crisis of a coal-fired power plant in China became the main driver of massive capital flows into Indonesia. In the energy sector, especially coal-fired power plants, China is the key player. Chinese capital in this sector is the complete package of direct investment, loan, workers and technology.

62 "*Daftar Ijin Mempekerjakan TKA Yang Diterbitkan Periode Tahun 2012 s.d. April 2017 Berdasarkan Kategori Sektor*". http://pusdatin.kemnaker.go.id/adminpusdatin/ebook/62206000_1497409072.pdf (accessed 03 Agustsu 2018).

63 "*Inilah Jumlah Tenaga Kerja Asing di Indonesia Dibanding Beberapa Negara*". https://databoks.katadata.co.id/datapublish/2018/08/21/inilah-jumlah-tenaga-kerja-asing-di-indonesia-dibanding-beberapa-negara (accessed on 3 August 2018).

In addition, Chinese capital in the dirty energy sector in Indonesia is not without contradictions. In addition to problematic project management in construction, Chinese capital projects are also haunted by inevitable crises and are viewed as overpaid and under scrutinized. The contradictions are more acute if we also consider the environmental perspective, i.e., pollution due to high consumption of coal.

Within the labour context, working conditions across Chinese companies and investment projects is as poor as working condition in other Indonesian investment projects in Indonesia. Findings from fieldwork in three locations showed that workers' basic rights like decent wages, working conditions, working hours, holiday, leave, freedom of association and so on are being carelessly suspended and ignored. The government, alongside companies, purposely ignored their responsibility in fulfilling and respecting workers' rights. By avoiding workers' rights, companies retain more and bigger profits. Profit motive explains why companies are reluctant to spend more in certain areas like decent wages or to improve working conditions. The government, whether it is national or regional, carries out inadequate monitoring despite awareness of ample violations of workers' rights by companies. The government is frequently subject to lobbying by companies who seek to maintain a friendly capital investment climate. Finally, Chinese capital in Indonesia must be explored further to be able to gain a more detailed picture on the emerged contradictions of it, especially regarding environmental and social impact.

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An Overview of the Chinese Direct Investment and its Impact on Labour Rights and the Working Condition of Workers

Workers Information Centre (WIC) and Focus on the Global South (FOCUS)

Cambodia socio-political economy of development

Cambodia's has had a neo-liberal economy since the mid-1990s. This model was adopted during an economic reform as part of the country's post-conflict, rehabilitation and reconstruction process. The political system also underwent a reform process. A first general election took place in 1993, under the authorisation of the United Nations Transitional Authority in Cambodia (UNTAC), which was established as a way to keep peace during the transitional period (February 1992 – September 1993) by Paris Peace accords that were signed in 1991.[64] According to Guttal (2005), reconstruction literally involved everything, from the demobilization of armed groups and peace-keeping, to writing new constitutions, formulating new national laws and fast-tracking foreign investment.[65]

Noticeably, a neo-liberal economic model was the only option for the ruling regime after many years of isolationist policies, shielding Cambodia from the rest of the world. During this time, Cambodia was in a desperate state where official development assistance (ODA) and loans from outside were the main funding resources to rebuild the national, social infrastructure and economy. There was a strong push to implement this economic model by most of the current regime leaders and academe. Those who support this economic agenda and ideology believe that it will address multiple existing problems and help solve problems by assisting in poverty re-

64 Cambodia – UNTAC. https://peacekeeping.un.org/mission/past/untacbackgr1.html. Accessed Jan 22, 2019.

65 Shalmali Guttal, "Reconstruction: an emerging paradigm," Focus on the Global South, 2005. https://focusweb.org/content/reconstruction-emerging-paradigm. Access Jan 21, 2019.

duction, boosting economic development and sustaining economic growth, helping integrate Cambodia's economy into the region and the world's economy, ultimately joining the global value chain. It was believed this economic model could end the civil-war and conflicts in the country and rebuild the country's stability.

International Financial Institutions (IFIs), especially the Asian Development Bank (ADB), the International Monetary Fund (IMF) and the World Bank (WB) have played an important role in structuring and fuelling the neo-liberal economic paradigm in Cambodia through their lending policy frameworks, including the Enhanced Structural Adjustment Facility (ESAF) of the IMF.[66] The ESAF was later combined with the WB's lending policy called the Structural Adjustment Programmes (SAPs) and later changed to the Poverty Reduction Strategy Paper (PRSP).[67] Agreeing to the PRSP was declared a pre-condition to accepting foreign aid and loans from sending countries. The PRSP framework was strongly supported and was later enforced by developed countries, bilateral and multilateral institutions, including the United States of America (USA), Australia, Germany, Japan, the European Union (EU), and other members of the Organisation for Economic Cooperation and Development (OECD).

A kick-start to the enforcement of this economic system began with the deregulation, enactment and promulgation of national regulations and legal frameworks to align with international trade investment standards. Privatization is when the state reduces spending on public services through public sectoral reform and encourages the private sector to take over provision of essential services. The deregulation process set to attract foreign direct investment (FDI). The enactment of those laws and regulation frameworks included such as: law on investment (enacted in 1994, was later amended in 2003 which is known as law on the amendment to the law on investment), law on banking and financial institute (was promulgated in 1999), the sub-decree No.11 on Build-Operate-Transfer (BOT) contract (was passed in 1998), land law and land reform, demining project, and forestry reform, etc.

Sectoral reform has taken place from health, education, agriculture, fisheries and tourism sectors to land use and land management, etc. Health

66 "Table 1. Cambodia: Policy Framework Paper Matrix (199-2002)," International Monetary Fund https://www.imf.org/external/np/pfp/1999/cambodia/cambodia.pdf. Accessed Jan 21, 2019. "Structural Adjustment, Economic Growth and the Aid-Debt Service System," Site resource of the World Bank. p. 4. http://siteresources.worldbank.org/INTPRS1/Resources/Comprehensive-Review/unctad_ch4.pdf. Accessed Jan 21, 2019.
67 "Cambodia: poverty reduction strategy paper," International Monetary Fund Jul 2006. https://www.imf.org/external/pubs/ft/scr/2006/cr06266.pdf. Accessed Jan 28, 2019.

services that used to be provided free of charge to Cambodian people at public hospitals have changed to the user-charge or user-fee scheme. The national health financing charter was first approved by the Council of Ministers as part of the sectoral reform where user fees were introduced at public sector health facilities. The charter was approved in 1996[68] and in 1997, user fees began to be charged at some public health centres, referral hospital, and one national hospital.

The 1994 law on investment and the 2003 amended law on investment established a very generous and friendly business environment for investors.[69] The investment law includes the most liberal elements, including: (1) the non-discrimination towards foreign investors and (2) to ensure equal treatment of investors, both foreign and Cambodian nationals' clause; and (3) prohibition of price control on goods and services imposed on the investors. Investment incentives and privileges are given, especially to the 9 priority sectors that obtain the qualified investment project (QIP) (the exemption of custom duties and taxes, corporate taxes exemption, 100 percent imported duty free of some specific products, 100 percent exemption of export tax, profit tax exception or known as tax holiday (up to 9 years in maximum), and permit to bring in foreign skilled-labour and manager level staff, etc.), and allow to use of the foreign currency in the investment transaction.

Investment started to flow to Cambodia one year after the enactment of the investment law where among the approved investment projects was by the Council for the Development of Cambodia (CDC) worth US$ 2.3 billion.[70] The approved investment projects later reached US$ 25.75 billion in 2008.[71] China has the largest share of the total FDI (accounting for 23.97 percent of the total), followed by South Korea (accounting for 10.68 percent of the total). The other major sources were Malaysia, Taiwan, Hong Kong, and Thailand. FDI has been thus far been predominated by the garment, footwear, and textile industry.

Chinese investment has remained a leading source of foreign direct investment in Cambodia. Chinese investment accounted for almost 30

68 Health Economic Task Force, Ministry of Health, Cambodia, MOH/WHO Health Sector Reform Project Phase III. Strengthening District Health System, "Introducing User Fees at Public Sector Health Facilities in Cambodia, an overview," MOH/UNCEF, September 2000. p. 5. https://www.unicef.org/cambodia/CBD_00_08_1.pdf. Accessed Feb 12, 2019.

69 Law on Investment of Kingdom of Cambodia, Aug 4, 1994. Chapter IV-V. http://ibccambodia.com/wp-content/uploads/2016/06/Law_on_investment_English.pdf

70 Council for the Development of Cambodia (CDC), FDI trend. http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-enviroment/fdi-trend.html. Accessed Jan 28, 2019.

71 Ibid. Council for the Development of Cambodia (CDC), FDI trend. http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-enviroment/fdi-trend.html. Accessed Jan 28, 2019.

percent of the total investment in 2016.[72] Chinese investment has been involved in various sectors, including the garment, footwear, and textile industry, mining, agriculture, tourist sectors, including in Special Economic Zones (SEZ). Noticeably, Chinese investment has been expanding in recent years—especially in the areas of finance and banking, casino, resorts, real-estate (housing, apartment complexes, and commercial offices, etc.), hotels, international airport and deep seaport building.

"THE ENGINE OF ECONOMIC GROWTH," THE NATIONAL ECONOMIC DEVELOPMENT STRATEGIC FRAMEWORK

What can Cambodia offer to investors?

> *"Need to new growth sources to ensure high and sustainable economic growth by taking full advantage of the regional opportunities, creating value added in the existing economic pillars and their related sub-sectors, encouraging investment in agriculture, ensuring readiness to grab new technologies in the era of digital economy as well as to grab opportunities and to overcome potential challenges in the context of the industrial revolution 4.0 – becoming and upper middle-income country by 2030 and a high-income country by 2050."* A Rectangular Strategy 2019-20.

Cambodia's many untapped natural resources make it attractive to investors, both local and foreign. Cambodia is rich in biodiversity. It is home to the third-largest lowland dry evergreen forest in Southeast Asia, with 2,300 plant species, 14 endangered animals, and one of seven elephant corridors left in the world.[73] Cambodia shares the Mekong river, which is second to the Amazon River in terms of natural biodiversity. The Mekong river supports the world's largest freshwater fish species and the livelihoods of at least 60 million people.[74] In addition, the accessibility to extensive plots of land has been an important value add to investors, provided by land concessions which have been running for a long time. Cambodian land law allows private investors to accumulate lands up to hectare 10,000 hectares for 55 years per one term, with the possibility of renewal.

72 'Investment Trend,' Council for the Development of Cambodia (CDC). http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-enviroment/investment-trend.html

73 . "Environment and Resilience," the United States Agency for International Development (USAID). May 14, 2019. https://www.usaid.gov/cambodia/environment-and-global-climate-change. Accessed May 24, 2019.

74 Shalmali Guttal and Sophea Chrek, Focus on the Global South (FOCUS). "An Overview of Large-Scaled Investments in the Mekong Region." December 2016. p.6

Cambodia's population is a majority young and working age population. As of 2018, Cambodia's gross domestic product (GDP) was 7.0 percent. [75]Private investment contributes to GDP growth. Private investment has been sought by various sectors, including the industrial sector, the light industry (which uses intensive labour,) agrobusiness and large plantations, fisheries, foods and beverages, extractive industry (natural gas, oil, and mining), hydropower-dams, Special Economic Zones (SEZs) and Industrial Zones (IZs), infrastructure, tourism (resorts, hotels, golfs fields, eco-tourism, and casinos, etc.), real estate (housing, condominiums, golf fields, and resort, etc.), mega and/or smart cities development, urban expansion, airports, seaport and deep seaport development, etc.

Cambodia's socio-economic political strategic framework, also known as the National Strategic Development Plan (NSDP 2014-2018),[76] is guided by the Rectangular Strategy (RS-IV).[77] The NSDP sought to deepen the market liberalization agenda, continue to promote and enable the private sector/business environment and investment protection, to further liberalize national economic policies and mechanisms to align with international trade standards, and deepen privatization. It is believed that this strategic framework will contribute to multiple purposes, including: to further poverty reduction and reduce inequality, integrate Cambodia's economy into regional and global markets and join the global value chain, take advantages from the industry 4.0, as well as moving from a least developed country to an upper-middle income country by 2030.[78]

In addition, the industrial policy (2015-2025) sets out key strategic areas, such as to enable a more friendly environment for business and private sector investment through promotion of and protection of the private sector.[79] Potential areas of investment were identified using the same framework, and those include upgrading the manufacturing industry, which is highly labour intensive, and transfer to a high-tech industry; expand in-

75 ASIAN Development Bank Outlook (ADO) 2018 Update: Maintaining Stability Amid Heightened Uncertainty. p. 188 – 189. https://www.adb.org/sites/default/files/publication/452971/ado2018-update.pdf. Accessed March 11, 2019.

76 "National Strategic Development Plan for Growth, Employment, Equity and Efficiency to Reach Upper-middle Income Country," The Royal Government of Cambodia, 2014-2018. p.79. http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf. Accessed Jan 28, 2019.

77 NSDP is guided by the Rectangular Strategy (RS) and was evolved from the Triangular Strategy (TS). RS has been promoted among the ruling regime's allies and the supporters as the "Win-Win" strategy for the Cambodia's socio-political economy.

78 "Market orientation and Enabling Environment for Industrial Development," Cambodia Industrial Development Policy 2015-2025. Approved by Council of Ministers at its Plenary Meeting on 6th March, 2015. http://www.mih.gov.kh/File/UploadedFiles/12_9_2016_4_29_43.pdf

79 Ibid.

vestments in tourism and eco-tourism, develop economic corridors, special economic zones, and new industrial park, and to expand agri-business.

Cambodian has signed numerous trade and investment treaties and agreements and joined a number of regional and international institutions. Among those, Cambodia signed 26 bilateral investment treaties (BITs),[80] 17 treaties with investment provision (TIPs),[81] and 21 investment related instruments (IRIs).[82] Cambodia is a member of the Association of South-east Asia Nations (ASEAN), the World Trade Organization (WTO), the Ayeyawady-Chao Phraya Mekong Cooperation Strategy (ACMECS), Mekong Langcang Cooperation (MLC),[83] Belt and Road Initiative (BRI) as well as signed many bilateral investment MoU with several countries, including China.[84]

Cambodia is a member state of the Greater Mekong Sub-region (GMS) economic cooperation program among the six countries that share the Mekong River including Laos, Myanmar, Thailand, Vietnam and Yunnan province of China. This program was initiated by the Asian Development Bank (ADB) in 1992 with the aim to structurally enhance the so-called economic cooperation by improving corridor connectivity, liberalising trade and promotion of investment and facilitation among these countries.

Investment promotion is focused among nine priority sectors: agriculture, energy, environment, human resource development, telecommunication, tourism, transport infrastructure, and trade facilitation, are in this program.

Similarly, Infrastructure Financing remains one of the major projects within the ADB's Work Program and Budget Framework (WPBF), also known as the three years strategy of the ADB 2030 agenda. Infrastructure financing covers about 68% of this framework (2019-2021). Of the ADB's total budget of 428 projects, US$13.7 billion will be financed to Southeast Asia. Apart from infrastructure financing, promotion of foreign direct in-

80 International investment navigation of the united nations conference on trade and development https://investmentpolicyhub.unctad.org/IIA/CountryBits/33#iiaInnerMenu. Accessed February 08, 2019

81 Country Cambodia treaty with investment provision, of the united nations conference on trade and development https://investmentpolicyhub.unctad.org/IIA/CountryOtherIias/33#iiaInnerMenu. Accessed February 08, 2019.

82 Investment related instruments, of the united nations conference on trade and development https://investmentpolicyhub.unctad.org/IIA/CountryIris/33#iiaInnerMenu. Accessed February 08, 2019.

83 Five Year Plan of Action on Lancang Mekong Cooperation. http://pressocm.gov.kh/wp-content/uploads/2018/01/ENG-Five-Year-Plan-of-Action-on-Lancang-Mekong-Cooperation-2018-2022.pdf. Accessed February 22, 2019.

84 http://pressocm.gov.kh/wp-content/uploads/2018/01/2018-01-11_EN-JC-Li-Keqiang-Chinese-Premier-Visit-Cambodia.pdf

vestment (FDI), energy production and consumption have been set as priorities in this strategic framework.

Among those is the Ayeyarwady-Chao Phraya Mekong Cooperation Strategy (ACMECS). Among the ACMECS, there are three pillars "Seamless ACMECS", "Synchronized ACMECS Economies", and "Smart and Sustain ACMECS" – also known as 'the three S's'. These pillars form the basis of the 5-year master plan (2019-2023). ACMECS will focus on the infrastructure investment, development of digital infrastructure and the connectivity of energy network, the harmonizing trade and investment rules and regulations, supporting the financial cooperation, and human resources development and application of modern technology as well as cooperation in strategic areas and promotion of energy efficiency. There was a proposal to establish the ACMECS Fund and the ACMECS infrastructure fund and trust.

Most of these regional economic policy frameworks and agreements seek to deepen the trade liberalization agenda by promoting economic integration, market access as well as integration into the global value chain. Of these large-scale investment projects and trade facilitation programs, the enhancement of investment projects includes cross-border and connectivity projects, large-scale investment in hydropower-dam developments along the Mekong Basin, increased investment in agrobusinesses, and water extraction through the so-called infrastructure development. Additions to this infrastructure development include coal extraction and natural mining for energy, construction of and investment into economic corridors including the Border Special Economic Zones (BSEZs), the Special Economic Zones (SEZs), and Industrial Zones (IZs). To add, infrastructure development will also include construction of condominiums, housings, resorts, airports and deep seaports, etc.

CAMBODIA-CHINA DIPLOMATIC RELATIONS AND THE OFFICIAL DEVELOPMENT ASSISTANT (ODA)

> *"The Chinese side reaffirmed support to the effort of the Royal Government of Cambodia to defend its sovereignty, independence and maintain political stability. The Cambodian side reaffirmed its commitment to the one China policy, recognizing the Government of the People's Republic of China as the sole legal government of China and Taiwan as an inalienable part of China, its opposition to the "independent of Taiwan" in any form, and its continued support to the*

peaceful development of cross-straits relations and the great cause of peaceful reunification of China. The Chinese side highly appreciated the understanding and support of the Cambodian side."[85]

2018 marked the 60th anniversary of Cambodia-China diplomatic relations. Although several reports indicated that Cambodia-China diplomatic relations started earlier, others show that this relationship was built during the regime of former King Norodom Sihanouk. It started in his first meeting with the Chinese Premier Zhou Enlai at the Bandung Conference in 1955. However, an official relation started three years later in 1958. China and Cambodia relations have since been maintained. However, from the perspective of some Cambodians, the former King set out to impose restrictions on the professions available to the Chinese and their business operations in the country. Cambodia-China relations became more stringent when the two states began to hold exchanges of their high-level officers in visits, as well as permitting some scholars to pursue higher education in China. The former King and his family had oftentimes sought health care and treatment in China and the former King, even died in s Beijing hospital in 2012.

These two countries' diplomatic relations have changed from time to time, which has been due to the leadership of each regime. During the Democratic Kampuchea or the Khmer Rouge regime, thousands of Chinese and mixed Chinese-Khmer were killed or deported to neighbouring countries, especially to Vietnam and Thailand. The Khmer Rouge regime was the worst of all time for the Chinese, who were viewed as "degenerate urban capitalists". Rural as well as urban Chinese came under suspicion.[86] The killing of Chinese people en masse was not a standalone case since to the regime, neither foreigners from the western nor Asian world were considered their potential enemies or threats. The treatment toward Chinese people who lived in Cambodia during the post-Khmer Rouge (the Chan Si leadership) period was not much different. The national policy at that time also set out to restrict the business and movement of Chinese people in Cambodia.

"Foreign residents like Chinese, Vietnamese and those who were close to them, like mixed Chinese-Khmer, or mixed Vietnamese-Khmer, were killed. Pol Pot

85 Join Statement

86 Evan Gottesman, Cambodia After the Khmer Rouge: Inside the politics of national building. Yale University Press. New Haven and London yalebooks.com. p.171-172

and Ieng Sary killed or deported hundreds of thousands of Chinese and Vietnamese. As a consequence, tens of thousands of Chinese took refuge in Vietnam." [87]

"At first, these Chinese arrived [in Cambodia] with empty hands, but then [they revealed] their capacity to commandeer our workers and our nationals and take steps toward engaging in pure capitalism… In Cambodia the Chinese are creating insecurity and are destroying the national economy," Chea Soth, explained in his speech in October 1982. [88]

Cambodia-China diplomatic relations have since been revised and tightened, specifically during the current ruling regime, the Hun Sen regime. In an official visit of President Xi Jinping to Cambodia (a visit made by invitation from King Norodom Sihamoni), the trip was consummated with 31 bilateral agreements signed. Those agreements included: (1) the Agreement on Cambodia-China Governmental Economic and Technical Cooperation; (2) the Protocol on Remitting Partial Debt of the Government of the Kingdom of Cambodia; (3) the Exchange of Note on the Cambodia-China Friendship Medical Building Project; (4) the MoU on Formulating the Outline of Bilateral Cooperation Plan to Jointly Build the Silk Road Economic Belt ; (5) the 21st Century Maritime Silk Road; (6) the Agreement on Strengthening Cooperation in Counter Trafficking in Person; (7) the Agreement on Avoidance of Double Taxation; (8) the Agreement on Strengthening Cooperation Under New Circumstances Between the two Foreign Ministries; (9) the MoU on Promoting Industrial Investment Key Cooperation Projects; (10) the MoU on Cooperation on Domestic Security Enforcement; (11) the MoU on the Cooperation of Inspection Sector;(12) the MoU on the Study of Master Plan on Water Resources Planning Outline Project; (13) the Support Resources Project; (14) the MoU on the Maritime Cooperation; and finally, (15) the Agreement on Radio and Television Cooperation.[89]

Of those agreements, Cambodia taken a strong political stance in defennse of China, including support for their "One China Policy", where China has taken the position that there is only one Chinese government, where Taiwan is an inalienable part of China, to be reunified with mainland China one day. However, Cambodia is opposed to calls for "the independ-

87 Ibid.
88 Ibid.
89 Joint Communique between the Kingdom of Cambodia and the People's Republic of China. January 11, 2018. http://pressocm.gov.kh/wp-content/uploads/2018/01/2018-01-11_EN-JC-Li-Keqiang-Chinese-Premier-Visit-Cambodia.pdf. Accessed March 27, 2019.

ence of Taiwan" from the state of China. Equally important, the Cambodian ruling regime has oftentimes showed its clear political stance in challenging other ASEAN member states from taking their roles in the South China Sea disputes, despite the fact that that at least two ASEAN member states, namely the Philippines and Vietnam, are parties to these disputes. The ruling government claimed to continue its implementation of conduct, which includes the non-interference principle and called for unity, urging countries in ASEAN to discuss and resolve their issues as ASEAN is not the court. On top of this pronouncement, the ruling leader also stated that Cambodia would not make any joint declaration to support the court's decision as well as challenge ASEAN not to issue any statement in support of the court decision over the disputes.[90] At the same time, according to The Diplomat article "Cambodia – China hold its first naval exercise amid the South China Sea disputes", at least three warships docked at the Sihanoukville port.[91] The same report had also indicated that this visit would include the military exchange, friendly football matches, as well as a joint drill.

Whereas from the China side, China's spokespersons, both in Beijing and in Phnom Penh, have oftentimes defended the Cambodian ruling regime against various international communities and the UN Human Rights High Commissioner at some international forums, including the UN Human Rights Council session,[92] the phasing out of Everything But Arms (EBA),[93] as well as the call for economic sanctions from the US and other countries over issues related to the 2018 national election result, the human rights violation situation, the dissolution of the opposition party – Cambodian National Rescue Party (CNRP) and the jailing of their leader Kem Sokha, the extra judicial killings of analysts and other activists, intimidation and other forms of oppressing activists and dissidents. Chinese diplomats and spoke persons have oftentimes shown their gratitude and their so-called mutual relationship to the Cambodian's ruling party by calling on other countries and/or foreigners to not interfere in Cambodian politics, especially during

90 "The South China Sea and ASEAN Unity: A Cambodian Perspective," ASEAN Studies Program. https://thcasean.org/read/articles/268/The-South-China-Sea-and-ASEAN-Unity-A-Cambodian-Perspective. Accessed April 29, 2019.

91 Prashanth Parameswaran "China, Cambodia Hold First Naval Exercise Amid South China Sea Fears," The Diplomat. February 24, 2016. https://thediplomat.com/2016/02/china-cambodia-hold-first-naval-exercise-amid-south-china-sea-fears/. Accessed April 29, 2019.

92 Niem Chhang. "China Stands for Cambodia" 27 September 2018. https://www.phnompenhpost.com/national/china-stands-cambodia. Accessed January 28, 2019.

93 The Everything But Arms (EBA) initiative is the European Union's Generalized System of Preferences (GSPs) for Least Developing Countries (LDCs), includes Cambodia. EBA provides all LDCs with duty-free and quota-free access on all exports (exception armaments). May Kunmakara. "China to Help Cambodia if EBA Removed," Khmer Times. April 29, 2019. https://www.khmertimeskh.com/50598739/china-to-help-cambodia-if-eba-removed/. Accessed May 29, 2019.

the Cambodian general election.[94] In addition, China has strongly showed its support and respect fot its deep-rooted relationship with the Cambodian ruling government by welcoming Cambodian' products to the makret, even if the EU and/or the US' markets are no longer open to Cambodia.

> *"Both sides will enhance the exchanges of visits and experiences between the governments, parliaments, parties, civil societies and local authorities of the two countries. Both sides will put into full play the role of the Inter-governmental Coordination Committee between Cambodia and China, in order to advance overall coordination of the pragmatic cooperation in various fields. Both sides agreed to enhance exchanges and cooperation in diplomacy, national defense, law enforcement and security. Both sides will fully implement the Agreement on Strengthening Cooperation Under New Circumstances between the two Foreign Ministries, enhance pragmatic cooperation in military training, institutional education, medical service and logistics, deepen cooperation in combating transnational crimes, human trafficking, cyber-crime, terrorism as well as anti-drug operation, capacity building of law enforcement and case investigation. Both sides agreed to designate 2019 as the year of Law Enforcement Cooperation between Cambodia and China."*[95]

China remains the largest bilateral development partner to Cambodia. Official Development Assistance (ODA) from China was US$224 million, which accounted for 17 percent of total ODA disbursement in 2017 and investment was even greater in 2018, rising to US$251.4 million. Followed by Japan, its ODA disbursement was US$126.4 million in 2017[96] and increased to US$168.0 million in 2018. The United States of America (USA) used to be the third largest bilateral donor to Cambodia with its aid amounting to US$55.7 million in 2008, but dramatically declined to US$35.7 million in 2018. The ADB has been the largest multilateral development bank and/or international financial institution (IFIs) to Cambodia. Its ODA was valued at US$146.0 million in 2017 and increased to US$181.2 million in 2018. Ad-

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94 "China Says Foreigners Should Not Interfere in Cambodia After Election," Straits Times. August 2, 2018. https://www.straitstimes.com/asia/se-asia/china-says-foreigners-should-not-interfere-in-cambodia-after-election. Accessed January 28, 2019.

95 Ministry of Foreign Affairs of the People's Republic of China, Comprehensive Strategic partnership of Cooperation between the People's Republic of China with Cambodia. https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2696_663396/. Accessed April, 21 2019; Joint Communique between the Kingdom of Cambodia and the People's Republic of China. Beijing January 23, 2019. http://cnv.org.kh/wp-content/uploads/2019/01/Joint-Communique-Between-The-Kingdom-of-Cambodia-and-the-People%E2%80%99s-Republic-of-China-23012019.pdf. Accessed June 4, 2019.

96 "Development Cooperation and Partnership Report," Cambodian Rehabilitation and Development Board/Council for the Development of Cambodia. January, 2018. p.9-11. http://www.cdc-crdb.gov.kh/cdc/dcpr_images/docs/english.pdf Accessed Feb 28, 2019.

ditionally, according to the Straits Times newspaper, China planned to give US$800 million of additional aid to Cambodia from 2019 to 2021.[97]

Politically, China's ODA has thus far been considered the friendliest bilateral development partner to the Cambodian ruling government. ODA from China has been steered by its guiding principles known as "The Eight Principles" for economic aid and technical assistance to other countries. [98]The guideline was initially announced by Premier Zhou Enlai in 1964 in his diplomatic visit to Africa. These guiding principles are still used today by the Chinese government. The "Eight Principles" are:[99]

1. The Chinese government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual;
2. In providing aid to other countries, the Chinese government strictly respects the sovereignty of recipient countries, and never attaches any conditions or asks for any privileges;
3. China provides economic aid in the form of interest-free or low-interest loans, and extends the time limit for the repayment when necessary so as to lighten the burden on recipient countries as far as possible;
4. In providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development;
5. The Chinese government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital;
6. The Chinese government provides the best-quality equipment and materials manufactured by China at international market prices. If the equipment and materials provided by the Chinese government are not up to the agreed specifications and quality, the Chinese government undertakes to replace them or refund the payment;
7. In giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technology; and

97 "China Pledges $800 M in Aid to Cambodia," Straits Times. January 23, 2019. https://www.straitstimes.com/asia/se-asia/china-pledges-800m-in-aid-to-cambodia. Accessed May 29, 2019

98 Full text: China's Foreign Aid. p.10. http://www.gov.cn/english/official/2011-04/21/content_1849913_10.htm. Accessed May 31, 2019.

99 Ibid.

8. The experts dispatched by China to help in construction in recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

The Central government of China in Beijing makes the decisions on whether or to approve foreign aid. The Ministry of Commerce in China is the administrative department authorised by the State Council to oversee foreign aid. The Ministry is responsible for the formulation of foreign aid policies, regulations, overall and annual plans, examination and approval of foreign aid projects and management of the project's implementation and execution. The Executive Bureau of International Economic Cooperation, China International Centre for Economic and Technical Exchanges, and the Academy of International Business Officials affiliated to the Ministry of Commerce are entrusted with the task of managing the implementation of complete projects and technical cooperation projects, material aid projects and training programs connected with China's foreign aid. The Export-Import Bank of China is responsible for the assessment of projects with concessional loans, including the allocation and recovery of loans. Chinese embassies or consulates abroad are in charge of the direct coordination and management of foreign aid projects in the relevant countries. The local commercial administration departments are required to cooperate with the Ministry of Commerce to deal with affairs related to foreign aid within its jurisdiction. In providing foreign aid, the related departments of the Chinese government keep in close contact and cooperate with each other. In drafting foreign aid programs and foreign aid funds plans for each country, the Ministry of Commerce communicates regularly with the Ministry of Foreign Affairs, Ministry of Finance and the Export-Import Bank of China to seek their suggestions. This mechanism was later upgraded in February 2011, into an inter-agency coordination mechanism.[100]

THE CHINESE INVESTMENT FLOWS AND TRENDS IN CAMBODIA

As part of ASEAN, Cambodia signed numerous trade and investment agreements with China, which sought to enhance economic cooperation, deepen trade liberalization and reduce trade barriers and undertake to further promote, facilitate, and protect investments between ASEAN and

100 Ibid.

China. These investment treaties and the treaties with investment provisions included: (1) the ASEAN-China Framework Agreement on Comprehensive Economic Cooperation (ACFTA) in 2002[101] (and was later amended to the Framework Agreement on Comprehensive Economic Co-operation and Certain Agreements in 2015);[102] (2) the ASEAN-China Agreement on Investment of the Framework Agreement on Comprehensive Economic Cooperation in 2009[103]; and (3) the ASEAN-Hong Kong, China Investment Agreement in 2017.[104] These framework agreements cover major areas of trade and investment from trade in goods and services; agriculture; fishery; forestry and forestry products; information and communications technology; human resource development; tourism; industrial cooperation; resource development; Intellectual Property Rights (IPRs); Small-medium Enterprises (SMEs); environment; and to investment promotion and facilitation and others.

In addition, at a bilateral level, Cambodia has signed many investment agreements and economic cooperations with China, including the Agreement on the Promotion and Protection of Investment in 1996,[105] the joint-communiques on the Comprehensive Strategic Economic Cooperation Partnership[106] and various Memorandums of Understanding (MoUs) on investment projects, both at state level, as well as between the Chinese private companies and various ministries. By and large, these framework agreements tend to exchange, promote, facilitate, and protect investments and investment projects of both countries.

Chinese investments have flowed into Cambodia since the mid-1990s. At that time, Chinese investment was concentrated on the garment manufacturing, agrobusiness, extractive industry, and infrastructure development industries. Investment in the garment manufacturing industry was

101 Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asia Nations and the People's Republic of China. https://www.asean.org/wp-content/uploads/images/2013/economic/afta/ACFTA/6-2002%20-%20Framework%20Agreement%20on%20Comprehensive%20Economic%20Co-operation%20between%20ASEAN%20and%20China.pdf

102 https://asean.org/wp-content/uploads/2012/10/Protocol-to-Amend-the-Framework-Agreement-ACFTA-Complete.pdf. Accessed June 3, 2019.

103 Agreement on the Investment of the Framework Agreement on Comprehensive Economic Cooperation between the Republic of China and the Association of Southeast Asia Nations. https://investmentpolicyhubold.unctad.org/Download/TreatyFile/2596

104 Agreement on Investment of the Framework Agreement on Comprehensive Economic Cooperation between the Republic of China and the Association of Southeast Asia Nations. https://www.asean.org/wp-content/uploads/images/archive/22974.pdf. Accessed June 3, 2019.

105 Agreement Between the Government of the Kingdom of Cambodia and the Government of the People's Republic of China for the Promotion and Protection of Investment. https://investmentpolicyhubold.unctad.org/Download/TreatyFile/571.

106 Joint-Communique Between the Kingdom of Cambodia and the People's Republic of China. Beijing January 23, 2019. http://cnv.org.kh/wp-content/uploads/2019/01/Joint-Communique-Between-The-Kingdom-of-Cambodia-and-the-People%E2%80%99s-Republic-of-China-23012019.pdf. Accessed June 4, 2019.

motivated by Cambodia's status as a least developed country (LDC) which granted Cambodia access to United States' and European Union's markets. Within these market preferential systems was the Mutli-fibre Arrangement (MFA) which granted Cambodia access to the United States' market quota and duty-free between 1994 and 2004. In addition to the MFA, Cambodia also benefitted from the Generalized System of Preferences (GSP) and the Everything But Arms (EBA) Treaty initiated by the European Union.

FIGURE 4: Rising foreign direct investment

Source: Cambodian authorities.
Note: RHS = Right hand side

Later, Chinese investments expanded further in various areas to include hydro powered dams, tourism, finance and banking, casinos, real-estate (resorts and casinos, apartment compounds and office complexes, condominiums, and hotels, etc.), Industrial Zones (IZs), Special Economic Zone (SEZs), international airports and deep seaports development, airlines, hospitals and restaurants, and so on. Chinese foreign direct investment has varied in scale ranging from family businesses to small-medium enterprises to massive investment projects.

Some of these investments, which involve land ownership, have oftentimes had Cambodian nationals as shareholders.[107] The expansion of these investments has been notable within the past few years. The largest

107 According to Cambodia constitution article and the land law article, foreigner is not permit to hold land ownership.

growth of Chinese investments has taken place in strategic geo-economic cities and provinces, including Phnom Penh, Sihanoukville, Koh Kong, Poi Pet, Siem Reap, and Kampot province. Sihanoukville received US$126 million in approved FDI in June 2018 alone. Total approved development projects for residential and commercial purposes accounted for about 1,600 projects, amounting to US$2.1 billion during the first six months of 2018.[108]

Approved foreign direct investment (FDI) amounts increased, rising 38.4 per cent, reaching US$2.4 billion during the first six months of 2018.[109] The same report cited that these FDI inflows largely originated from China. As a share of approved FDI project value, Chinese FDI accounted for 60 percent of total FDI-funded projects (excluding FDI invested in the financial sector in 2017). In 2018, the share rose further, reaching 90 percent during the first six months. An additional 41Chinese investment projects, which together are worth more than US$1 billion, were also approved between September until mid-November 2018.[110] Those approved projects included hotels, garment factories, electrical appliance factories, cosmetics, furniture, beverage, pharmaceutical, plywood manufacturing plants, power plants and agro-industrial crops.

Of these investments, specifically during the first half of 2018, the manufacturing industry received US$120 million or a 90 percent year on year (y/y) increase.[111] Similarly, FDI inflows to the agriculture sector (including agro-processing) also increased, reaching US$167 million (during the first six months of 2018) or a 26.5 percent increase. However, FDI continues to predominantly go to physical infrastructure projects, including commercial and residential real estate development projects.

IMPACTS OF CHINESE'S INVESTMENT ON LABOUR RIGHTS

The garment manufacturing industry is considered one of the keys, long-standing sectors contributing Cambodia's economic growth. How-

108 World Bank Group, "Cambodia Economic Update. Recent Economic Development and Outlook Selected Issue: Can Cambodia Become an Upper Middle-Income Economy by 2030 and a High-Income Country by 2050?" October 2018. p. 12. http://documents.worldbank.org/curated/en/888141543247252447/pdf/132482-WP-PUBLIC-nov-28-Economic-Update-Nov-final-01Low-res.pdf. Accessed June 3, 2019.
109 Ibid.
110 "Kingdom Approves 41 Projects Worth $1 billion," The Phnom Penh Post, November 20th, 2018. https://www.phnompenhpost.com/business/kingdom-approves-41-projects-worth-1b. Accessed February 28, 2019.
111 World Bank Group "Cambodia Economic Update. Recent Economic Development and Outlook Selected Issue: Can Cambodia Become and Upper Middle-Income Economy by 2030 and a High-Income Country by 2050?" October 2018. p. 12. http://documents.worldbank.org/curated/en/888141543247252447/pdf/132482-WP-PUBLIC-nov-28-Economic-Update-Nov-final-01Low-res.pdf. Accessed June 3, 2019.

ever, the working and living conditions of the majority of workers in this industry has generally remained poor. Relatedly, workers' social protection and social security has not considerably improved either.

The garment workers' minimum wage was set at US$170 per month in 2018[112] and raised to US$182 per month in 2019.[113] However, despite the increase in the minimum wage, it has not been enough to address workers' high cost of living.[114] Workers are facing increases on rent fees, foods, transportation, and utility, which have coincided with the announcement on minimum wage increases. To help alleviate workers' struggle, the current regime's leader, Hun Sen, asked that landlords freeze rental prices at workers' compounds and not raise them.[115] Whilst some rents were not raised, in many other places, workers' compounds are operating business as usual.

> *"My monthly salary is almost not enough to cover the cost of living, include for instantance the rent and foods costs, and this is not to mention the remittance every month. Some people said that workers earn a lot. But it is hard for us to survive. I've been working so hard and it has been exhausting. I've worked overtime every day and also my day off on Sunday. But, when I received the salary, I feel, it is quite little,"* said a worker of Southland co, ltd in an interview with the research team.

The issues of labour exploitation, rights abuse, and poor living conditions of many workers in this industry (who are predominantly women, who comprise 90 percent of the total workforce) has been difficult to claim, remediate and identify who to blame. It is not realistic to place all blame onto Chinese investors nor is it feasible to separate these negative impacts of FDI from other investors as these challenges have been happened almost everywhere, no matter the nationalities these investors and/or the factory owners are.

We have found similarities between working conditions of China, Hong Kong and South Korean owned companies operating in Cambodia

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112 Ministry of Labour and Vocational Training. No.396 KB/Br.K, Prakas on "Determination of Minimum wage for workers/Employees in the Textile, Garment and Footwear Industrial for 2018," Ministry of Labour and Vocational Training, October 2017. https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/106559/130791/F-1457202068/khm106559%20eng.pdf. Accessed March 3, 2019.

113 . "New Minimum Wage Now $182," Khmer Times, October, 2018. https://www.khmertimeskh.com/540061/new-minimum-wage-now-182/. Accessed March 4, 2019.

114 "Reality of National Economic Backbone," Worker's Information Centre (WIC) and Focus on the Global South (FOCUS). July 2017.

115 Special Lease Law: passed by the Kingdom of Cambodia National Assembly in 2015 at the meeting of the 5th mandate of National Assembly.

through interviews with workers, line leaders, two union representatives employed by these companies. The similarities include: ongoing forced overtime and the use of short-term contracts (or in the legal term the fixed duration contract [FDC]) to limit workers' access to benefits. Management also use short-term contracts as a way to confuse and divide workers through differences in their contracts. We have also observed the use of lean systems in the production lines to push for greater productivity. However, what might not be different between the three companies is the attitude, especially the poor attitude of Chinese supervisors toward workers.

The ongoing profit-oriented enhancing labor exploitation and poor working condition of the garment workers

It is common practice for factory owners to use various tactics in the production chain economise production processes to maximize profit. Thus, with profit as a motivating force, factory owners/investors will focus on accumulating wealth, no matter which nationality they are belonging to. Workers have reported that sometimes factory managers use tactics like false promises of minimum wage increases to increase productivity, ultimately exploiting them.

Among those tactics, the lean system (also known among garment workers as 'the floating system') has been used in the production chain to reduce the number of workers but expecting them to produce more – in other words, reducing labor costs but increasing profit yield. The practices of three factories: the south Korean owned factory Cambo Kotop Ltd, the Hong Kong, owned South Land Ltd, and Chinese owned Hoyear (Cambodia) Garment Limited, often operate using a lean system where workers are assigned specific tasks across the whole production line. The common goal of this system is to push workers to produce more, reduce the workforce, and therefore pay less for labor. In some sections of this lean system, a worker is sometimes assigned multiple tasks or responsible for up to three sewing machines at a time. In this type of production system, each worker is made to believe that it is her responsibility to boost productivity and ensure that individual and group quotas are met at the end of the production line. Besides being responsible for her own task, workers can be moved from her section to another, especially when another section of the line is stuck or flooded by piles of clothes and workers do not have the freedom to say no to removal of the clothing.[116] Some workers find it quite challenging to work on the new skill. Lean systems are quota-driven and the set-target creates tension among workers and they are pressurised from the line's leaders and supervisors under this system.

> *"There has been the reducing number of workers. There were 45 people in each production line. But now the number of workers has dropped to between 38 and 40 people. Nonetheless, the workforce cutdown has not happened to only the workers at main sections like sewing, but it has even happened to other sections such as the quality controlling (QC) section, finishing section, and cutting sections. Management does nots recruit new workers to fill these missing positions. When the company cutsdown the workers, it has put me in a difficult position. I've to work harder and end up with exhaustion. This situation is not just happening to me, but it puts also double pressure to my workers. For instannce, in one section of the production line, there used to be 3 workers assigned to theree, but now, they require us to place only 2 workers. Therefore, we have to change our ways of working. Changing from having some short time to use the toilets to limit the time of toilets usage or hold it in until the break time,"* said a Cambodian line leader of Cambo Kotop Ltd.

> *"Although I don't like to be moved from one section to the other. But I have no choice. If I don't do what is asked, I need to submit my resignation letter. So, what I can do is wherever it is getting stuck, I will place workers there. This practice has been adopted on occassion. The factory will not allow us to sit freely," said a Cambodian line leader in South Land co, ltd.*

On top of this lean system, the increase of the set-piece rate, at the lower price, has been used by these factories owners. Both the union's representative and workers reported that this change has taken place for quite some time, especially since the minimum wage increased. The impact of the increase in the piece-rate has not only been on the workers double effort to produce, but workers have reduced the frequency of toilet breaks and to get refreshments like drinking water. Workers have often received the blame and sometimes gotten into fights with their line leaders or supervisors and/or even among workers themselves.

In Cambo Kotop Ltd, the South Korea owned company, the factory makes their payment through piece rates. They do not apply the minimum

116 A story collection of workers in Cambo Kotop, Co, Ltd, South Land Ltd, and Hoyear Ltd. Worker's Information Center (WIC) and Focus on the Global South (FOCUS), February 2019. p.21-22. This publication is available in Khmer language.

wage standard, so workers have to work hard daily to reach the minimum wage. Workers have to produce a certain amount per day in order to reach the equivalent of a daily minimum wage. The piece rate is getting lower from time to time, even when workers are producing garments that the same sort of style or similar series as ones made previously. Generally speaking, workers are not aware what standard the piece rate has been set and/or calculated against. The target of the piece rate is established by top factory management which according to the workers, are mostly Chinese managers.

> *"The factory has a system to measure our productivity. They try their best to get us to believe that they do not force us to produce more for them. What they did have to measure was how fast or how much we can produce in an hour. This is a task that they give to us at the beginning of each new production style. Once they get to know how fast we can produce, they increase the target and lower the price of that style. So far, the target is set at two levels at each worker task or responsibility and the set-target for the whole production line,"* a local union representative in Cambo Kotop Ltd told our interview team member.

He continued:

> *"…in the past, when we reached the set-target, for instance 3,000 pieces, we received pay for our overtime work. But recently, even though we worked on the same series/the repeated order/style, the set-target increased from 3,000 to 5,000 and it has to be finished within 4 hours. This is quite a lot for workers to do. While before, with the set-target of 3,000, the timeframe to complete the tasks was within 6 or 8 hours. Thus, even though the minimum wage has been increased, the factory owner does not seem to spend more, given that the increased of the set-target and the reduction of the working hours to meet the set-target. In this practice, we don't receive other benefits, especially overtime pay and the target incentives since we had to produce more within the shortened period."*

Short-term contract (or fixed duration contract-FDC)'s implementation and its complexities

There is an ongoing practice of the use of the short-term employment contract or fixed duration contract (FDC) in the garment industry. This practice has been considered a problematic for many workers, especially women workers. Noticeably, there is a new wave FDC contracts being implemented and undertaken in various factories.[117] This implementation has widened the confusion among union's leaders (include the progressive ones), labour rights organizations, as well as garment workers generally. The debate has been so far around workers' secure employment, their benefit and right abuse, especially once the contract is commenced until its end.

Under the short-term contract or FDC, workers are employed for either 3 to 6 months or at most, up to a 1-year term. Contracts can be renewed or dismissed when it comes to its expiration date. To some, it may sound reasonable to sign, end, and renew the contract. But problems arise regarding the curation of the contract, as that impacts workers' access to benefits they are entitled to. Often times, workers under this type of contract find themselves even more vulnerable since they do not know whether their contract will be extended or not. One practical thing about this contract is after their contract ends, workers will be paid 5 percent of their severance and this is not the case for workers on the unlimited duration contract (UDC), otherwise known to workers as the 'permanent contract'.

Hoyear (Cambodia) Garment Limited,[118] the Chinese-owned company, is applying this contract to shift workers from UDC to FDC. This contract shift is applied to most of the ranks in the production lines, starting from workers to the line leaders. This implementation applies to most of the workers, even though many of them have been working in this factory for many years. The company claims that this implementation has been applied for the benefit of the workers, specifically those with the 5 percent severance pay entitlement.

> *"If the current production line is like nowadays, I'm afraid that I might be dismissed if I cannot meet with the set piece-rate. For instannce, if my piece-rate does not meet the daily wage calculation, like US$170 per month, after three months my contract will not be extended be-cause no one wants to pay you, claiming that we do not make enough effort,"* said a worker of Hoyear (Cambodia) Garment Limited.

> *"The UDC means you work without any benefits when you decide to submit your resignation. This means if you are tired of the factory work and want to start your own business or do something else, you will not receive anything*

117 This is happening in various factories that WIC has been monthly monitoring. WIC reserves its right not to disclose further information about this trend to ensure the workers' security and confidentiality.

118 Garment Manufacturers Association in Cambodia (GMAC), members. https://www.gmac-cambodia.org/members/192. Accessed on April 3, 2019.

> *from the factory, besides your last month salary. But, with FDC once you feel like to quit your job, you will receive 5 percent of your severance, salary, and the annual payment. This explanation was provided to a worker by the factory administrator before her employment contract was signed. She was convinced that this contract was good and would benefit her, especially the 5 per cent severance pay,"* a woman worker of Hoyear (Cambodia) Garment Limited reported to the research team.

While UDC is applied in both, the South Korean-owned Cambo Kotop (Cambodia) Ltd and Southland (Cambodia) Co, ltd[119], workers feel more secure with this type of employment contract. However, concerns were also raised among workers about their benefit entitlement, especially once the factory closes down and/or claims bankruptcy. In many cases, workers have witnessed that workers with the UDC many times have not received their benefit or else the factories refuse to pay their benefit with the claim that they cannot afford to pay workers because of their position and seniority vis-à-vis the worker.

> *"The difference between these two contracts is that for UDC, if there is less work in the factory, we will be asked to get 50 percent. While with FDC, the factory will end our contract if there is no work in the factory,"* a woman worker who work in Southland (Camboida) Co, Ltd told the research team.

The workers' relationships with the factory's manager and/or the owner

Often times, workers do not know who their employer or manager are. The employment contract is prepared and signed by the administration or the human resources department of the factory. Workers are informed who their factory owner or manager is from their line leader, union or from the human resource manager/administrator. However, access to such information is dependent on how much information the factory wants to disclose to the workers as well as the public.

Within the factory structure, line supervisors and leaders, administrative/human resources and department managers have the most direct, daily interaction with workers. Usually, the department manager interacts with workers, especially at the production chain, for instance the manager at the sewing, cutting and finishing departments.

119 Garment Manufacturers Association in Cambodia (GMAC), members. https://www.gmac-cambodia.org/members/49. Accessed on April 3, 2019.

We have commonly found that workers' relationship with their manager is not quite positive and yet, the nature of the relationship is better when Cambodians hold the line leader and/or supervisor position. Notably, Cambodians have held fewer higher positions compared to foreigners working in the factory structure, including the line supervisor (but not many who held this position) and the administration/human resource manager. The difference could lie in how culture and strong personal attitude varies across nationalities and this influences how they deal with workers. Workers have reported that they find Chinese supervisors to be quite aggressive in how they treat workers. From the workers' perspective, Korean supervisors seem to be less aggressive compared to Chinese leadership and this is happening in Korean-owned factory where the owner hires Chinese nationals in leadership roles.

> *"For me, it is easy to deal with the Cambodian manager/leadership since we speak the same language. It is hard for both sides, the Chinese and me to communicate. However, from my observation, the Chinese's way of communication, especially from my direct working experience with JJ (the big sister in Chinese speaking), she seems to get angry most of the times. Her behaviour sometimes is very aggressive. She used some of the very rude words with workers, for instance, "If you cannot do this work, you should go to eat shit" or else she would use different words to make us feel embarrassed. Sometimes, when she got angry, she would throw things here and there or showed it through her expression to make us feel that she got mad with us,"* said the union representative of Cambo Kotop (Cambodia), Ltd.

> *"The Chinese manager was hired in 2018. Since she was first employed, many workers showed that they are not happy with her management style and her behaviour as well as the way she treats them. Workers have even demanded the factory's owner to remove her from the production chain. But the legal department (here refer to as the human resource department) is managed by a Korean manager who did not approve the workers' request. It seems to us that the Korean manager prefers her management style, perhaps because the Koreans themselves have poor management or else it can be because this Chinese manager is their people,"* added by the union representative of Cambo Kotop, Ltd.

> *"We Cambodians have equal capacity to the Chinese people, but the factory will still hire the Chinese people to take on the management role and/or place*

them in the higher positions of the factory's structure. Their salaries are always higher than ours, even if we Cambodians hold similar positions and responsibilities," said a Cambodian line leader during an interview, who works at South Land Ltd.

"Generally speaking, I don't have a good impression/experience with the Chinese managers/people. When they want me to do something, they do not ask me in the gentle way. They always rush the works or things up. They always complain and speak to me in their very loud voices, hushed tones, and with their aggressive behaviour,. For instance, they throw things here and there. They are always aggressive—that is why I don't like them. I feel tense, stressed out and supressed when I dealt with them each time. If they can be gentle with us, we would understand and do what they wanted us to do. We are human beings and we are not their slaves. They cannot behave like our lives are entitled to them and that we are their slaves," said a worker of South Land Ltd.

"The treatment is completely different when it comes to line leaders or others at the management's level. The relationship is good. They treat us fine. But I did recognize that this is quite different when it comes to workers. Some workers cried out once they could not hold onto the blame brought on by their Chinese supervisor," said a line leader of South Land Ltd.

"I do not often speak with other workers from a different line since we have to work hard on our tasks. If we talked to workers of another line, their line leader would look at us and blame us for that encouraging their workers to speak. So, once I need to use the toilet, I just go straight, I do not stop by at other people's lines," said a worker of Hoyear (Cambodia) Garment Limited.

"I don't have good relationship with my Cambodian line leader. It is very difficult for me to deal with him. Speaking of this, as their subordinate, if we followed their orders without posting question, we would be considered a good worker. But, if we do not obey them, or we disagree with their orders or pose questions, we would be the bad people," said a worker in Hoyear (Cambodia) Garment Limited.

In addition, workers consider that they are holding lower rank compared to the line leaders, even though they are Cambodian. And therefore, they do not dare to engage in any communication with them, despites the work relation. Speaking of Chinese supervisors, they dare not even get close to them. When there are works that need to be dealt with, the Chinese supervisors will delegate those works through the Cambodian line leaders. They rarely see the Chinese leaders speak with workers.

> *"I think, although the Chinese people are loud and strict, especially when it comes to leave permission. But some of them have the soft heart. And of course, it has also depends on various people. Some Chinese people are very strict and aggressive, and some are also bad. But, when it comes to Cambodian leaders, it is even harder to deal with. With the Chinese leader, once we asked them to take leave (including sick leave), they would always complain, but when we gave them enough explanations and reasons, they allowed us to take leave. This is not applicable to Cambodian line leaders, not even when some of us asked to leave after 4 pm (not to work overtime after the 8 hours work), they did not approve and instead, they blamed us,"* said a worker of Hoyear (Cambodia) Garment Limited in an interview.

Unionising and workers' resistance

Nationwide demonstrations seem to have slowed down after the largest mobilization took place in late 2013 and early 2014, which was severely suppressed by the government. There are also restrictions on public mobilization and gathering of workers, harassment, intimidation, and the use of the legal procedure against unions, labour activists, and workers. There is an ongoing so-called 'dialogue' between Hun Sen with the garment workers[120] that is held almost every month, especially prior to the national election in late-2018. However, strikes and demonstrations have continued to persist in this sector. Mobilisation is triggered by many issues including the absence of securing workers' benefits[121] for instance, severance pay for workers,[122] the issue of worker suspensions,[123] factory closures at sites that once employed thousands of workers, who were laid off without proper

120 "Samdech Techo Hun Sen Continues to Meet with Workers and Employees in Kandal," Office of Council of Ministers. July 5th, 2018. http://pressocm.gov.kh/en/archives/32956

121 Sen David, "Garment workers continue strike". December 31, 2018. https://www.khmertimeskh.com/50564509/garment-workers-continue-strike/

122 Business and Human Rights Resource Centre, "Cambodia: Garment factories fire 1,000+ workers after mass strikes over seniority payment". https://www.business-humanrights.org/en/cambodia-garment-factories-fire-1000-workers-after-mass-strikes-over-seniority-payment

123 Sen David, "More than 2,000 workers protest after company suspends operations". Khmer Times. January 19, 2019. https://www.khmertimeskh.com/50569722/more-than-2000-workers-protest-after-company-suspends-operations/

prior information[124] are among some of the many other issues.[125]

One year ago, workers who work for the Cambo Kotop, a Korean own factory, held a strike against an increase in the set-target. According to one worker, the strike was held because the set-target was dramatically increased to 500 per hour. Workers were cursed by their line leaders and other managers when they could not reach the set-target. The strike took them several days until negotiations took place. Workers reported that they are not happy with the negotiation result because although the factory side agreed to reduce the set-target, but it was not what workers demanded, who thought the set-target should be reduced from 500 to 200 per hour but this did not reach consensus.

While in Southland (Cambodia) Co, Ltd, workers held demonstrations to remove the Chinese supervisor as well as to call for the decreasing of the set-piece rate. The piece rate was increased by this Chinese supervisor from 80 units of the male underwear to 100 an hour. When workers do not comply with this requirement, they are issued a warning letter. Usually, three warning letters will post workers at risk of losing their job where the company replaces the worker with another Chinese supervisor who has better attitude in how they deal with workers.

> *"It took us a few days on strike to get them (the factory side) to talk to us. They agreed to reduce the set-target. But they did not specify. We demanded to reduce from 500 to 200 per hour. They said, they agreed to the reductions of the set-target, but they disagree to the specific number that we demanded. They said that they would accept whatever we can produce. In practice, when we sew, the set-target still 500 piece per hour. They do not reduce the target with the specific style that we were demanding, instead, they reduced the set-target of the different series which is completely different to our demand,"* an interview with the worker of Cambo Kotop Ltd.

Yet, the Law on trade unions was passed by the national assembly and was later promulgated by the Royal Decree[126] which has been another challenge for independent unions to organise or even to represent workers

124 Yon Sineat and Daphne Chen, "Ministry meets with protesting garment workers following factory closures". Phnom Penh Post. February 12, 2018. https://www.phnompenhpost.com/national/ministry-meets-protesting-garment-workers-following-factory-closures

125 Labor Start. http://www.labourstart.org/news/country.php?country=Cambodia&langcode=en&src=cambodia/

126 Unofficial Translation of the Royal Decree to promulgate the Law on Trade Unions that were passed on April 4, 2016. https://www.arbitrationcouncil.org/uploads/afca9-trade-union-law_promulgated-17may2016-eng.pdf

to the arbitration. In 2018 alone, there were around 40 labour awards issued by the arbitration council in 2018.[127] More arbitration cases were dropped compared to the previous year.

However, unions in Cambo Kotop seem to express more positive views on their better relationship with the factory. However, workers from this factory reported that the factory management still try to influence workers not to trust the union by referring to unions as the 'outsider' although they are working in the same factory.[128] Obviously, once management finds out that a worker has engaged with the union, those workers face dismissal for fear that union members will encourage and inform other works to join. Usually, the company will find ways to target workers, including through productivity if it is not satisfactory or if the company cannot afford your wages, workers are sometimes asked to submit their resignation letter by themselves.

Similarly, workers in Hoyear (Cambodia) Garment Limited held a strike to remove the Chinese leadership from their production line. Interestingly, there is no union in Hoyear (Cambodia) Garment Limited since 2013. During that time, the union used to hold strikes against forced overtime work. By then, the factory structure had changed, including its management. The recent strikes were line based and organized by workers.

Whereas in the case of the union in Southland, workers express their hardness in their organizing and/or forming a union inside this factory. In addition, there is an existing union which has large members. This union applied for registration since 2015 and they have received approval from the Ministry of Labour Vocational Training (MoLVT) in 2017. The delay was because the factory management filed in disagreement and against their request for union registration. Also, there has been restrictions put in place in factory membership registration process. This act tends to slowdown the union process in getting its member.

> *"It was hard to work in the factory and with the factory owner in the past. It was because they do not know how to work with us. We form the union because we want to protect the collective benefit of the workers. Factory owner did not consider that we are formed to facilitate the communication between workers and them for both sides' prosperity. They thought we form the union because we want to anti them,"* said a male union leader in Cambo Kotop Ltd.

127 The Arbitration Council. Arbitral Decision. https://www.arbitrationcouncil.org/en/ac-decisions/arbitral-decisions. Accessed July 3, 2019

128 A collective story of the garment workers in three factories, the Cambo Kotop Ltd, Hoyear (Cambodia) Garment Limited, and South Land Ltd. February 2019. p.14. This publication is available in Khmer.

"In the past, the first confrontation occurred when the Chinese manager monitored our activity. They monitored our activities, what we are doing, who we talk to among the workers, and where it is. They followed us and did not want us to conduct any activities. We cannot talk with workers at the workplace," raised by the union leader in South Land Ltd.

WHO RULES CAMBODIA?

How are investors being protected?

Although Cambodian's politics have constantly experienced series of political deadlocks as well as social unrests since the transitional period, the Cambodian People's Party (CPP) has ruled this country for more than four decades. The latest general election marked as its massive victory over the election where there is no comparable competitive opposition party left in the country. The CPP's biggest competitor in the past two mandates was the Cambodia National Rescue Party (CNRP). The CNRP was dissolved by the court ordered ahead of the 2018 general election for the accused crime of plotting to take power with the help of the United States.[129] Most of the CNRP's leaders have been banned from involvement in political activities whereas some of them have become political exiles.

Hun Sen has run the country since after the Khmer Rouge regime. He has been named Cambodia's strong man and one of the world's longest-serving prime ministers by various people and world's leaders.[130] Nevertheless, he does not to plan give up his power anytime soon. In addition, he has repetitively made himself very clear that he has no plan to let his opponents take the power from him or his party.

Hun Sen is the chairperson of the Council for Development of Cambodia (CDC). CDC is an important governance body for investment and the development of special economic zones (SEZs), where a platform for multi-stakeholder dialogue is established to help facilitate investment structure and business governance. It is considered t be a very powerful body where decisions are taken quickly when investors decide. Hun Sen recently admitted in the public speech to soldiers that he is consolidating power.

"Some people say Hun Sen is consolidating power … that is very correct," he

129 "Cambodia's main opposition party dissolved by supreme court," Reuters Nov 16, 2017. https://www.reuters.com/article/us-cambodia-politics/cambodias-main-opposition-party-dissolved-by-supreme-court-idUSKBN1DG1BO. Accessed Jan 28, 2019.

130 "Hun Sen: Cambodia's Strongman Prime Minister," BBC Jul 27, 2018. https://www.bbc.com/news/world-asia-23257699. Accessed Jan 28, 2019.

said in a speech to soldiers marking the 20th anniversary of the infantry which is headed by his son, Hun Manet.[131]

Instead of addressing the many crises (caused by irresponsible of investors, include the close down of the factories) in the sustain and systemic process, Hun Sen would often stand up to intervening those situations. He would stand to call specific ministries or use his own budget to pay those workers to address those problems.

IS CHINA'S INVESTMENT DIFFERENT TO OTHER INFLOW OF FDI?

> *"We are Cambodian. The government should support us since this is Cambodia, so why do they support the investors? I feel they are corrupted; they don't care about the [Cambodian] people. They never give fairness in the conciliation process: they care 99 per cent for the Chinese manager and one per cent about us. It was really hurtful when I joined the negotiation process. Looking at the [other] workers waiting for our help. Seeing the Cambodian people under exploitation, it really hurt."* [132]

There has not been a study capable of showing the differences between Chinese investment compared to other investors in their business operation in Cambodia. By and large, their common investment goal is to concentrate on profit. And thus, their focus will be wherever resources are available and easy to capture and transform into cash. Investors seek to obtain maximum profits out of their investments, which includes the investment promotion, privilege, and the protection from the country where they decide to invest. For sure, they will only go to the country that they get the most out of it or has potential or more to offer, especially where they can locate cheap labour. In such a paradigm, however, local communities, farmers, and the working-class women and men are the one who bare those costs.

From the interviews with the three selected factories in the garment industry for instance, neither the factory owner is Chinese, nor the South Korean, but their similar is their concentration on profit . They have used

131 "In Tirade, Hun Sen calls on Cambodian military to 'destroy' opponents threatening government," The Japanese times Jan 25, 2019. https://www.japantimes.co.jp/news/2019/01/25/asia-pacific/politics-diplomacy-asia-pacific/tirade-hun-sen-calls-military-destroy-opponents/#.XE64OVwzbIV. Accessed Jan 28, 2019.

132 The Extraction of Value from the Mekong Region: A Case Study on the Control and Exploitation of Land and Labour in Cambodia and Myanmar Special Economic Zone. July 2017. p.24 http://rls-sea.de/wp-content/uploads/2018/01/SEZ-part-1.pdf

whatever tactics that work to get them more profits. The garment workers in this production chain are seen as nothing more than their productivity labour, and so whatever tactic makes workers produce more, the better it is. Foreign investors receive greater protection while many local workers do not receive such protection. Existing investment regulation and industrial policy promote and encourage more investment and providing them evermore protection. In contracts, garment workers' job security has not been offered the same level of protection. Often times, we witnessed workers' struggle with job insecurity, meanwhile investors have not been held responsible and accountable for how their investments cause impact, which sometimes results in damage to the workers' livelihoods.

> *"Whether investors are foreigners or locals, they have links with high-ranking officials. So, the factories inside the zone don't care [about breaking the law]. According to the law, every business needs to apply for an environmental permit. But some factories inside the zone do not. We have found in some zones they don't care about the environment. [According to the law] a single factory needs to apply for an environmental permit for waste disposal, liquid and solid. But some factories in the zones just don't care; they just rely on the zone [management]. The waste disposal, the water treatment, even the legal documents on environmental protection, they don't care."*[133]
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> *"I don't think we can run because there are many people in the factory. For instance, if there is a fire inside the factory, it will be disaster. The factory's doors are always closed. We do not even know if it was raining,"* a worker of Cambo Kotop (Cambodia), Ltd, told the researcher team.
>
> *"My health gets weaker than before. I feel exhausted. My hands and legs are also weak, and I have leucorrhea."*[134]

Yet, a report on "SEZs and Value Extraction from the Mekong. A Case Study on the Control and Exploitation of Land and Labour in Cambodia and Myanmar Special Economic Zones" indicated that the working condition of workers in the Chinese SEZ is poorer compared to the Japanese own SEZ. On top of that, workers in the Chinese owned SEZ find it hard to organise and/or form an independent union and are facing intimidation and

133 The Extraction of Value from the Mekong Region: A Case Study on the Control and Exploitation of Land and Labour in Cambodia and Myanmar Special Economic Zone. July 2017. p.22 http://rls-sea.de/wp-content/uploads/2018/01/SEZ-part-1.pdf

134 "The Reality of the National Economic Backbone," Worker's Information Centre (WIC); United Sisterhood Alliance (Us); and Focus on the Global South (FOCUS). March 2017.

harassment from the company as well as the zone management. Only the company's unions and/or pro-companies unions will be are allowed to do their unionizing and/or operating there.

> *"We have been waiting for months already without seeing a ministry official checking [the dispute]. We went to the provincial level for help, but they told us it was the work of the Environment Ministry," she said. "So here we are, 15 representatives, asking the ministry to help resolve this for us soon."*[135]

The Cambodian economy has increasingly depended on FDI, especially the China FDI. Although, there has not been concrete studies on the impact of the Chinese investment on the local economy, especially Sihanoukville and Koh Kong. However, the media[136] has covered the concerns of local people on the loss of their businesses and land to the investors, access to good foods and housings, shortage of water and electricity, as a result of these business and investment projects.

What has also triggered peoples' concerns, is the sudden boom of the inflow of Chinese investments, especially ranging from the small, start-up business to the many mega projects, as well as their settlement in many parts of the country within the last one and a half years (2017-2018). In addition, from the meeting with a few local residents and union's representative in Sihanoukville, they have already experienced the hardness and uncertainty of their local economy. The rents have been raised up to which some areas of the town have raised up to ten times from its original price. The price of foods has increased and good quality seafoods have been set at a very expensive price. The people who can afford those seafoods that consider their daily food complementary are the Chinese. Many residents sold off their land and houses because they received good prices and this led to the real-estate fluctuation because workers and the poor cannot afford the rents and/or they have to rent somewhere else.

> *"Chinese [people] have so much money. They usually do not ask much about our condos. They just bought it. They bought a few units each. They like to pay*

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135 Pech Sotheary, "Villagers return to Phnom Penh over UDC land disputes". March 26, 2019. https://www.khmertimeskh.com/50590261/villagers-return-to-phnom-penh-over-udg-land-dispute/. Accessed March 20, 2019.

136 Hul Reaksmey, "Activists Claim Chinese Investment Fuelling Land Disputes in Cambodia". Voice of America Khmer. September 14, 2018. https://www.voacambodia.com/a/activists-claim-chinese-investment-fueling-land-disputes-in-cambodia/4637185.html. Accessed March 30, 2019. Andrew Nachemson, "The Future of Cambodia looks increasingly Chinese". Asia Times, 2018. https://www.asiatimes.com/2018/08/article/the-future-of-cambodia-looks-chinese/. Accessed March 30, 2019. "Cambodia quickly losing its beautiful beaches," Asia Times. https://www.asiatimes.com/2018/12/article/cambodia-quickly-losing-its-beautiful-beaches/. Accessed March 30, 2019.

cashes [rather than] transfer it through banks" a male condo agency told one of the research team members.

"Rents increase and so workers have to move away from the factories since they cannot afford to pay the rents any longer. They used to rent in the factory compound areas, but now they cannot afford. So, they have to spend extra on their local transportation. And this is has not just happened to garment workers, it happens with the local resident here. Those who cannot afford it, they have to move out of the city town. The rent rose from US$30-35 or US$40-50 to US$200-300 or even US$1,000," a union representative told our research team member in a meeting.

Some local communities have raised their concerns over the loss of the local culture and identity, sovereignty and social unrest due to the sudden import of Chinese culture through large-scale investment and settlement. Some projects have also involved human rights violations and resource grabbing.[137] Peoples' livelihoods, house, lands and other natural resources have been transformed into mega international airports, deep seaports, casinos, hotel and resorts, offices and cultural centre complexes and the list goes on. There has been a decrease in tourism to these two provinces is partially the whole city town has been under construction and also the rising price of accommodation in those areas. Equally important, there is a serious issue of transparency and accountability around investments and a lack of public information disclosure, especially to and those communities most affected by the projects.

CONCLUSION

The government's effort to pursue economic growth and development by adopting an intensified neo-liberal economy, especially targeting the middle-upper income by 2030 and high-income by 2050, needs to be reviewed. Special consideration must be made regarding the basic questions around at what and who costs from this model. The existing policies, regulations and legal frameworks of Cambodia have focused efforts on how to deepen liberalisation, making it simpler and easier to facilitate,

137 Pech Sotheary, "Villagers return to Phnom Penh over UDC land dispute." https://www.khmertimeskh.com/50590261/villagers-return-to-phnom-penh-over-udg-land-dispute/. Accessed March 26, 2019. https://www.voacambodia.com/a/activists-claim-chinese-investment-fueling-land-disputes-in-cambodia/4637185.html

and enable protection and privilege for private foreign investors. Whereas the mechanism and/or legality binding frameworks to hold investors liable and accountable for their business operations, was undefined and a missed opportunity.

The on-going concentration on greater dependency on FDI and reliance on an export-oriented economy will continue to expose Cambodia to a deeper systemic crisis. The European Union EBA's suspension process is one example of the impact of overreliance on foreign markets and exports. Yet, there has been an increased dependency on Chinese investments—more than 60 percent of FDI is from China. What will happen if Chinese investments are withdrawn? Who will pay the costs, including costs related to workers livelihoods? Will the government once again use its people's tax money and/or national budget to compensate and pay workers off like it has done in the past when factory owners have gone missing or run away from their responsibilities?

There is no denial that job and opportunity creation are important for local people, but one must question the type of jobs being created for local people, like: Are these jobs secure? Are working class people being treated fairly and with dignity? Are their rights been protected? Are they receiving privilege and protection as much as the investors? Do they work under safe conditions? Are they granted adequate housing and social security? … etc. Unfortunately, in such an investment model, the one who bears the impact and burden are working class women and men the local community who will have to sacrifice their only resource in the name of national development. Equally important, how much natural resources remain for these investment projects? And who will be responsible for this environmental and social impact, including for the younger/future generation?

The recent boom of Chinese FDI in the form of [large-scale] investments and their settlements, especially in the two coastal provinces like in Koh Kong and Sihanoukville (which to many Cambodians consider the country most strategic geography areas) have drawn concerns and questions over the Chinese takeover, with some viewing it as characteristic of neo-colonialism through things such as the naval base and exchange of militaries training, the international airport and the deep seaport investment projects. These projects have provided critical post to which national sovereignty is placed at risk and it does not only apply to the western countries and the old colonialism. Equally important, it is fair to those who raise the concerns when public citizen is not informed of what is happening there and when access to those areas mean to be challenged.

Moreover, a deeper study on what is really happening with Chinese FDI to Cambodia and the possibility of "Chinese take over" and its link to colonialism, are important. Strategic impact assessment must not be compromised across all investment projects, especially the most highly valued investments. The assessment shall look at the immediate and long-term effects on the local and national economy, including social and environment impact assessments. The Local community must be informed and offer consent prior to the project start. The Cambodia economy does not have to follow the paths of others, especially when its peoples, workers, and community's social welfare, rights, and dignity are given away.

References

The Impact of China's Overseas Investment in Myanmar: A Labour Perspective

Paung Ku

INTRODUCTION

Myanmar-China relations entrenched with interrelated to one another. China's foreign policy has actively adapted due to Myanmar's political transactions and its policy heavily depend on economic supremacy with the contribution of political and diplomatic ties. China influences Myanmar's political and economic inference for decades. Economic relations between the two countries are beyond the matter of the economy purpose, it is strongly entrenched with politics.[138] In the economic realm, China has provided several forms of economic assistance to Myanmar over the past decades. These forms include grants, interest-free loans, and concessional loans or debt relief in addition, the construction of plants and equipment, investment in mineral exploration, hydropower, oil and gas production, and agricultural projects.[139] China's economic strategy on infrastructure development in Myanmar is one of the significant elements of its economic cooperation, which is financing for building roads, bridges and ports by low-interest loans and export credits.[140] The role of China in Myanmar's economy was also asymmetric as China offers capital for the production with machinery and high-tech products, while Myanmar could merely offer raw materials for trade and labour for production.[141] Having lack of capital and technologies leads Myanmar increase dependency on China.

China is the major investor of Myanmar. The Irrawaddy media recently analyses over three decades of the Chinese investment projects in

138 Timo Kivimaki.
139 International Crisis Group, "China's Myanmar Dilemma," Asia Report No. 177, September 14, 2009.
140 International Crisis Group.
141 Timo Kivimaki.

Myanmar by showing the ongoing and suspended projects due to public objections, soon to be implemented, and the proposed plans.[142] Under the name of BRI, China strengthen economic ties with Myanmar to attain "win-win" economic cooperation, but it is unsure how locals could benefit from China's enterprises. This chapter discusses…

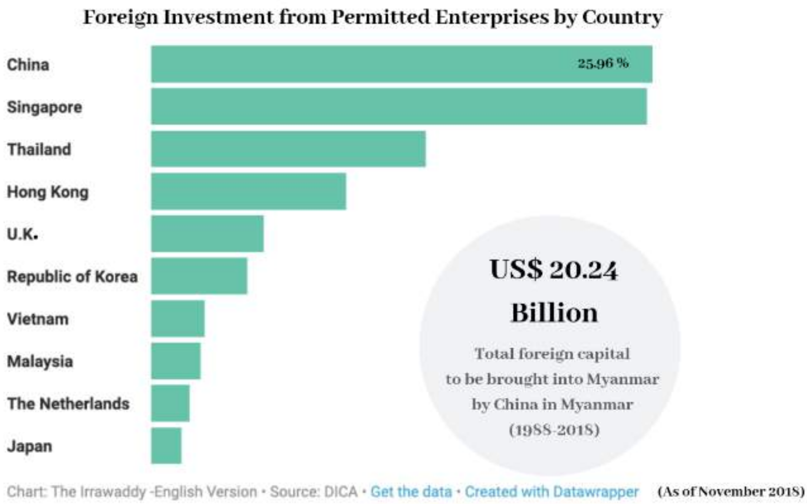
CHINESE INVESTMENT IN MYANMAR

In general, there are four types of Chinese investment in Myanmar. First, state led enterprises that high-level government to government negotiated type of business (i.e. China National Petroleum Corporation (CNPC), China Power Investment (CPI) (renamed Sate Power Investment). Second, a local type of private enterprises led by private investors but they normally allure the government into their projects intend to obtain concessions from the government for catering its capital deficiency. Third, Chinese-backed private own companies that has investment interest in overseas, but it's challenging to identify this type of companies, as they work with relatively small capital for various sectors – agriculture, forestry, and mining etc. Two different working nature in this type of investment, one type complies formal process and bring capital from China by legal means, but another type of capital is hardly able to trace due to bringing the money illegally into Myanmar. Fourth, this type of business come from private individuals who seek to invest its money somewhere overseas but less consideration on the commercial values, the potentiality of this type of businesses greatly related to money laundering businesses, as they literally carry money into the country and support for infrastructure projects in border areas and this type of business has high criminal risks.[143] It is, however, today the Belt and Road Initiative (BRI) promotion significantly alter the trend of Chinese investment. Due to high privileges of capital accessibility in BRI, many existing investments come to be labelling themselves as part of BRI project to take advantage of the opportunity thus new coming companies use the name BRI to represents its importance.[144]

According to the Myanmar foreign investment data in 2018, China stand the biggest investor 20.35 billion (25.92%) and following by Singa-

142 Irrawaddy, "Infographic: 30 Years of Chinese investment in Myanmar," January 25, 2019 https://www.irrawaddy.com/specials/infographic-30-years-chinese-investment-myanmar.html
143 Interview, International expert on China, September 2018.
144 Interview, International expert on China, September 2018.

pore 20.33 billion (25.90%).[145] However, some analysts report that China's investment net flow can be bigger than this because Chinese capital also come from Hong Kong and other third parties countries like the Cayman Island and British Virgin Island.[146] The competence of Hong Kong's liberal capital market attracts foreign investors to invest and rise fund through Hong Kong stock exchange thus even the state owned enterprises set up the Hong Kong as a subsidiary home and invest in another countries somewhat in legal way, because it is relatively easy for companies to bring the capital from China to Hong Kong. Similarly, Macau is another place as a stepping stone to invest mainland capital into Myanmar since it has vastly integrated with the mainland economy.[147]



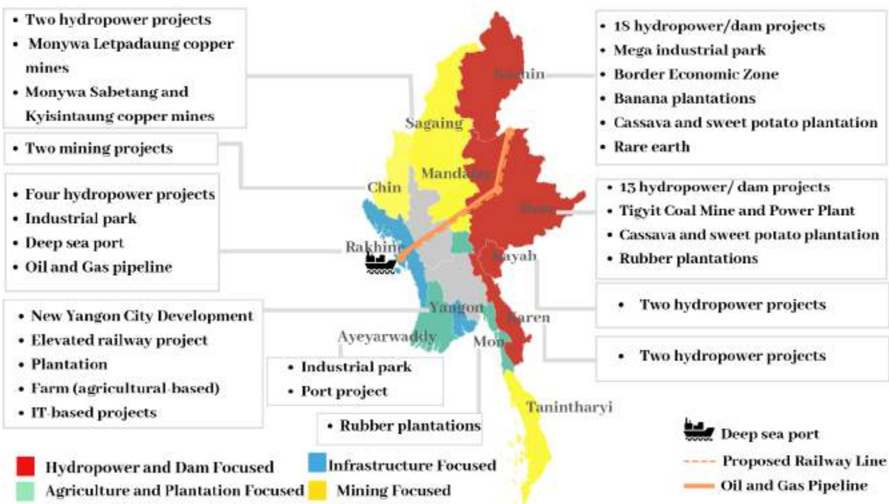
(Source: Irrawaddy 25 January 2019)

China has been holding the title of Myanmar's imperative political and economic partner since several decades. As a neighbouring country, a combination of political, security, and economic aspects are major elements in China's policy towards Myanmar.[148] In 2017, China become the world's largest economy produced U$ 23.12 trillion based on its purchasing power parity that overstepping the European Union U$19.9 trillion, and the United States U$19.3 trillion.[149] This rapid economic growth has led China to in-

145 Directorate of Investment and Company Administration, The Republic of the Union of Myanmar, https://www.dica.gov.mm/en/topic/foreign-investment-country
146 Social Resource Institute, "The Social Responsibility of China's OFDI and NGOs' Engagement: Taking the Myanmar Letpaduang Copper Mining Project as an Example," July 2017.
147 Interview, International expert on China, September 2018.
148 Transnational Institute.
149 Kimberly Amadeo, "China's Economy and Its effect on the U.S. Economy: The Surprising Ways China Affects the U.S. Economy," February 25, 2019, https://www.thebalance.com/china-economy-facts-effect-on-us-economy-3306345

fuse its domestic energy needs thus China develop "going out" strategy for seeking energy resources initially from politically unrest African and Middle East countries.[150] China later developed a significant energy cooperation with Myanmar by constructing oil and gas pipelines which generated in 2009 to ensuring its energy security.[151] In addition, Myanmar was viewed as a source of trans-shipment route for China that enable to circumvent its energy trade route from the Malacca Straits, in which constantly controlled by the U.S. navy and its allied, by constructing China's energy pipelines on Myanmar's soil.[152]

Chinese investments implement in almost every state and region across Myanmar. Over forty hydropower and dam projects have been developed in Kachin, Shan, Kayah, Karen, Rakhine states, and Sagaing region, which is the highest number and type of investment. In the agribusiness, Cassava and sweet potato planation and banana plantations, are mainly in Kachin and Shan states and rubber plantation in Mon and Shan states. Mining projects are largely implemented in the southern and central part of the country. The bulk infrastructure projects that related to deep sea ports and oil and gas pipelines are implemented in Rakhine State and a new Yangon City Development is projected in Yangon by China Communications Construction Co. Ltd (CCCC).[153]



(Source: Irrawaddy 25 January 2019)

150 ZHAO Hong, "China-Myanmar Energy Cooperation and Its Regional Implications," February 27, 2012.
151 ZHAO Hong.
152 Transnational Institute.
153 San Yamin Aung, "Chinese Firm Proposes U$1.5-bn Elevated Railway for Yangon," Irrawaddy, January 16, 2019, https://www.irrawaddy.com/news/burma/chinese-firm-proposes-1-5-bn-elevated-railway-yangon.html

Chinese capital impulsively move ahead into Myanmar in the midst of Myanmar faces a multiple internal problem particularly including on the stagnant peace process, sagging economy, and being castigated by the international community on Rakhine Rohingya crisis. Although Myanmar is in a contentious situation, it analyses that China hastily investment in mega projects to materialize its ambitious BRI framework for the regional connectivity.

Under China's BRI, China proposed Myanmar to build a parallel highway and railway. Myanmar and China signed a memorandums of understanding (MOU) on the joint construction of the China-Myanmar Economic Corridor (CMEC) in September 2018.[154] The CMEC plans to link Ruili - China's border town from Southwest China's Yunnan Province- to Mandalay, Yangon, and Kyaukphyu regions with a 1,700 km long transportation route.[155] Beijing originally aimed to develop a railway from Muse to Kyaukphyu, according to the MoU, which was 810 km long and the estimation of the project cost was U$20 billion and the construction period would be less than three years.[156] Due to public rejections, this project was suspended during Thein Sein period, but the Chinese officials enabled to negotiate with the present NLD government to resume the project merely from Muse to Mandalay instead of Muse to Kyaukphyu. Therefore, as an initial stage, China state-owned enterprise China Railway Eryan Engineering Group (China Railway Group Ltd) and Myanmar Railways signed the MoU to begin the feasibility study on the development of a high-speed railway in Myanmar from Muse to Mandalay 431km (268 miles) long and trains will run at 160 km per hour speeds and it could become a lifeline and largest trade route for Myanmar-China trade.[157]

In November 2018, Myanmar and China inked a framework agreement for the Kyaukphyu deep sea port project in Naypyitaw between the Kyaukphyu SEZ Management Committee and the China International Trust and Investment Cooperation (CITIC).[158] In the beginning, the Chinese firm called for the project worth U$ 10 billion but after two years of negotiation both parties finally agreed to start the first phase, constructing

154 Wang Cong, "Economic Corridor can help Myanmar weather challenges, build closer ties with China: Analysts," Global Times, September 12, 2018, http://www.globaltimes.cn/content/1119411.shtml
155 Wang Cong.
156 Nan Lwin, "Analysis: Muse-Mandalay Railway Agreement with China Raises Debt, Conflict Fears," The Irrawaddy, October 31,2018, https://www.irrawaddy.com/news/burma/analysis-muse-mandalay-railway-agreement-china-raises-debt-conflict-fears.html
157 Nan Lwin.
158 Han Wei, "China, Myanmar Move Ahead with Sea Port Project," Caixin Global, November 8, 2018, https://www.caixinglobal.com/2018-11-08/china-myanmar-move-ahead-with-sea-port-project-101344159.html

a terminal with capacity for two to three vessels, of the project not more than U$ 1.3 billion and the stake ratio turned into 70:30 from 85:15.[159] It states that before commencing the project, a lot of negotiations need to be required between both sides for enabling to sign all the transaction documents necessary for the SEZ. It is expected that this project could provide 100,000 jobs for local people.

In July 2018, Myanmar government also gave green light for establishing three "economic cooperation zones" along China-Myanmar border in Kachin and Shan states which related to BRI scheme. The establishment will be located in Kanpiketi town in Kachin State, Chinshwehaw in Shan State, and Muse in Shan State.[160] Myanmar inevitably encounters China's BRI projects implementing on its soil whether like it or not. The Chinese government and its mouthpiece media promote that the bilateral economic and infrastructure cooperation could definitely benefit for Myanmar peoples, because it will bring a crucial source of capital, infrastructure and finance, and technologies advantages which enable to rapid development of Myanmar's economy and border areas, in addition it will be a main source of job creations for locals.[161] However, the study observes that there is lack of regulations and mechanisms to ensure job opportunities for Myanmar people. Many studies and communities from the Chinese projects have raised concern over illegal immigration of Chinese labours. According to the vice-chairperson of China-Myanmar Friendship Association in Muse, Chinese workers merely need to pretend as cross-border tourists and pay 13.5 yuan (approx. US$2) for day-return trips, and they require to pay 10 yuan to Hotels and Tourism Department and 42 yuan to the Customs Department.[162] U Khin Zaw, a Hotels and Tourism Ministry adviser, remarked on the illegal Chinese immigrant.[163]

An interview with a responsible person from Myanmar-China Pipeline Watch Committee said that, "The Chinese-led illicit businesses are uncountable and it creates job markets for many Chinese workers migrated from China and most are working at construction sites."[164] Labour issue is,

159 Thompson Chau and Htoo Thant, "Kyaukphyu port: What happens next?" The Myanmar Times, November 9, 2018, https://www.mmtimes.com/news/kyaukphyu-port-what-happens-next.html
160 Nan Lwin, "Govt Approves Sites For 3 New Economic Zones Along China Border," The Irrawaddy, July 13, 2018, https://www.irrawaddy.com/business/govt-approves-sites-3-new-economic-zones-along-china-border.html
161 Lui Rui, "BRI calls for joint efforts by China, Myanmar," Global Times, December 11, 2018, http://www.globaltimes.cn/content/1131294.shtml
162 Ei Ei Thu, "Stop Chinese workers entering as tourists, adviser urges government," March 28, 2018, https://www.mmtimes.com/news/stop-chinese-workers-entering-tourists-adviser-urges-government.html
163 Ei Ei Thu.
164 Interview, Myanmar-China Pipeline Watch Committee, September 2018.

therefore greatly contentious whether the Chinese projects could bring benefits for locals in Myanmar. On the other hand, many labour organizations critic on the currently Myanmar's foreign investment and labour laws that show less strong accommodation for its local people and labour committees have functioned inadequately.

Myanmar's labour relations were formulated authoritarian type of management since there was no culture of management-labour dialogue for reconciliation. Formation of labour organizations was outlawed during the military junta period (1962-2011) and it allowed to from since 2011 after several labour laws were amended and new laws developed.[165] Which promoted trade unions to become prospered. The data, as of April 2017, of Myanmar's Ministry of Labour, Immigration and Population (MOLIP) shows 2,414 trade union had registration.[166] It is still challenging to understand the laws from both employers and workers to know well about their rights and obligations under the new labour laws as several disputes happened due to lack of understanding of relevant laws. In 2012, the Settlement of Labour Dispute Law (SLDL) was enacted with the intention of safeguarding workers' rights, peaceful workplaces, and "obtaining rights fairly, rightfully, and quickly by settling the dispute of the employers and worker justly."[167] The SLDL is a mechanism to resolute disputes at different levels - the workplace, township, regional and national levels- through which parties can bring individual and collective disputes and receive input and support from knowledgeable parties to reach agreement. The law defines an *individual* dispute as between an employer and one or more workers, while a *collective* dispute is between an employer (or employer organization) and a labour organization.[168]

LABOUR RELATIONS IN CHINESE INVESTED WORKPLACES

Both China and Myanmar governments often claim that investment projects will contribute to Myanmar's prosperity with peace and economic development through job creations and infrastructure development. For example, during the signing of the China-Myanmar Economic Corridor, both sides claimed that the project will help to alleviate poverty, ensure peace

165 Ediger, Laura and Chris Fletcher. 2017. "Labour Disputes in Myanmar: From the Workplace to the Arbitration Council." Report. BSR. San Fransico.
166 Ediger, Laura and Chris Fletcher.
167 Ediger, Laura and Chris Fletcher.
168 Ediger, Laura and Chris Fletcher.

and stability in northern Myanmar and Rakhine[169] and create job opportunities.[170] In reality, Chinese investments have tended to trigger conflict, exploitation of labours and natural resources that contribute to social unrest in the country. These investments primarily benefit Chinese investors and a few local elites and generals.

BACKGROUND ON THE SECTORS: OIL AND GAS, GARMENT MANUFACTURING, AND AGRIBUSINESS

Oil and gas

To study the impact of Chinese investment on labour, we study Chinese investment in three different sectors: natural resources (particularly oil and gas); garment manufacturing and agribusiness sector. Legal framework governing employment in Myanmar is made up of a variety of laws, by-laws, and regulations, of which some are still in force and can date back to the colonial and post-independence period. Since the democratic transition started in 2011, significant level of legal reform took place in a number of sectors, mainly to prime the country towards attracting foreign direct investments. For example, investment law was enacted in 2016, merging the previous foreign investment law and Myanmar Citizens investment law to provide the same treatment to the national and foreign investors. The Labour Organization law (2011) and the Minimum Wage Act (2013) were passed to promote labour rights for self-organizing and appropriate work pay which should be equal among men and women.

Our research focuses on three locations: the operation site of China National Petroleum Corporation (CNPC) in Made Island, Rakhine State; garment factories in Yangon; and banana plantations in Myitkyina and Waing Maw, Kachin State. As apparent in the name of the business activities, the nature of the type of work that labour from each area has to partake is significantly different as well as the category of investment.

In the Made Island, CNPC operates a crude oil unloading terminal facility of Myanmar-China Oil and Gas dual pipeline projects running through a total of four states and regions (Rakhine, Mandalay, Magway and

169 Global Times/Xinhua, "China, Myanmar Sign MoU on Feasibility Study of Muse-Mandalay Railway," Mizzima Myanmar News and Insight, October 23, 2018, http://www.mizzima.com/news/china-myanmar-sign-mou-feasibility-study-muse-mandalay-railway., Xinhua, "China, Myanmar Sign MOU to Jointly Build China-Myanmar Economic Corridor," September 12, 2018, http://en.silkroad.news.cn/2018/0912/110679.shtml.

170 Chan Mya Htwe, "China Proposals New Infrastructure Projects in Myanmar," The Myanmar Times, June 12, 2018, https://www.mmtimes.com/news/china-proposals-new-infrastructure-projects-myanmar.html.

Shan) to the land locked Yunnan Province of Kunming. The project is a joint venture between CNPC and Myanmar Oil and Gas Enterprise (MOGE) after a memorandum of understanding was signed between Myanmar's Ministry of Energy and CNPC on 16 June 2009 and the first trans-boundary strategic economic corporation between China and Myanmar.[171] The project has become part of other economic corporations particularly Kyaukphyu Special Economic Zone and deep-sea port and China-Myanmar Economic Corridor under Chinese grand global project known as the Belt and Road Initiative. A 770 kilometres (480 miles) long a cross-border oil and gas dual pipeline construction was started in 2011 and finished it two years later in 2013.[172] The pipeline is transporting oil and gas since April 2017 after a long discussion of term and conditions between the two countries.[173]

Garment manufacturing

According to the government, there are 29 industrial zones and one special economic zone (Thilawa) in Yangon Region which garment factories are located.[174] As of August 2018, Yangon region hosts 6895 factories out of 50083 factories in the whole countries which increased from 6164 in March 2015.[175] A report stated that almost half of the garment factories are owned by foreigners or jointly owned by Myanmar. Foreign companies are mostly from China, Korea, Taiwan, and Japan.[176] The ownership process of garment factories in Myanmar is opaque and some of the factories are registered under Myanmar owners but the primary ownership is from other countries mainly China and registered with "puppet owners".[177] Further, many Chinese-owned factories are operating illegally without any registration.[178] A labour organisation interview for this research said that "it is hard

171 Myanmar China Pipeline Watch Committee, "In Search of Social Justice Along The Myanmar-China Oil and Gas Pipeline" (Myanmar China Pipeline Watch Committee, January 8, 2016).
172 Myanmar China Pipeline Watch Committee.
173 Lucy Hornby and Archie Zhang, "China and Myanmar Open Long-Delayed Oil Pipeline," Financial Times, April 11, 2017, https://www.ft.com/content/21d5f650-1e6a-11e7-a454-ab04428977f9., Yimou Lee, Chen Aizhu, and Shwe Yee Saw Myint, "Beset by Delays, Myanmar-China Oil Pipeline Nears Start-Up," Reuters, March 21, 2017, https://www.reuters.com/article/us-myanmar-china-oil-idUSKBN16S0XF.
174 The Mirror Daily, "Business Talk on Employment Opportunities, Boosting Productivity - Burmese Version," The Mirror Daily, August 28, 2018.
175 The Mirror Daily.
176 SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can the Garment Industry Deliver Decent Jobs for Workers in Myanmar?" (StichtingOnderzoekMultinationaleOndernemingen, Action Labour Rights and Labour Rights Defenders and Promoters, August 2017).
177 Progressive Voice, "Raising the Bottom: A Report on the Garment Industry in Myanmar" (Progressive Voice, December 2016)., SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can Teh Garment Industry Deliver Decent Jobs for Workers in Myanmar?"
178 SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can The Garment Industry Deliver Decent Jobs for Workers in Myanmar?"

to know the exact number of illegal factories; we only learn those factories exist when the disputes are reported to us – those are mostly related or owned by Chinese".[179]

A recent news report suggests that there more than 600 garment factories in Myanmar which are mostly located in Yangon (others in Bago, Pathein, Hpa-an and Mandalay),[180] of which 300 factories are owned by Chinese.[181] The sector is the second largest export sector after oil and gas in the last few years which account "USD2.7 billion in foreign exchange in 2017, up from US$1.9 billion in 2016 and about US$1 billion in 2015".[182] A number of reasons are cited for the boom of garment factories in Myanmar. The most often cited reasons are political reforms and economic liberalisation since 2011, high availability of low-cost labour forces and creating incentive environment for investments.[183] The other reason is the Generalised Scheme of Preferences (GSP) that allows Least Developed Countries (LDC) including Myanmar to trade with European Union without or with very little payment for duties on exports that enables Myanmar to access to EU markets and help the country growth under EBA (Everything but Arms) scheme.[184] Unfortunately, this privilege is under threat as EU is considering to revoke it due to Myanmar's human rights violation towards Rohingya minority Muslim groups in Rakhine State which the United Nations called it as a "the textbook examples of ethnic cleansing"[185] and having "genocidal intent'.[186]

Agribusiness

In recent years, Chinese-owned banana plantations in Kachin State have become more visible, especially in Waingmaw areas. This area is the former home of many Internally Displaced Peoples (IDPs) – it became an

179 Interview, Lawyer, Labour rights activists 1 and 3, Yangon, March, November and December 2018.
180 Ben Dunant, "EU Trade Privileges Move Alarms Garment Sector," Frontier Myanmar, October 6, 2018, https://frontiermyanmar.net/en/eu-trade-privileges-move-alarms-garment-sector.
181 Peter Janssen and Kyaw Lynn, "EU Sanctions Threaten to De-Industrialize Myanmar," Asia Times, October 18, 2018, http://www.atimes.com/article/eu-sanctions-threaten-to-de-industrialize-myanmar/.
182 Janssen and Lynn.
183 Progressive Voice, "Raising the Bottom: A Report on the Garment Industry in Myanmar."
184 The Mirror Daily, "Business Talk on Employment Opportunities, Boosting Productivity - Burmese Version."
185 ZeidRa'ad Al Hussein, "OHCHR | Darker and More Dangerous: Higher Commissioner Updates the Human Rights Council on Human Rights Issues in 40 Countries" (United Nations Human Rights Office of The High Commissioner, September 11, 2017), https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=22041&LangID=E.
186 United Nations Human Rights Office of The High Commissioner, "Report of the Independent International Fact-Finding Mission on Myanmar" (United Nations Human Rights Office of The High Commissioner, September 12, 2018), https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/A_HRC_39_64.pdf.

intensive battlefield between the Kachin Independence Army (KIA) and Military (Tatmadaw) of Myanmar government after the 17 years ceasefire agreement broke out in June 2011.[187] Unfortunately, exact plantation area remains unknown due to the complicated governance and security issues in the area. The recently, government investigation led by state agriculture minister found that 36 companies are operating in banana plantation on 60,000 to 70,000 acres in government-control areas only.[188] Nevertheless, civil society network said that the banana plantation covers 100,000 acres in Waingmaw Township alone.[189] The most significant plantation project is a joint venture project between China's Zhen Xin Co.Ltd and Chang Yin Khu Development Co.Ltd in Waingmaw area which is controlled by the New Democratic Army Kachin (NDAK) of Zahkung Ting Ying.[190] Some of the plantation areas that encroach on forest reserve areas in Waingmaw are operated by the Chinese-owned companies U Aung Paing Co.Ltd and Generation Star Co.Ltd.[191] Despite concerns raised by local villagers (some who are residing in IDP camps), local parliamentarians, leaders and KIO over taking lands forcefully from local people[192] and causing land and environmental problems, significant action has not been taken by the State nor the central government.[193]

EMPLOYMENT SCALE IN THE THREE SECTORS

This study was unable to obtain the disaggregated labour statistics with regards to the sectors covered in the study. And since the companies or the businesses investing in large scale banana plantations in Kachin state are not registered, there is hardly any record. Creation of job opportunities by Chinese investments depends on sector even for labour intensive jobs. Manufacturing is the sector that recruits most locals and creates most jobs.[194] It is reported that Chinese factories employ about 300,000 workers

187 Chan Thar, "Chinese Banana Plantations Flourish as Villagers Lose Their Land in Kachin," The Myanmar Times, June 22, 2018, https://www.mmtimes.com/news/chinese-banana-plantations-flourish-villagers-lose-their-land-kachin.html.

188 Hein Ko Soe and Dunant Ben, "Kachin's Plantation Curse," Frontier Myanmar, January 17, 2019, https://frontiermyanmar.net/en/kachins-plantation-curse.

189 Soe and Ben.

190 Thar, "Chinese Banana Plantations Flourish as Villagers Lose Their Land in Kachin."

191 Naw Betty Han, "Kachin to Sue Firms for Banana Plantations," The Myanmar Times, June 7, 2018, https://www.mmtimes.com/news/kachin-sue-firms-banana-plantations.html.

192 Htun Khaing, "Kachin IDPs Fear Land Grabs in the Villages They Once Called Home," Frontier Myanmar, January 19, 2018, https://frontiermyanmar.net/en/kachin-idps-fear-land-grabs-in-the-villages-they-once-called-home.

193 Khin Su Wai, "Tissue Culture Bananas Called a Threat," The Myanmar Times, February 12, 2018, https://www.mmtimes.com/news/tissue-culture-bananas-called-threat.html.

194 Action Labour Rights, "Under Pressure: A Study of Labour Conditions in Garment Factories in Myan-

of estimated 500,000 garment workers – over 95 percent of whom are women.[195]

No exact data about workers at CNPC is available and there are different numbers of speculation about the numbers. Workers at CNPC estimated that Myanmar workers are between 50 – 60 and Chinese at around 150 as permanent workers.[196] Even workers inside CNPC do not know the number of workers because workers are restricted to stay at their designated working area and station.[197] Interaction and information sharing among workers is discouraged.[198] It is also widely perceived that the company prefer to hire locals only as daily wage workers.[199]

Again, no employment data is available for Chinese-owned banana plantation fields. According to reports, the majority of local workers in banana plantations are ethnic Rakhine and Burmese internal migrants.[200] Some Internally Displaced Peoples (IDPs), mostly ethnic Kachins, also got day-labour jobs in the banana plantation fields in areas that were formerly Kachin Independence Organisation (KIO) administration zones. These lands are IDPs' land where they were forcefully removed from their land due to the conflict between the Tatmadaw and KIO to solve their immediate needs for survival.[201] Most of those lands fall under the category of vacant, fallow and virgin land according to 2012 Vacant, Fallow and Virgin Land Management Law.[202] It is reported that many of those lands are categorised as "military-owned land".[203] In fact, it is a painful process for some of the workers. The workers at the banana plantation desperately expressed their feelings working on their own land as a guest. "We cannot go home but Chinese investors are freely allowed to operate their business in our land and we become a wage worker at our own land".[204]

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mar Which Are Wholly Korean Owned or in a Joint Venture with Korean Companies" (Action Labour Rights, March 2016).

195 Janssen and Lynn, "EU Sanctions Threaten to De-Industrialize Myanmar."

196 Focus group discussion with workers at CNPC Company, Made Island, October 2018.

197 Focus group discussion with workers at CNPC Company, Made Island, October, 2018.

198 Focus group discussion with workers at CNPC Company, Made Island, October, 2018.

199 . FGD at Kyauktan village, CSOs leaders' interview at Kyaukphyu, October 2018.

200 Khaing, "Kachin IDPs Fear Land Grabs in the Villages They Once Called Home.", Kevin Woods, "Rubber out of the Ashes: Locating Chinese Agribusiness Investments in 'Armed Sovereignties' in the Myanmar–China Borderlands," Territory, Politics, Governance, May 7, 2018, 1–17, https://doi.org/10.1080/21622671.2018.1460276. P.3

201 Woods, "Rubber out of the Ashes."

202 Ben Dunant, "Why a Land Law Change Is Sparking Fears of Mass Evictions," Frontier Myanmar, November 19, 2018, https://frontiermyanmar.net/en/why-a-land-law-change-is-sparking-fears-of-mass-evictions.

203 Moe Myint, "Ex-Ministers, Armed Groups Operate Farms in Kachin's Conflict Areas," The Irrawaddy, October 3, 2017, https://www.irrawaddy.com/features/ex-ministers-armed-groups-operate-farms-kachins-conflict-areas.html.

204 Focus group discussion with workers from IDPs camp at banana plantation, 20 September 2018.

Based on the desk reviews and field interviews, in all three of the sectors (oil and gas, garment manufacturing and agribusiness), management positions are mostly held by Chinese citizens in China-backed projects. [205]While Myanmar locals are mainly employed in low-paid labour-intensive jobs, Chinese migrant workers are employed in both skilled and unskilled positions. For example, permanent workers and local community members near the project sites of CNPC at Made Island described the local worker's role as driver, cleaner, waiter, security guard, firefighter and workers' leader.[206]

Very few Myanmar workers have been recruited as technicians at CNPC project site in Made Island.[207] Even if recruited as technicians, the payment difference is estimated as four times compared to Chinese workers and decision-making power is not entitled as Chinese workers.[208] A report by Myanmar China Pipeline Watch Committee described that professional jobs are only designated for Chinese nationals while Myanmar citizens are temporarily hired to perform manual jobs such as to dig and carry the soil, sand, stones, and cement, or as night-watchmen, cleaners, or cooks during the construction period in the project sites.[209] Although the promotional pamphlet advertised that the project will create job opportunities for 489,825 citizens, apart from night-watchmen, most workers lost their jobs after construction of the site had finished.[210]

Meanwhile in the garment sector, despite having similar skills and experiences, most or all technicians and management team are held by a foreigner (Chinese) in Chinese-owned garment factories or Chinese-operated factories.[211] The highest position sometimes held by local in all three sectors is as a supervisor or a manager aka interpreter.[212]

205 Myat Myat Mon, "Maximizing Benefit and Reducing Risk in the China-Myanmar Economic Corridor," Global Is Asian, October 24, 2018, https://lkyspp.nus.edu.sg/gia/article/maximizing-benefit-and-reducing-risk-in-the-china-myanmar-economic-corridor?fbclid=IwAR27FGta4a81p-phDMG_nqwu754XfG5HENgD-Bac4vKeXyMcnoZdKxWrZyR8.

206 Focus group discussion with workers at CNPC Company and Focus group discussion with Kyauktan villagers, Made Island, October 2018.

207 Interview, local civil society leader 1, Kyaukphyu, October 2018

208 Interview, local civil society leader 1 and 3, Kyaukphyu, October 2018.

209 Myanmar China Pipeline Watch Committee, "In Search of Social Justice Along the Myanmar-China Oil and Gas Pipeline." P. 64

210 Myanmar China Pipeline Watch Committee. P. 64

211 Interview, labour rights activists 1, 2 and 3, Yangon, November and December 2018.

212 In many Chinese investments covered under this study finds that the interpreters play a crucial role and hold more than one role. Depending on the company, the interpreter hols manager position, supervisor, contractor to supply labours to the company. The tasks often include interpretation, recruitment, supply of wage workers, mediate conflict between the employers and employees. These interpreters link to Chinese descendent. Most of the time, the Chinese investor will give authority to deal with the workers. Often time, they are abusive to secure their job and good relationship with the employer with the expense of the labour rights and abusing the workers.

RECRUITMENT PROCESS

Local brokers (middlemen) aka contractors or sometimes managers or interpreters recruit the workers in banana agribusiness estate and CNPC while some of them recruited through a friend or relatives. In agribusiness field, the company managers brought wage labourers particularly Burmese,[213] Rakhine ethnics and Kachin IDPs.[214] Chinese investors in banana plantations are reluctant to hire from IDP camps by reasoning they will go to church on Sunday (i.e. and not be available to work then) and sometimes have to give time for the community affairs. Locals think that they prefer to hire non-local who do not need to go to church on Sunday such as Rakhine people or Burmese people. IDPs mentioned that "although there is a job opportunity, it is very hard to stay employed".[215]

In Made Island, local, particularly, wage labourers have been recruited through contractor's aka interpreters and some local residents who[216] mostly live near the CNPC operation sites.[217] About 70 households out of around 90 households are waiting for this job that only employs them around 10 days per month.[218]

Garment factories tend to advertise jobs and select workers on a competitive basis or through friends and relatives or from the same villages.[219] Probation period is 3 months but some would extend this period as an apprentice beyond 3 months. In some cases, the supervisors or leaders or manager in garment factories open basic tailoring training centres as a recruitment process to their respective factories.[220] Those workers mostly come from very poor communities with low employment opportunities and lacking in basic public services such as water and electricity.[221]

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213 Woods, "Rubber out of the Ashes."

214 Focus group discussion with workers from IDPs camp at banana plantation, 20 September 2018.

215 Focus group discussion with workers from IDPs camp at banana plantation, September 2018.

216 Villagers are the primary residence in Made Island before the CNPC arrival in the island. The area where most daily wage workers live is more look like a slum area without governance system, electricity and water. Almost all of them arrived at the area after the arrival of CNPC in the island in search of job opportunities. They themselves do not describe or regard as a villager in Made Island.

217 Focus group discussion with workers at CNPC Company, Made Island, October 2018.

218 Focus group discussion with workers at CNPC company, Made Island, October, 2018.

219 Interview, Labour rights activists 1, 2 and 3, Yangon, November – December 2018.

220 Interview, Labour rights activists 2 and 3, Yangon, December 2018.

221 Progressive Voice, "Raising the Bottom: A Report on the Garment Industry in Myanmar"; Today, "Inside the Secret Lives of Myanmar's Women Garment Workers," TODAYonline, May 5, 2017, https://www.todayonline.com/world/asia/inside-secret-lives-myanmars-women-garment-workers.

FORMS OF EMPLOYMENT

Most common forms of employment are permanent workers, daily wage workers, and contracted workers. Permanent workers have contracted with designated tasks and roles while wage labourers are invited to perform particular activities on the demand basis of the company. Another type of work in the banana plantation is contracted workers. These workers agree with the investors to plant a certain number of banana plants with a certain amount of payment on the basis of skill and experience. For example, to plant 10,000 plants, they are paid between 3,800,000–4,800,000kyats (approx.: USD 2,400 – 3,000).[222] Daily wage workers are the most common type of employment on the banana plantation. It is reported that an hour rate for the daily wage worker is 1,000 kyats and they have to work for eight hours. Salary difference between men and women and children was also reported. Women and children are paid 1000 kyats less from the full day wage. Daily wage workers are exposed to hazardous working condition, such as spraying strong chemical fertilizer and face discrimination compared to the contracted workers. They are also easily sacked.[223]

Permanent workers from both CNPC and the Yangon factories have Employment Contract (EC) which includes 26 points, tailored by the Ministry of Labour, Immigration and Population. Nowadays, the factories are obligated to establish contracts with their employees within 30 days of employment. Otherwise, they can face fine charges. On the other hand, workers themselves are also reluctant to commit into EC. It is often claimed that sufficient time and assistance has not provided to the employees to read the contract or to explain the content of their contracts.[224] Often, the workers do not obtain the copy of their contract, although the law states that 3 copies should be produced, each for the employee, factory and township labour office.[225] Many factories usually include miscellaneous beyond 26 points in EC, which the Ministry said it makes more difficult for the Ministry in resolving the disputes when it occurs.[226]

222 Focus group discussion with workers at banana plantation from IDPs camp, Myitkyina, September, 2018.
223 Focus group discussion with workers from IDPs camp at banana plantation, September 2018.
224 Labour rights activists, Interview in Yangon, November – December 2018., SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can The Garment Industry Deliver Decent Jobs for Workers in Myanmar?"
225 Ibid, SOMO, ALR, and LRDP.
226 Interview, Ministry of Labour, NayPyiTaw, November 2018.

WORKING CONDITION

The most widely reported labour rights issues from the three study areas are long working hours, poor and hazardous working conditions, salary issues such as not receiving minimum wage, not being paid on time, unpaid for overtime work, salary deduction, dismissal from work for being a member of a labour union or for trying to set up labour union in the factory, harassment mainly verbally and physically and social security scheme disputes.[227]

In theory, permanent workers have one day off every week in all three sectors. The Factories Act stipulates standard working hours per day as 8 and 44 hours per week including break times.

In CNPC Company, the working hours are designated as 8 hours per day but this only counts the actual working hours excluding lunch time and breaks especially for daily wage workers. Both the permanent workers and daily wage workers work 10 hours per day starting from 7am until 5pm including lunch break that is between 12 – 1pm.[228] Practically, apart from the cook, all the permanent workers have to work almost all days despite having four days off per month in theory but the cook have one day off every week. In 2017, workers strike took place at the CNPC Company demanding pay raise and reduce working hours. Although it was promised that the company will act on the demands, no action has been taken so far and yet, 20 workers were fired for as a result.[229]

Myanmar's government factories are famous for long and excessive working hours. Two of the most commonly reported disputes to labour rights organisations are long working hours and poor working conditions – these are mostly reported from the workers from Chinese-owned factories.[230] It is common that factories force workers to work overtime and unpaid overtime.[231] A Chinese-owned factory in ShwePaukkan force workers to work overtime even on Sunday.[232] If workers deny working overtime, they face being fired or having their salary deducted.[233]

227 Interview, Ministry of Labour and Labour rights Activists 1, 2 and 3, NayPyiTaw and Yangon, November and December 2018.
228 Interview, Ministry of Labour and Labour rights Activists 1, 2 and 3, NayPyiTaw and Yangon, November and December 2018.
229 Focus group discussion with workers at CNPC Company, Made Island, October, 2018.
230 Interview, Lawyer and Labour rights activists 1 and 3, Yangon, March, November and December 2018.
231 SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can Teh Garment Industry Deliver Decent Jobs for Workers in Myanmar?" P. 77
232 Focus group discussion with workers at ShwePaukkan Zones, Yangon, April 2018.
233 Focus group discussion with workers at ShwePaukkan Zones, Yangon, April 2018.

In recent times in garment factories, there is a tradition to set quotas or targets[234] that each individual worker has to finish per days, which are often set at very high levels.[235] As a result, the workers have to work unpaid overtime, or have to operate multi-machines at a time to complete the orders.[236] As a result, the workers often hold back their breaks for toilet and lunch to meet their targets.[237] The rooms are often hot and smelly without proper ventilation.[238] A study conducted by SOMO and partners in 2017 found that sometimes workers at Chinese factory have to work until 10pm.[239] Forced overtime is practiced in many Chinese factories and this is often unpaid.[240] A report by local organisation helping labour disputes in Hlaingtharyar stated that 22 out of 168 complaint cases that they assisted in resolving were related to not receiving overtime working fees and only partially receiving overtime payment.[241]

Sometimes, daily wage workers are employed at a dangerous job or the job that might have long-term negative health impact, especially in banana plantation fields. For example, most of the local workers in the banana plantation spray chemical fertiliser without proper protection such as wearing mask and gloves. Many people who spray the fertilizer look unhealthy, inactive and it is really visible that their health is deteriorating.[242] Strict rules are common in banana plantations regarding working hours. For example, if workers take a break for 5 minutes just before reaching 8 working hours, the workers have to compensate one hour for that 5 minutes as a punishment.[243]

The significant issue expressed by the workers is lack of cultural sensitivity. In Myanmar pointing or show things with the foot is perceived as unacceptable behaviour. Unfortunately, workers at Chinese companies routinely face this situation. "The most uncomfortable thing is that Chinese show us things with their feet. It is unacceptable behaviour in our

234 A worker has to finish 450 to 800 pieces of jean per day at one Chinese-owned factory.
235 SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can The Garment Industry Deliver Decent Jobs for Workers in Myanmar?", Progressive Voice, "Raising the Bottom: A Report on the Garment Industry in Myanmar."
236 Focus group discussion with workers Mingalardone, ShwePaukkan and Hlaing Tharyar, Yangon, March - April 2018.
237 Focus group discussion with workers at Mingalardon, Yangon, March 2018.
238 Focus group discussion with workers at Hlaing Tharyar, Yangon, April 2018.
239 SOMO, ALR, and LRDP, "The Myanmar Dilemma: Can Teh Garment Industry Deliver Decent Jobs for Workers in Myanmar?"
240 SOMO, ALR, and LRDP.
241 We Generation Network, "Labour Union, Collective Bargaining and Labour Disputes: Labor Issues Handled by We Generation Network" (We Generation Network, 2017 2016).
242 Focus group discussion with Kachin civil society representatives, Myitkyina, September 2018.
243 Focus group discussion with workers from IDPs camp at banana plantation, September 2018.

context".[244] This kind of behaviour is frequently reported during the interviews with the workers and key informants, and has led to conflicts among the local and Chinese workers. According to a factory worker, "*we are not fine with them point to things with their feet. In my opinion, it is very rude. Any person who comes to Myanmar should respect our culture. Should understand. If they come without really understanding our culture, the problem will only grow*".[245] Incidence such as host communities like in the dry zone area, Na Hto Gyi and Taung Thar, driving out the Chinese workers wearing man briefs in the open area, was also reported.[246]

WAGES

Myanmar passed a Minimum Wage Law in 2013, giving authority to the National Committee to set a rate by carrying out extensive surveys, with the collaboration from regional Governments, experts, representatives from the labour and the employer, etc. In 2018, the Government increased the country's daily minimum wage for an eight-hour work day from 3,600 kyat to 4,800 kyat. It should apply to all businesses with 10 or more employees irrespective of the location or type of work.

Our study found that a Myanmar security guard earns 180,000kyats (approx.: 113 USD) per month while cleaner and waiter receive around between 220,000 to 250,000kyats (approx.: 138 – 157USD) at CNPC's a crude oil unloading terminal facility in Kyaukphyu. Chinese workers' salary here is unknown.[247] The daily labourers in Made Island are paid 5,000 kyats for men and 4,000 kyats[248] for women per day.[249] The daily labourers mentioned that sometimes they are not paid immediately but have to wait for between 5 – 20 days as the middle person told them that money has not arrived yet.[250]

At the time of the interview, minimum wage was still set at 3600 kyats per 8-hour day. However, what happened was not that simple. Despite being already highly skilled, some factories would start recruiting workers as "apprentice" and paid lower than the minimum wage rate. The same

244 Focus group discussion with workers at CNPC, Made Island, October, 2018.
245 Focus group discussion with workers at Hlaing Tharyar, Yangon, April, 2018
246 Key informant interview with CSO leader, Yangon, December 2018.
247 Focus group discussion with Kyauktan villagers, 20 October 2018.
248 The locals and workers said that the actual payment is 8000kyats for men and 7000kyats for women per day. This means that the middle person cuts 3000kyats for the service.
249 Focus group discussion with workers at CNPC Company, Made Island, October, 2018.
250 Focus group discussion with workers at CNPC Company, Made Island, October, 2018.

practice occurred with the university students, when they had to take leave from work to sit for distant education exam. Employers would not agree to take leave but ask them to resign, and when they returned to work, they are asked to join from the “apprentice” leave. Only after six months, they are able to fully enjoy the minimum wage. For the existing workers with many years of service, their pay got upgraded only to the minimum wage level, not beyond that despite many years of service. After the minimum wage increment, workers face increase workload. One example highlighting this issue was from the garment factory where they had to sew double the amount of jean pants than before.

In banana plantations in Kachin State, the salary for Myanmar workers range between 3,000 to 8,000kyats (1.86 – 5 dollars) per day without medical insurance but Chinese workers earn 100 Yuan plus 22,000kyats (13.8 USD) including medical insurance.[251] Mostly, women and children rate is between 5500-6000kyats while men are between 7000-8000kyats.[252]

Wage deduction is a common practice in many factories in Myanmar including Chinese-owned factories and Chinese-investment projects. The deduction ranges from leave both with notification and without notification, sick leave, coming late to work, using phones to not washing hands and more.[253] A worker at Chinese factory said a deduction is applied although they have to work overtime in order to compensate their production targets for the absence day in advance notification.[254] In CNPC, wage deduction applies after 3 days absence theoretically but in practice, it is common to deduct 1000kyats per day for leave/absence.[255]

There have been some disputes over dismissals from work when students went to sit their distance university exam and when pregnant women deliver their babies. Either they are fired and have to restart as a probation period even if they have been working there for more than six months or years. It significantly undermines their ability to earn even the minimum wage because the probation period is six months that three months is entitled to 50 percent and another three months for 75 percent out of 4800 kyats.[256]

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251 Focus group discussion with workers at banana plantation from IDPs camp, Myitkyina, September, 2018.
252 Focus group discussion with workers at banana plantation from IDPs camp, Myitkyina, September, 2018.
253 SOMO, ALR, and LRDP. P. 75
254 Focus group discussion with workers at Mingalardone, Yangon, March 2018.
255 Focus group discussion with workers at Mingalardone, Yangon, March 2018.
256 Focus group discussion with workers at Hlaing Tharyar, Yangon, April, 2018.

LABOUR RIGHTS

Myanmar ratified three main ILO Conventions including Forced Labour Convention, Freedom of Association and Protection of the Right to Organise Convention, and Worst Forms of Child Labour Convention. During mid last year, due to weak implementation enforcement of labour laws and regulations, ILO requested the Government to submit an update on the implementation of the conventions including the government's efforts to improve the welfare of the workers while protecting and promoting their rights.[257] The study finds alarming reports of violations of ILO Convention, particularly Freedom of Association and Protection of the Right to Organise Convention.

SOCIAL SECURITY

In the CNPC project site and garment factories, only permanent workers are entitled to benefit social security protection with their social welfare card such as health benefits, maternity leave and coverage in case of death or injury on the job under the 2014 Social Security Law which requires workers' pay 2 percent of their monthly income into a health and social care fund.[258] Unfortunately, wage labourers and contracted workers have no access to those benefits. Although permanent workers regularly pay the social care fund, they do not receive social security card.[259] It is reported that many factories including Chinese-owned factories in Yangon still lack to provide social security card to their workers, pay for social security and keep it by the employee when a worker left or fired from the factory.[260] No health benefits or social security are issued for workers in a banana plantation.[261]

HARASSMENT

Sexual harassment in the work such as the unwanted touch of bum, breast and verbally harassing women has reported among factory workers

257 https://www.mmtimes.com/news/government-update-ilo-initiatives-protect-workers-welfare.html
258 Burmese Women's Union, "Forgotten Voices: The Situation of Women Workers in the Garment Sector in Yangon" (Burmese Women's Union, April 2016), http://www.burmalibrary.org/docs13/Forgotten_Workforce(en)-red.pdf.
259 Focus group discussion with workers at CNPC, Made Island, October 2018.
260 Interview, Lawyer and labour rights activist 2, Yangon, April and December 2018.
261 Focus group discussion with workers at banana plantation from IDPs camp, Myitkyina, September, 2018.

in Yangon including in Chinese-owned factories. Moreover, placing CCTV at toilets to monitor who often use it and the time that they spend there in many Chinese-owned factories.[262] In factories where labour unions are functioning, those issues can be reported and collectively resolved. Unfortunately, not all factories have independent labour unions. It is common that women factories workers also widely reported their fear of rape and robbery in public spaces, especially after dark on the way home from work after working long hours.[263] It is assumed that the same situation might apply in Chinese-owned factories.

LABOUR UNION

The Labour Organisation Law was passed in 2011 that somewhat enable freedom of association in factories and workplaces. As of 2018, 2848 labour unions are reported by the Ministry of Labour, Immigration and Population.[264] However, it is widely reported that some labour unions and union members face significant challenges while the existence of labour unions are unknown among workers in factories or no existence of labour union. For example, no labour union is established in CNPC Company's worksite in Made Island and Banana plantation in Kachin State. Some labour unions are only established in garment factories in Yangon. Unfortunately, the union leaders and members are threatened with wage deduction or targeted to dismiss by the employer or the management team.[265] One of our interviewees stated that in Yangon this is particularly common in Chinese-owned factories.[266]

In some Chinese-owned factories workers' leaders have been expelled from their job. For example, the Fu Yuen garment factory expelled 30 union members last on August 20, 2018, over demanding better working condition, fair overtime and on time payment of salary that led to a strike by around 300 workers.[267] After 72 days of the strike, the Yangon regional government had to interfere to settle the dispute to rehire the expelled

262 Interview, labour rights activist 2, Yangon, December 2018.

263 Tamsin Bradley and Emma Sauvanet, "Women, Work and Violence in Myanmar, Nepal and Pakistan" (IMC Worldwide, March 2017). P. 19 -22

264 Ministry of Labour, Immigration and Population, "Employer/Employee Organisation Lists," January 1, 2019, https://www.mol.gov.mm/mm/departments/department-of-labour/dol-manpower-statistics-division/emp-asso-lists/.

265 Progressive Voice, "Raising the Bottom: A Report on the Garment Industry in Myanmar." P. 64 - 66

266 Interview, Labour rights activist 3, Yangon, December 2018.

267 Nyein Nyein, "Workers Strike for 44th Day at Chinese-Owned Garment Factory," The Irrawaddy, October 3, 2018, https://www.irrawaddy.com/news/workers-strike-44th-day-chinese-owned-garment-factory.html.

workers.[268] Forced separation and intimidation are often used to prevent collective bargaining by the companies. "The factory owner who is Chinese places CCTV to conduct surveillance on my movements and what I said because I am a union member at our factory".[269] Sometimes, the intimidation is intense, one worker expressed her experience "the workplace makes me feel like a criminal offense because the management team keeps watching us". It often results in depression among workers. When they fired someone, they will blacklist the person and distribute the photos of that person as "troublemaker" that blocks them from getting a new job in other factories. If a worker makes a complaint once to the local authority, the company watch closely that person since afterward. As soon as that worker makes a mistake, they will fire him/her immediately.[270] According to one participant, "They don't recognize the labour unions. They treat them like enemies. "Some employers used strategies like giving promotion and pay raise to the labour union leaders to weaken their position.[271]

The earlier discussions show that management and technician positions are mostly held by Chinese in Chinese investments that the study has covered although it mostly presents opportunities including job opportunities during the signing of the contracts. In reality, very few are recruited as a technician and even as permanent workers. Except for garment factories in Yangon, local in banana plantation in Kachin and CNPC operation side at Made Island in Rakhine States are mostly hired only as daily wage labourers. It provides leverage to Chinese investors to get away with responsibilities to protect the workers' rights and ensure a social safety net. It is also evident that many Chinese investors lack to abide by labour laws such as minimum wage, social security and settle for disputes. Freedom of expression and association among workers are shrinking as union members are threatened with punishment as rule of law is undermined by corrupted officials. As a consequence, local workers pay a price in terms of their rights to the safe working environment and living with dignity. Both the local authority and Chinese investors fail them to ensure their rights.

268 ZawZawHtwe, "Chinese-Owned Garment Factory Agrees to Rehire Sacked Workers," The Myanmar Times, October 31, 2018, https://www.mmtimes.com/news/chinese-owned-garment-factory-agrees-rehire-sacked-workers.html.

269 A female worker, focus group discussion with workers at Hlaing Tharyar, Yangon, April, 2018.

270 Focus group discussion with workers at Hlaing Tharyar, Yangon, April, 2018.

271 Focus group discussion 3 with workers at Hlaing Tharyar, Yangon, April, 2018

RESISTANCE TO CHINESE INVESTMENT

For generations, Myanmar people have been concerned about potential Chinese influence and domination in its political, social and economic issues, especially since the State Law and Order Restoration Council (SLORC), subsequently the State Peace and Development Council (SPDC), took power in 1989 after a bloody crackdown on the pro-democracy uprising.[272] Under SLORC-SPDC rule, western countries isolated Myanmar both politically and economically while China has reinforced a strong relationship with Myanmar's ruling generals under "five principles of peaceful co-existence and the 'one-China' policy" agreed during U Nu period.[273] China became the main defender of Myanmar's generals as they faced international condemnation over human rights violations against their own people, [274]and China also became Myanmar's main provider of aid and investment.[275]

During SLORC-SPDC rule Chinese state-owned enterprises forged "government to government" negotiation for their investments in Myanmar with little or no transparency for the deals.[276] Oftentimes in border areas, Chinese only made deals with border guard forces and ceasefire groups and ignored the interests of local communities, ethnic armed groups over their livelihoods, land security, peace, and stability.[277] The three largest investments that Chinese state-owned enterprises agreed with the government are Myitsone Hydropower Dam, Letpadaung Copper Mine, and Sino-Myanmar oil and gas pipeline.[278] China built close ties with former dictators as the military regimes's only source to protect its legitimacy, political and weapons support in the international arena.[279] That negative perception is reflected in an experiment conducted by the International Growth Centre (IGC) that revealed Myanmar people are less favourable towards Chinese

272 Transnational Institute, "China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma" (Transnational Institute, July 19, 2016), https://www.tni.org/files/publication-downloads/chinas_engagement_in_myanmar-final.pdf.
273 Transnational Institute.
274 Transnational Institute.
275 J. Mohan Malik, "Myanmar's Role in China's Maritime Silk Road Initiative," *Journal of Contemporary China* 27, no. 111 (May 4, 2018): 362–78, https://doi.org/10.1080/10670564.2018.1410969.
276 Transnational Institute, "China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma."
277 Kevin Woods, "Rubber out of the Ashes: Locating Chinese Agribusiness Investments in 'Armed Sovereignties' in the Myanmar–China Borderlands," Territory, Politics, Governance, May 7, 2018, 1–17, https://doi.org/10.1080/21622671.2018.1460276., Transnational Institute, "China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma."
278 Ying Yao and Youyi Zhang, "Perceptions of Chinese Investment in Myanmar," March 2018, https://www.theigc.org/project/perceptions-chinese-investment-myanmar/.
279 Yun Sun, "China's Belt and Road in Myanmar," The Diplomat, December 26, 2017, https://thediplomat.com/2017/12/chinas-belt-and-road-in-myanmar/., Lucy Ash, "Burma Learns to Protest - against China," BBC News, January 24, 2013, sec. Magazine, https://www.bbc.com/news/magazine-21028931.

investments over Japanese investments even if both of them are affiliated with the military.[280] Similarly in Kyaukphyu, it was expressed in interviews that many local communities have preference towards investors from other countries mainly Daewoo from South Korea. In their words, South Korea is doing better job than Chinese because consultation was conducted with the local communities for rural development programmes such as to build hospitals, schools and roads.[281]

The political and economic transition since 2011, in line with the 2008 Constitution, created opportunities to openly oppose the investments and businesses that exploit the people and natural resources. The transition enabled the citizens of Myanmar to grab the opportunity of increased freedom of expression to express their disagreement with the government. As a result, resistance to Chinese investments became more visible than during the SLORC-SPDC period. Objections over inadequate compensation, land grabbing from local communities, forced relocations, damaging local communities, environment, cultural identity, exploit the labour and the resources and national security concerns.[282]

On 30 September 2011, Thein Sein made a historical decision to suspend the Myitsone Dam in Kachin State during his term only after six months of his presidency over widespread opposition campaigns.[283] The dam is located at a heritage site at the confluence of the Mili Kha and N'Mai Kha rivers that is where the Irrawaddy river starts and the Irrawaddy is regarded as the lifeline of Myanmar as it runs through the central heart of Myanmar with abundant biodiversity and livelihood opportunities.[284] The Myitsone Dam is a joint venture between State Power Investment (SPI) (formerly known as China Power Investment Corporation (CPI)) and Myanmar's Ministry of Electric Power and the Asia World Company.[285]

The project is worth USD3.6 billion with 6,000MW of power to be completed in 2019 which 90 percent of the power to export to Yunnan.[286]

280 Yao and Zhang, "Perceptions of Chinese Investment in Myanmar."
281 Interview, local civil society leader 2 and 3, Kyaukphyu, October, 2018.
282 SiuSue Mark and Youyi Zhang, "From Impediment to Adaptation: Chinese Investments in Myanmar's New Regulatory Environment," August 23, 2017, 31., Nathan Vadnjal, "The Changing Face of Chinese Investment in Myanmar," Foreign Brief, June 9, 2017, https://www.foreignbrief.com/asia-pacific/south-east-asia/changing-face-chinese-investment-myanmar/.
283 Mark and Zhang, "From Impediment to Adaptation: Chinese Investments in Myanmar's New Regulatory Environment."
284 Transnational Institute, "China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma."
285 Mark and Zhang, "From Impediment to Adaptation: Chinese Investments in Myanmar's New Regulatory Environment."
286 Vadnjal, "The Changing Face of Chinese Investment in Myanmar."

Letpadaung Copper Mine took 7868 acres of confiscated farmland and affected 26 villages.[287] The mine is operated by Wanbao Mining (part of Norinco), the China North Industries Cooperation and the Union of Myanmar Economic Holding Limited.[288] Wanbao got the project since 2007 after the former operator, Ivanhao, left.[289] The project started forced relocation in 2010 to expand the project operations that resulted in mass protest from local communities, including monks, due to lack of compensation, demolition of Buddhist temple on the mine site and social and environmental impact.[290] The authorities and the company forcefully and violently cracked down on demonstrators, resulting in a woman being shot dead by security personnel,[291] and more than 100 monks being severely burned with chemicals While Phosphorus grenades, and firebombs and acid water.[292]

To respond to the local grievances, a commission led by Myanmar's State Counsellor (then an MP) was formed to investigate the situation. The commission released a report that suggested the continuation of the operation, after taking measures on the environmental management plan, citing its international relation and attempt to attract foreign direct investment, although it acknowledged no hope of job creation for locals.[293] Instead, it recommended renegotiating the profit sharing to allow the Myanmar government to receive the highest profit at 16.8 percent, while UMEHL at 1.8 percent and Wanbao 13.3 percent respectively and Wanbao to allocate 2 percent of its profit for corporate social responsibility initiatives.[294] Nevertheless, the commission failed to hold the operating companies accountable for the violence committed by the officials.[295]

The other significant resistance of Chinese investment is Kyaukphyu deep-seaport which is "a source of energy and a trans-shipment route for

287 Mark and Zhang, "From Impediment to Adaptation: Chinese Investments in Myanmar's New Regulatory Environment."
288 Mark and Zhang.
289 Charltons, "Letpadaung Investigation Commission Issues Final Report," April 2013, https://www.charltonsmyanmar.com/legal/law-updates/3/letpadaung-investigation-commission-issues-final-report.pdf.
290 Mark and Zhang, "From Impediment to Adaptation: Chinese Investments in Myanmar's New Regulatory Environment."
291 Thomas Fuller and Wai Moe, "Woman Killed While Protesting Chinese Copper Mine in Myanmar," The New York Times, December 22, 2014, sec. World, https://www.nytimes.com/2014/12/23/world/asia/woman-killed-while-protesting-chinese-copper-mine-in-myanmar.html.
292 Lawyers Network and Justice Trust, "Evidence Regarding Controversies at Letpadaung Hill Copper Mine Project," February 14, 2013.
293 Charltons, "Letpadaung Investigation Commission Issues Final Report."
294 Ei Ei Toe Lwin, "Fury over Letpadaung Copper Mine Report," The Myanmar Times, March 18, 2013, https://www.mmtimes.com/national-news/5175-fury-at-copper-mine-report.html., Fiona Macgregor, "China's Growing Image Problem in Myanmar," Nikkei Asian Review, July 3, 2014, https://asia.nikkei.com/Economy/China-s-growing-image-problem-in-Myanmar.
295 Lawi Weng and Thet Swe Aye, "Activists, Locals Reject Letpadaung Inquiry," The Irrawaddy, March 12, 2013, https://www.irrawaddy.com/news/burma/activists-locals-reject-letpadaung-inquiry.html.

China" and a major element of President Xi Jinping trademark project; Belt and Road Initiative (BRI).[296] Firstly, Myanmar's Ministry of Transportation cancelled a USD 20 billion railway project in July 2014 by citing public opposition.[297] This was planned to be parallel with the twin oil and gas pipeline connecting the Yunnan capital Kunming with Kyaukphyu on the Rakhine State coast.[298] Secondly, the Myanmar government renegotiated the original deal for the Kyaukphyu Special Economic Zone concerns over security, political implications, and financial burden.[299] After several discussions, the agreement was reached between the China International Trust Investment Corporation (CITIC) and Myanmar government that allows Myanmar to get a larger stake, and to scale down the project.[300] At first, the ratio was 85: 15, now it is reduced to 70 percent for Chinese and increased 30 percent for Myanmar government and local firms the new deal that was settled in late 2018.[301]

In the three areas this study covers, there is significant resentment on Chinese investments. In recent years, a number of protests took place in Kyaukphyu, Yangon Industrial zones, and Kachin State. For example, when cemetery land was taken away by companies to expand the banana plantation in Man Wein village, Waingmaw township, the community organised a peaceful sit-in protest to protect it.[302] Unfortunately, they have to compromise with the militia leaders who are one of the main actors in agribusiness in Kachin State,[303] because villagers were often threatened by militia groups if they do not agree to give up their land.[304]

Further, while some communities are fleeing the conflict, their land has taken already for the banana plantation by the military with a warning signpost "military-owned land".[305] Some are even not aware that their

296 Malik, "Myanmar's Role in China's Maritime Silk Road Initiative."

297 Transnational Institute, "China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma.", Jacob Goldberg, "Myanmar's Great Power Balancing Act," The Diplomat, August 29, 2014, https://thediplomat.com/2014/08/myanmars-great-power-balancing-act/.

298 Transnational Institute, "China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma.", Goldberg, "Myanmar's Great Power Balancing Act."

299 Yun Sun, "Yun Sun: China's Latest Megaproject Courts Controversy in Myanmar," Nikkei Asian Review, November 16, 2017, https://asia.nikkei.com/NAR/Articles/Yun-Sun-China-s-latest-megaproject-courts-controversy-in-Myanmar.

300 Chan Mya Htwe, "Myanmar Successfully Renegotiates Debt, Ownership Terms for Kyaukphyu," *The Myanmar Times*, October 1, 2018, https://www.mmtimes.com/news/myanmar-successfully-renegotiates-debt-ownership-terms-kyaukphyu.html.

301 Htwe.

302 Libby Hogan, "Myanmar Land Grab Fears Stoked by New Law," VOA, December 21, 2018, https://www.voanews.com/a/myanmar-land-grab-fears-stoked-by-new-law/4710487.html.

303 Hogan.

304 Chan Thar, "Chinese Banana Plantations Flourish as Villagers Lose Their Land in Kachin," The Myanmar Times, June 22, 2018, https://www.mmtimes.com/news/chinese-banana-plantations-flourish-villagers-lose-their-land-kachin.html.

305 Myint, "Ex-Ministers, Armed Groups Operate Farms in Kachin's Conflict Areas."

land has been taken away while they are struggling to survive with little humanitarian aids.[306] In addition, many households do not have land registration because those lands have been transferred from one generation to another under customary land ownership which the government neglect to recognise.[307] A report stated that some companies (actors) and businessmen are occupying the IDPs land under VFV Land Law and the Farmland Law where they have to abundance forcefully due to the conflict.[308] Those IDPs are restricted to go back to their land due to the presence of armed groups, landmines, and ongoing conflict.[309]

In early 2018, about 200 villagers in Waingmaw, Kachin State organised a protest against a Chinese banana plantation that is causing land and environmental problems.[310] A letter signed by about 800 residents in Tar Law Gyi village was sent to the State Chief Minister's office regarding their concerns.[311] Unfortunately, no significant actions have been taken to help the villagers, with the state government only informing Chinese businessmen to suspend their operation before proceeding with legal permission.[312] This suggests that it is more difficult to openly resist Chinese investments in contested areas or borderlines compared to investments in central Myanmar or out of conflict zones. In those areas, fear and worry have become the daily routine of the people. Locals expressed the concerns that "we are afraid of all groups: military, border guard forces, and militia groups especially those backed by the Chinese".[313]

Options to hold accountable and end the impunity of investors is very limited in Myanmar because institutions and laws are weak while information accessibility is extremely low.[314] This makes it hard to hold investors accountable.[315]

Different tactics have been applied to different sectors. In the garment sector, legal mechanisms, political pressure and naming, and sham-

306 James Nickerson, "The Kachin IDP Crisis: Myanmar's Other Humanitarian Disaster," December 3, 2018, https://www.aljazeera.com/indepth/features/kachin-idp-crisis-myanmar-humanitarian-disaster-181202225600024.html.
307 Nickerson.
308 Kachin Baptist Convention et al., "Displaced and Dispossessed: Conflict-Affected Communities and Their Land of Origin in Kachin State, Myanmar," May 2018.
309 Kachin Baptist Convention et al.
310 Khin Su Wai, "Tissue Culture Bananas Called a Threat," The Myanmar Times, February 12, 2018, https://www.mmtimes.com/news/tissue-culture-bananas-called-threat.html.
311 Wai.
312 Wai.
313 Focus group discussion with workers at banana plantation from IDPs camp, Myitkyina, September 2018.
314 Interview, Representative from MCPWC, Yangon, September 2018.
315 Interview, Representative from MCPWC, Yangon, September 2018.

ing strategies are widely applied. One of them is a tripartite process to seek equitable resolution for labour disputes. It was set up under the 2012 Settlement of Labour Dispute Law and facilitated by Ministry of Labour, Immigration and Population with the composition of the township, state/regional and national bodies from the worker and employer representatives. This platform may seem promising to negotiate the best outcomes that are fair, just, and satisfactory for both employers and employees in the garment factories. However, those processes are disguised by corruption and government policy to please the investors as the government often aligns with businessmen and workers on the other side.[316]

Another approach by local labour activists and international organisation is identifying the supply chain of a brand especially brands that are from western countries. For instance in 2017, it was exposed that many high street clothes in the UK and Germany such as H&M, New Look, Lonsdale Pierre Cardin, Karrimor Henri Lloyd, and Muji were made in Myanmar with child labour and less than minimum wage.[317] Often, it is difficult to identify which brand sources from which factory because information is limited on it, photo taking or using phones are restricted in many factories, and some workers do not know the brand or cannot read.[318] Western buyers require compliance with social and environmental standards and certification such as Business Social Compliance Initiatives (BSCI).[319] BSCI is a mechanism that encourages the suppliers' social performance on issues such as "working hours, compensation, child and forced labour, and health and safety" through a third party monitoring system.[320] Unfortunately, other major buyers of garments from Myanmar, such as Japanese and Korean, prioritise quality and price rather than social and environmental standards.[321]

Moreover, investors including Chinese investors should conduct public consultation with all stakeholders to improve transparency and accountability. In recent response from Myanmar to Chinese investments is partially due to lack of public consultation and lack of information disclosure.[322] Almost all investments from China do not conduct consultation

316 Interview, Lawyer, Yangon, April 2018.
317 Gethin Chamberlain, "How High Street Clothes Were Made by Children in Myanmar for 13p an Hour," *The Observer*, February 5, 2017, sec. World news, https://www.theguardian.com/world/2017/feb/05/child-labour-myanmar-high-street-brands.
318 Interview, labour rights activists 2, December 2018.
319 Samah El-Shahat and Violante di Canossa, "Opportunities for Sustainable Development in Global Value Chains," *International Centre for Trade and Sustainable Development*, n.d., 48.
320 El-Shahat and di Canossa.
321 El-Shahat and di Canossa.
322 Interview, Chinese expert, Yangon, September 2018.

with the local communities and greater stakeholders.[323] At the same time, Myanmar shows leverage over Chinese investments recently. For examples, suspension of Myitsone Dam exhibits a good example of consensus building through public participation to redirect decision-making and policy approach.[324] "It is evidenced that China is trying to portray a responsible power in the world, I think Chinese companies are especially that will involve in BRI are interested in promoting a more responsible business approach. So, I think we need to mobilise people in Myanmar to have a more consensus action to hold accountable to investors".[325] The IGC report also suggested to Chinese companies to proactively engage with local communities and choose local partners with great attention.[326]

SOLIDARITY BETWEEN WORKERS

Three sector cover in the study does not suggest any feasible solidarity building strategies between Chinese workers and the local labour movements. In the three sectors, local workers do not have or have little interaction with Chinese workers and even with their bosses. Instead, the workers have direct communication with a middle broker, supervisor/leader or interpreter.

In garment factories, workers have more direct interaction with their leaders or supervisors (sometimes interpreter), who are mostly local workers themselves. These supervisors have direct communication with their Chinese bosses.[327] Those interactions with supervisors/leaders are often interpreted by workers that they are being treated as 'a slave".[328] Usually, shouting, verbal abuse and lack of discussion with workers are given as reasons. It is reported that workers are discriminated against based on gender, ethnicity and union membership by their supervisors or leaders.[329] As a result, "better treatment, faster promotion and better salary" are usually decided on their favouritism.[330] Although no action has been taken to bridge Chinese workers and the local labour movement, the Chinese Textile and Garment Association in Myanmar is posting on its social media (Facebook

323 Interview, Chinese expert, Yangon, September 2018.
324 Interview, Chinese expert, Yangon, September 2018.
325 Interview, Chinese expert, Yangon, September 2018.
326 Yao and Zhang, "Perceptions of Chinese Investment in Myanmar."
327 Focus group discussions s with factory workers, Yangon, March and April 2018.
328 Focus group discussions with factory workers, Yangon, March and April 2018.
329 C&A Foundation, "From Boycott to Boom? A Socio-Environmental Map of Myanmar's Garment Industry in 2016," September 2016.
330 C&A Foundation

page) about their engagement with communities in Myanmar. According to the social media posts, the activities include the donation of clothes and rice to monasteries, orphanages and money for NLD office in Hlaing Tharyar and vocational training for textile development as part of their social responsibility.[331]

As discussed earlier, workers interaction is discouraged workers are put in a separated place in CNPC operation side in Made Island. A worker at the company said that "we have to stay at our designated dormitory; we are not allowed to go to other dormitories while interaction and information sharing each other are restricted".[332] In banana plantations in Kachin State, the workers mostly interact with the middle person (leader) to get a job in the plantation field but no further relationship is reported.[333] Those interactions suggest, integration among Myanmar and Chinese workers are significantly low. A comprehensive and constructive dialogue process is still lacking in Myanmar's factories, in addition to human rights violations such as "low wages, long working hours, repression of union leaders, poor working conditions, and child labour".[334] Furthermore, many workers have limited knowledge about dialogue processes and negotiation culture, especially in garment factories.[335]

CONCLUSION

331 https://web.facebook.com/CTGAIM/

332 Focus group discussion with workers at CNPC, Made Island, October 2018.

333 Focus group discussion with workers at banana plantation from IDPs camp, Myitkyina, September 2018.

334 Fair Wear Foundation, "Enhanced-Monitoring-Programme-Myanmar-Update-April-2018.Pdf," April 2018, https://www.fairwear.org/wp-content/uploads/2018/08/Enhanced-monitoring-programme-Myanmar-update-April-2018.pdf.

335 C&A Foundation, "From Boycott to Boom? A Socio-Environmental Map of Myanmar's Garment Industry in 2016."

Part Three

Chinese Investment in South Asia

Political Economy of Chinese Capitalist Expansion and Implications for South Asia

Surendra Pratap

POLITICAL ECONOMY OF CHINESE CAPITALIST EXPANSION

With the advent of politics of capitalist globalization and liberalization a new international development dynamic was instituted by virtue of unrestricted capital mobility which facilitated the emergence of Asia as a major global manufacturing centre and locked various countries at various stages of global value chains. The impact of this dynamics was different for different countries, depending on size of economy, size of market, proximity to other major markets, pre-existing infrastructures and skilled human resources in particular industries, availability of raw materials and natural resources etc. and most importantly the capital and state's ability to aggressively move towards reforming and liberalizing all laws and policies to establish pro-capital dynamics in all spheres of economy and politics. Therefore, with certain commonalities, there were differences in outcomes of this development dynamics in various countries. The pace of development varied; various countries acquired positions at different levels of value chains. The dynamics of development in China was very different from all other countries at least in the following aspects: a) an authoritarian and stable state with almost absolute monopoly on economy and politics; b) completely planned and guarded movement on new path of economic development, never allowing any mad rush for FDI as we observed in other countries with privatized economies; c) Strategy of promoting joint ventures with foreign industries and creating obligations for technology sharing; d) advantageous position due to its socialist past, in terms of no great inequalities in society (in comparison to other countries) by virtue of which it offered better expansion of markets; and e) by virtue of the same as above, availability of better educated and disciplined workforce. Along with other relevant factors, probably the above factors played a crucial role in helping china to gradually but speedily move up the value chains and emerge as one of the strongest global economies.

The GDP of China grew more than seven folds from 1.5 trillion USD in 2001 to 11.4 trillion USD in 2015, and its share in Global GDP increased from 4.5% to 15.4% during the same period. Among the world's 500 top solely ruling international super monopolies, only 12 Chinese corporations got the place up to 2001, but this number increased steadily and reached to 103 in 2015. (Engel, 2017)

The capitalist development at certain point of time necessarily enters in to a crisis in terms of exhaustion of available natural resources, rising wages and shortage of indigenously available cheaper labour and saturation of markets. All these factors force the capital to move out and colonize the rest of the world. In a situation when the national economy is facing saturation and there are no significant opportunities left for more profitable investments within, expansion of capital beyond the national boundaries becomes a question of life and death. The expansion of capital is then also accompanied with expansion of political power beyond the national boundaries to protect the interests of its capital. However, the nature of this dynamics is determined by various factors, including the external factors i.e. the existing global politico-economic dynamics, and internal factors, such as the nature and size of economy and its military might. The specific position of various countries (reaching to this stage of development and aspiring to resolve their crisis by expanding beyond national boundaries) in above context largely determines the extent of their success.

Most of the imperialist countries (including Japan in Asia) faced this crisis before World War II and resolved their crisis largely by almost a complete economic and political domination of some other countries, i.e., strategy of colonization. However, this became largely impossible after World War II. Existing imperialist powers never allowed or left any space for emergence of any other effective competitors, therefore late comers in the capitalist world were never able to break out the so called middle income trap. There are a long list of capitalist countries, from Argentina to Thailand, which are poised to remain locked in this middle income trap. Korea is probably the only country with over 30 million population (others like Singapore, Taiwan and Hong Kong being not more than city states) which was able to break out the middle income trap and developed in to a high income country by extensively expanding its capital globally (Blumenthal and Scissors, 2016), but without any corresponding expansion of its political dominance in any form. This was clearly an exception and facilitated by complex dynamics of cold war political economy and specific dynamics of the initial phase of capitalist globalization (for details please see Pratap, 2014).

The China has currently reached to the similar stage of development and facing a similar crisis when expansion of capital beyond the national boundaries emerges as a compulsion. These compulsions for China are more intense than that faced by South Korea (or HongKong, Singapore and Taiwan) in the relevant phase, as the China is a huge economy and by virtue of its specific position in the new international division of labour it has already emerged as the largest hub of the global factory. Therefore the crisis of stagnation is more extensive and more severe, thus the compulsions for expansion towards resolving the crisis is also more extensive.

Probably the emergence of capitalist China is unique in the history and without any parallel. In historical emergence of capitalist countries we generally observe a gradual expansion of political and economic dominance. However, in case of China there is no such gradual development, all of a sudden, within only two decades, it developed in to a monstrous capitalist economy, and soon reaches to the stage when expanding its capital beyond national boundaries becomes a matter of life and death. Probably this was a kind of accidental development led by specific politico-economic dynamics in the phase of globalisation that facilitated emergence of China in to a global factory.

The crisis of Chinese economy has following major aspects:

1. The crisis of raw materials: The nature of crisis and the strategies attempted towards its resolution is reflected in the facts, for example, "Africa's natural resources – oil, iron, platinum, copper, and timber – flowing east to feed China's factories, and finished goods, from flip-flops to trucks, travelling the other way (Rice, 2011).
2. The crisis of over production: This is reflected in the fact that "In 2003, the government identified three industries suffering from overcapacity; in 2013 that number had ballooned to 19. Sustained overinvestment and overproduction have badly damaged the environment, exacerbated income inequality, and, most important, created a crippling debt burden. The PRC's national debt is in excess of $25 trillion and climbing. Roughly two-thirds has been accumulated in the past nine years. In 2015, total

debt rose four times as fast as nominal GDP" (Blumenthal and Scissors, 2016).

3. Demographic Stagnation: This is reflected in the fact that "the number of working-age people started to inch downward in 2012 and has fallen progressively more sharply each year through 2015. These numbers may not be entirely accurate, but the work force will certainly shrink before this decade ends and continue to shrink throughout the next decade. The contribution of labor to growth will fade until labor actually detracts from growth, as it does in Japan and parts of Europe" (Blumenthal and Scissors, 2016); and that it is "heading toward a situation of hundreds of millions of elderly requiring support and not enough workers to support them and expand economic activity" (Blumenthal and Scissors 2016); and that the "Pension expenditure is already the single largest expense of the Chinese government, at US$200bn annually, higher than infrastructure, healthcare or defence, almost 20% of its total budget, (but still only totalling 2.7% of annual GDP), with coverage provided to less than half of the population above the age of sixty (Blumenthal and Scissors 2016).
4. The growth based on natural resources has almost disappeared: "In the 1980s, farm productivity soared, permitting those who had become unnecessary farmers to become manufacturing workers and helping create the world's new factory. Land and natural resources will not spur economic growth again for the foreseeable future because the PRC has significantly depleted its resource endowment" (Blumenthal and Scissors 2016)
5. Natural Resources already Over-exploited: This crisis ranges from "arable land to zinc deposits, but the clearest is water. The World Bank cites water stress starting at 1,000 cubic meters of water per person per year; northern China offers one-fifth of that. Three-fifths of monitored national groundwater sites are rated by Beijing as unfit for drinking. Just as hefty payments are due on financial debt, they are also due on environmental debt, making growth even more difficult" (Blumenthal and Scissors 2016).

All these factors create a compulsion for Chinese capital to move out and expand beyond the national boundaries. However, China faces following problems on the way towards expanding its capital overseas in a big way:

1. In its current position and in existing global politico-economic dynamics, it is almost impossible for China to adopt open politico-economic arm-twisting strategies for expansion of its capital. However, such a large scale economic expansion cannot be otherwise than to be necessarily accompanied with political and military expansion to safeguard its economic interests; and therefore, balancing the hard and soft strategies may be a consistent challenge. There are already existing certain politico-economic power balances in the regions and China's entry in those regions in a big way may certainly require and decisively result in change in power balances, and this makes the Chinese expansion more complex phenomenon than faced by any imperialist powers in relevant phases
2. China has been able to acquire the technological competence and reached at far higher level in comparison to existing technological capacities of developing countries, however, Chinese industries still lack the technological advantage in comparison to the developed countries that have already monopolized the markets in developed countries and to a large extent also in developing countries.
3. The Chinese capital is comparatively new to the global markets with no already existing repute and acceptance of its brands and therefore it is compelled to adopt new strategies to face this challenge, for example, more focusing on acquisitions of already existing local, regional and global brands
4. The trends of intensive automation across industries at home may soon be generating huge labour surpluses which may further intensify the social discontent. The resolution of this crisis may be a challenging task. There is no new America left to be discovered and to send the labour surpluses and hence the only strategy may be to move out labour surpluses along with the capital moving out. However, this is bound to create conflicting situations in countries of destination, as particularly the developing countries are already facing severe crisis of unemployment.

HOW CHINA IS MOVING TO ADDRESS THESE CHALLENGES?

Stability of the state appears to be the issue of prime concern and Chinese state considers both internal conflicts within the ruling party and the problem of rising and radicalizing discontent in the society as serious threat to stability. Therefore, exceptionally hard measures are taken to deal with these problems, which have further strengthened the authoritarian nature of the state. In March 2018, Xi Jinping, continuing as China's President since 2013, was re-elected and this time, as an exceptional measure he was crowned as life time president; moreover, he also remains Chairman of China's Central Military Commission and most importantly the General Secretary of Communist Party of China (National Herald, 2018).

On the other hand, it is probably for the first time openly declared by the Chinese state that the radicalization of the social discontent has emerged as a serious problem, as reflected in a high profile counter terror speech by Xi Jinping in 2014 giving a call to Chinese people to "safeguard national security and social stability" (Blumenthal and Scissors, 2016). In 2016 various measures were taken to silence the dissent, for example, prohibiting foreign media outlets from publishing online in China without explicit government approval, severely limiting the activities of NGOs, purging the teaching of "harmful" Western ideas from educational curricula etc. It is worth mentioning that in 2012 China's official budget for police and public security (more than $114 billion) was higher than the budget for national defence (about $109 billion) (Blumenthal and Scissors, 2016). It reflects on the fact that maintaining the surveillance state to control the people now costs more than maintaining army to protect the country and its interests internationally.

On the issue of expansion of Chinese capital beyond national boundaries, Chinese state clearly articulated its most important aspect when responding to a commodity shock. On the one hand the state "encouraged state companies to scour the earth for resources" and on the other hand, it gave a call to the People's Liberation Army "to undertake new historic missions to protect China's newfound overseas interests in the Gulf and Africa enterprises; as Chinese entities went overseas to find resources, security leaders feared that the US and its allies could cut off supply in the event of a downturn in Sino-American relations" (Blumenthal and Scissors, 2016).

China's military expansion increased at significant scale along with its overseas investments. China has deployed a naval task force in the Gulf of Aden since 2008, developed military forces able to project power into both the South China Sea and Indian Ocean. It has built diplomatic and military logistics relationships through port calls in the Persian Gulf and Africa, and plans to build China's first overseas base in Djibouti. It has already pressed its maritime claims in the East and South China seas and demonstrated a dangerous capability with a high-profile anti-satellite weapons test in 2007, and in this way decisively shifted the balance of power in East Asia's littoral seas. It has constructed over 3,000 acres of manmade military outposts in the South China Sea and deploying missiles batteries, drones, and fighter aircrafts to these new bases, maintaining regular presence around the Senkaku islands which China disputes with Japan. Chinese air force activity in Japanese airspace is said to have increased in last few years. (Blumenthal and Scissors, 2016)

Corresponding to its ambitions of emerging as leading global economic power, there are also ambitions to emerge as leading military power and accordingly there is focus to strengthen its military. According to a report, "China has built up the world's largest army: approximately 2.3 million soldiers are under arms, 600,000 more than in the US military. China has more than 160 intercontinental missiles. With 10 to 12 nuclear warheads each and a range of up to 14,000 kilometres, they can reach every corner of the earth. The Chinese air force has about 20 strategic medium-range bombers of type H-653 for the use of nuclear bombs, and it has one aircraft carrier. The military alliance "Shanghai Cooperation Organisation" under the leadership of the nuclear powers China and Russia is mainly directed against the influence of NATO. India and Pakistan also became members in 2017" (Engel, 2017).

As for as Chinese overseas investments are concerned, it recorded an exceptional leap during 2015-16 when its non-financial ODI flows surged by 49.3% to USD 181.2 billion, and significantly outpaced inbound FDI (USD 123.4 billion). During 2016-17, growth in ODI came to a halt and dropped by 33.7% to USD 120.1 billion, but this was not due to any crisis, rather it was a result of conscious effort to control and curb those kinds of FDI that posed a threat to the country's financial stability or go against country's national interests or endanger security of country or prone to irrational risk-taking or which is linked with businesses in which ODI is prohibited, i.e., Gambling or sex industries. This again shows that China's capitalist expansion is completely guarded and controlled by the state. (Huang and Xia, 2018)

China's ODI in different regions appears to have different focus. Table 1 shows the distribution of Chinese ODI focusing on particular industries in particular countries and regions.

Table 1: China Going Global Investment Index ranking- Overall and Sector wise

Countries in ranking	Rank in 2017	Rank in 2015	Rank in 2013	Sector wise ranking	Auto-motive	Consumer goods	Energy	Financial Services	Health care	Telecom-munication	Value of contracted BRI projects
Singapore	1	2	2			5		3			7
US	2	1	1		2	1		1	1	2	
Hong Kong	3	7	3				9	2			
Malaysia	4	20	18			2				10	8
Switzerland	6	5	7					5	3		
Australia	5	3	5								
South Korea	7	8	28		10	3			4		
Canada	8	4	6					10			
Chile	9	29	22		8						
Russia	10	24	9		6		7				
Israel	11	17	31						5	7	
Kazakhstan	12	51	38							8	9
Taiwan	13	14	12								
Japan	14	6	4		1				2	1	
Norway	15	9	8					8	8		
Denmark	17	10	14						9		
Thailand	18	38	35				8				12
Iran	19	52	57		3	8	2				11
Germany	20	13	10		9				6		
Poland	22	33	36					7			
Saudi Arabia	24	23	15								1

Indonesia	26	44	44			9	5				2
France	27	16	20						10		
Philippines	28	39	39			6	6			9	15
Sweden	29	11	13					4	7		
Vietnam	30	40	41		5	4	4				5
Sri Lanka	32	41	46								13
Slovakia	33	-	-					6			
Romania	34	-	-			10					
India	36	28	33		4	7	1			3	6
UK	40	12	19					9			
Pakistan	41	58	47				3			6	3
Turkey	45	55	53							4	14
Egypt	49	53	51							5	
Algeria	56	60	61		7						
Iraq	-	-	-				10				4
Laos	-	-	-								10

Source: Based on the data provided in The Economist (2017).

It seems that the first great outward movement of Chinese capital started slightly before the current crisis and was largely forced by the crisis of raw materials and hence with a great focus to capture the sources of crucial raw materials. It happened during the world economic and financial crisis of 2008 which also created a space for it as the imperialist countries were already facing a crisis. Taking this advantage China expanded its capital in a big way in Africa and within few years, from 2008 to 2014, it emerged as the largest investor in infrastructure projects in Africa. It is interesting to note that China did not use any arm twisting strategies to get access to the crucial raw materials in Africa, rather, it used the strategy of providing so called development aid in the form of investing in such infrastructure projects in Africa which are very crucial to their development, such as ports, railroads, pipelines, roads, telecommunications etc. It also demanded significantly lower profit margins than the western imperialist countries and granted credits with significantly lower interest rates for all these infrastructure investments. On return to this China was able to get structural access to the profitable exploitation of African raw materials. Thereafter, the Chinese investments in Africa were extensively diversified and currently, according to a McKinsey Report, China has become the biggest single investor in the African continent. Currently some 10000 Chinese firms are operating there involving in all kinds of business. (Cooper, 2018; Engel, 2017)

The major feature of Chinese overseas investment in developed countries appears to be targeted to acquisition of technologies. It still remains a major focus of Chinese ODI, even when in recent trends the ranking of developed countries in Chinese overseas investments slipped little downwards. The fall in ranking does not necessarily mean any real decline in investments, the proportion of Chinese ODI in developed countries may have fallen primarily due to huge investments in OBOR project. For example, State-owned Chem China's US$43bn purchase of Syngenta, a Swiss seed and chemical company, was done in June 2017 with the same focus, which remains the biggest overseas deal involving a Chinese company to date (The Economist 2017). During 2015-16, Chinese investment in EU rose by 77percent to reach more than 33 billion Euros, and during the same period Chinese electrical appliances monopoly Midea acquired Kuka, a leading German manufacturer of industrial Robots (Engel, 2017).

However, when it is said that Chinese acquisition of developed country companies has primary the technology acquisition focus, it does not mean the 'only' focus. It is but natural that this is also aimed to gradually expand its reach in developed country markets. More immediately, the purpose may also be to take advantage of market value of European brands which are more trusted and considered more reliable in developing country markets including China's own local market. Moreover, there is also a significant focus in Chinese ODI in developed countries on financial investments including acquiring western Banks etc., as the western financial markets are considered more secure. For example, in 2017 the Chinese monopoly HNA became the largest single shareholder of the leading German monopoly bank- Deutsche Bank (Engel, 2017).

In developing countries the Chinese investment is more diversified, with a general focus on capturing markets and resources and special focus on specific sectors in specific countries or regions in terms of expanding its industrial operations. The great focus on capturing developing country markets and resources is most prominently reflected in China's recent great focus on One Belt and One Road Project (OBOR).

The above dynamics of Chinese investment is clear in industry specific Chinese ODI in various countries as given in Table 1. In automotive sector top ten countries according to level of Chinese ODI, from high to low rank as Japan, US, Iran, India, Vietnam, Russia, Algeria, Chile, Germany and South Korea. The Chinese ODI in automotive sector in Japan, US, South Korea and Germany or in general Europe is largely targeted to acquire technology by way mergers and acquisitions. In the past five years ODI in the automotive sector amounted to US$27.3bn, with over 80% of that figure consisting of M&As and Europe took up the largest share of China's ODI across the global automotive industry, at 60%. For example, during 2007-16, Anhui Zhongding, a Chinese automotive-components maker focusing on rubber seals, acquired four leading firms in Germany and five in the US, by virtue of which the company was able to climb high in the value chain moving from just rubber products to automation engineering, electric vehicle (EV) cooling technology and battery control systems etc. However, even when the market seeking element in Chinese ODI may not be major aspect in developed countries but it is not altogether absent. For example, an internet giant, Baidu, is focused on the development of autonomous vehicles and has made R&D investments in the US in support of this effort; another internet company, Tencent, invested in Tesla, an American EV producer, in March 2017; these developments could generate market opportunities for Chinese companies, including in developed markets. Moreover, in 2017

China's leading EV maker, BYD, opened a plant in California in the US to produce electric buses. This is also to be noted that even in many developing countries Chinese ODI in automotive sector is never completely green field investment; its significant part goes in mergers and acquisitions of existing companies for various reasons. However, Chinese automotive ODI in developing countries is clearly market seeking and for expanding its industrial operations. For example, in 2016 the biggest importers of China's passenger cars were Iran, Chile and Mexico. India is emerging as one of the major destinations of Chinese automotive ODI and this is completely market seeking investment. Similarly the Chinese ODI in Vietnam, Russia and Algeria are also market seeking investments. (The Economist, 2017)

In Consumer goods sector, top ten countries according to level of Chinese ODI, from high to low, rank as US, Malaysia, South Korea, Vietnam, Singapore, Philippines, India, Iran, Indonesia, and Romania. It is clearly visible that focus of Chinese ODI in consumer goods sector is Asian developing countries. US due to its huge market still remains at the top but may be sliding below with deteriorating US-China trade relations; Korea remains high in rank due to its developed retail market and close trade relations with China. Apart from market seeking, there is another aspect of Chinese ODI in consumer goods sector, which relates to the fact that even when China is the world's largest producer of consumer goods, it is not able to meet the demands of its local market in terms of variety and quality, and this drives the Chinese companies for overseas acquisitions of well-known international brands in areas of food, cosmetics, clothing and household appliances. Acquisition of foreign and especially the developed country brands is also necessitated for exploiting the market value of the brands, as developed country brands and certain specific national brands in particular sectors in particular countries are considered more reliable and more trusted in developing country markets. Most notable example is the purchase US-based General Electric's appliance division by Haier in 2016, which facilitated Hair to expand in US and other developed country markets as well as developing country markets. (The Economist, 2017)

In Energy sector top ten countries according to level of Chinese ODI, from high to low, rank as India, Iran, Pakistan, Vietnam, Indonesia, Philippine, Russia, Thailand, Hong Kong, and Iraq. This is clearly more of a market seeking investment and focused on large markets in South and South East Asia. These countries are facing serious energy crisis in terms that available energy infrastructures are insufficient to cater the needs of fast growth in urbanization and industrialization. Chinese Companies have emerged as major players in the renewable energy sector-hydro, solar and wind energy based power plants particularly in Asia and in Latin America. However, energy sector Chinese ODI also includes the ODI focused on extraction of natural resources like coal and oil & gas; for example, Chinese energy ODI in Russia and Iraq is more or less fully focused on extracting natural resources. Chinese companies have also been investing in coal power projects in countries including India, Indonesia, Mongolia, Vietnam and Turkey. In the oil and gas sector, Chinese ODI has mostly gone to countries with rich reserves. China's three energy majors (China National Petroleum Corporation (CNPC), Sinopec and China National Offshore Oil Corporation (CNOOC), remain the major buyers, with North America as favoured destination, the biggest deal being the Sinopec's US$2.2bn purchase of 33% of US-based Devon Energy in 2012. In 2013, CNPC spent US$5.3bn to purchase 8% of KazMunaiGas National of Kazakhstan. In 2016 CNPC invested US$1.5bn in Venezuelan oil and gas SOE-Petróleos de Venezuela (PDVSA). (The Economist, 2017)

In Financial services sector top ten countries according to level of Chinese ODI, from high to low, rank as US, Hong Kong, Singapore, Sweden, Switzerland, Slovakia, Poland, Norway, UK, and Canada. US has large and mature financial market with low operating risks, low interest rates and less volatility in currency and so naturally ranked top in terms of attractiveness of Chinese ODI. Top ranking of Hong Kong and Singapore is also natural as they are top Asian financial centres and most importantly, they are located along the BRI and may act as intermediaries for associated Chinese investments. The remainder are the Western European countries except two Easter European countries-Poland and Slovakia, they both have stable economies and financial sectors and have access to EU market. After these top 10 destinations of Chinese ODI in financial sector, Asia's fast-growing markets, such as India, Indonesia, Malaysia and Philippines also rank relatively well. ODI flows in financial sector involve mergers and acquisitions, e.g., ICBC's acquisition of a 20% stake in South Africa's Standard Bank in 2007, China Construction Bank (CCB)'s acquisition of Brazilian bank-WestLB in 2012 and its purchase of a stake in another Brazil-based lender, Banco Industrial e Comercial. Now the state run enterprises are not the only source of Chinese financial ODI, now a number of financial services firms have emerged and becoming important players in financial ODI. China's Anbang acquired two Belgium insurance companies-Fidea and

Delta Lloyd in 2014 and a Netherlands-based insurance company-Vivat, in 2015. Fosun acquired stakes in two Portuguese banks-Banco Caixa Geral (2014) and Banco Comercial Português (2016). China Minsheng purchased a Swedish insurance company, Sirius International Insurance in 2016. HNA announced purchases (either planned or completed) in Deutsche Bank (Germany), UDC Finance (New Zealand), Old Mutual (UK) and Skybridge Capital (US). (The Economist, 2017)

In Health care sector top ten countries according to level of Chinese ODI, from high to low, rank as US, Japan, Switzerland, South Korea, Israel, Germany, Sweden, Norway, Denmark, and France. This is very clear that top destinations of Chinese health care ODI are developed countries. This ODI is primarily focused on acquisition of advanced technology and expansion of manufacturing of high quality medical products that Chinese pharmaceutical companies badly need to boost their competitiveness in domestic market and probably also to expand in developing country markets. It is interesting to note that Israel ranks high in the list precisely due to its strength in biotechnology and medical research. US and Germany are the top targets for Chinese companies for medical devices and technology sector. Chinese companies have also invested in overseas mid to high end hospitals mainly focusing on specific areas like cancer treatment, cardiovascular and cerebrovascular therapy, eye treatment and plastic surgery. In 2016 Shanghai-based Luye Medical Group acquired Healthcare Australia, one of Australia's largest private-hospital operators. As we mentioned earlier that primary focus being the acquisition of technology does not mean the only focus, it is but natural that the long term aim may be to gradually expand its reach in the developed country markets as well. (The Economist, 2017)

In Telecommunication sector top ten countries according to level of Chinese ODI, from high to low, rank as Japan, US, India, Turkey, Egypt, Pakistan, Israel, Kazakhstan, Philippines, and Malaysia. This reflects that top destinations of Chinese telecommunication ODI are both market seeking and targeted to technology acquisition. Tsinghua Unigroup acquired stakes in two US-based chipmakers, RDA Microelectronics and Lattice Semiconductor, Huawei acquired Israeli ICT security startup Hexatier, Alibaba is in process to acquire Moneygram, a US money transfer service. This aggressive overseas expansion in ICT is also now facing protectionism, for example, since 2012 the US has banned Huawei and ZTE from investing in its telecoms infrastructure because of national-security concerns. Tsinghua's effort to buy US-based Micron Technology was stopped and its attempt to purchase a US hard-disk maker-Western Digital also collapsed in 2017 due to similar concerns. However, Chinese telcom ODI in developing countries is expanding steadily both in terms of receptiveness and the purported goals of the projects and acquisitions, as also China is often using telecoms and network infrastructure as part of an aid-and-investment package, in exchange for trade deals usually covering the host country's commodities and energy sectors. The BRI is also creating a great space in this regards, as along with overland and maritime trading routes, this also involves setting up a "Digital Silk Road". India and Pakistan are largest telcom markets in south Asia and naturally the target of Chinese ODI in South Asia. (The Economist, 2017)

Belt and Road Initiative (BRI) is already one of the biggest infrastructure projects in world history well before completion (Cooper 2018). Top 15 countries according to the value of Chinese ODI related to BRI Project, from high to low, rank as Saudi Arabia, Indonesia, Pakistan, Iraq, Vietnam, India, Singapore, Malaysia, Kazakhstan, Laos, Iran, Thailand, Sri Lanka, Turkey, and Philippines. Most BRI projects are infrastructure construction projects, mainly in the form of foreign contracted projects backed by discounted loans from China. Such lending can go directly to recipient governments with a condition for using it to fund a specific infrastructure project involving a Chinese company. Repayment of the loan may also be in the form of resources. Loans can also be provided directly to Chinese companies implementing BRI projects. During 2014-17 about 50 Chinese SOEs participated in about 1,700 BRI projects. There were also some prominent M&A deals, for example, in July 2017 a Chinese consortium, led by Chinese real-estate developer Vanke, purchased Singapore-based Global Logistics Properties for US$11.6bn. There are still various problems on the way of implementation of BRI projects in many BRI countries, for example, in August 2017 a land rights dispute stalled a US$5bn Chinese rail project in Indonesia. In November Nepal cancelled a US$2.5bn deal with a Chinese corporation to construct the country's biggest hydropower plant, owing to irregularities in the project bidding process. Pakistan also cancelled a similar hydropower project because of disagreements over financing and ownership conditions. In case of India due various politico-economic problems BRI has still to take off. Therefore real boom in BRI investments are yet to come. (The Economist, 2017)

EMERGING CONCERNS

Following concerns are raised as implications of Chinese ODI in various countries:

1. As it emerges from the above discussion that not only the technology seeking Chinese ODI in developed countries but also a significant proportion of market seeking ODI in developing countries comes in the nature of mergers and acquisitions, rather than any significant green field investments. Therefore, on the one hand, it may not be adding much employment in destination countries, i.e., resulting in jobless growth; and on the other hand, it may be leading to disempowering or dispossession of indigenous business classes and leading to flight of wealth generated in the country.
2. The creation of employment remained one of the strongest justifications for promoting FDI led growth in these countries. But Chinese ODI also brings the Chinese workers, generally skilled but in many cases unskilled workers as well, particularly in infrastructure projects and manufacturing, which are main focus of Chinese ODI in developing countries. This emerges as a contentious issue in developing countries which are already facing severe crisis of unemployment. For example, in Chinese ODI infrastructure projects in Africa, it was "predominantly skilled Chinese personnel who carried out the projects. At the same time, mass unemployment and mass poverty among African workers was growing; tens of thousands of small farmers were ruined" (Engel, 2017).
3. In the countries where Chinese ODI is targeted to exploit natural resources and polluting industries, this may be leading to ecological disasters. For example, Chinese ODI targeted to exploit natural resources in Africa led to "vicious exploitation or ecological disasters in many cases" (Cooper, 2018)
4. Serious concerns are also raised in terms that China is dumping its cheap and low quality products in various country markets, which is resulting in destruction of local industries, most severely affecting the small scale industries which are most employment generating sectors. "There are intensifying complaints that Beijing is attempting to finesse its debt situation by dumping excess production overseas and stealing its partners' growth" (Blumenthal and Scissors, 2016). The concerns are also raised that China systematically manipulates the exchange rate of RenMinBi to ensure greater external competitiveness, and this may amount an unfair trade practice (Chandrashekhar and Ghosh, 2018).

5. Concerns are also raised regarding human rights violations of communities in Chinese ODI led projects; for example, in Latin American countries like Argentina, Brazil, Ecuador, Bolivia and Peru, Chinese ODI led mining, oil and hydropower projects violated rights of communities in terms of denying prior consultation and participation and leading to forced evictions, destruction of places of cultural and natural importance and criminalisation of community leaders (Koop and Soutar, 2018)
6. Serious concerns are being raised that Chinese investment in many developing countries is leading to serious trade imbalances and particularly the countries part of BRI projects are entering in to a debt trap, for example, the case of Sri Lanka and Pakistan.
7. Large scale Chinese investments in particular regions may also have an impact on the existing politico-economic dynamics and power balances in the region. The change in power balances may have differential impact on different countries in terms of their positions in existing dynamics, but they all may face a general impact in terms of political interference in some or other form, as any power investing so heavily in the region, in order to protect its interests, may in some way or the other, attempt to support favourable governments and may also try to maintain some kind of so called political stability.

In studying the impact of the Chinese investments in particular regions and countries we need to look on the dynamics of the above aspects in addition to other factors. There are not yet significant and systematic studies on the labour rights in Chinese projects and factories in developing countries and the concerns in this area needs still to be articulated.

IMPACT ON SOUTH ASIAN POLITICO-ECONOMIC DYNAMICS

The Chinese capitalism and the Indian capitalism are facing such situations that they badly need each other. For example, China is producing more steel, cement and machinery than it needs and India is producing far less than its hunger requires (D'Cunha, 2018). China is facing with huge over capacities and is over burdened with surplus capital, therefore badly needs promising markets and promising destinations for expansion of its capital. On the other hand, India is the only country in the Asian neighbourhood, with a huge market and immense capacity and hunger to absorb

China's excess capacity and investment. India's $2.5 trillion GDP is equal to all the ASEAN countries combined, and is also rapidly growing. It may be worth mentioning that Asia's emergence as growth engine of global capital is mainly attributed to these two countries. Currently, Asia contributes more than 60% of global growth and three-quarters of this growth or 45% of global growth comes from these two countries together. (Mishra, 2018)

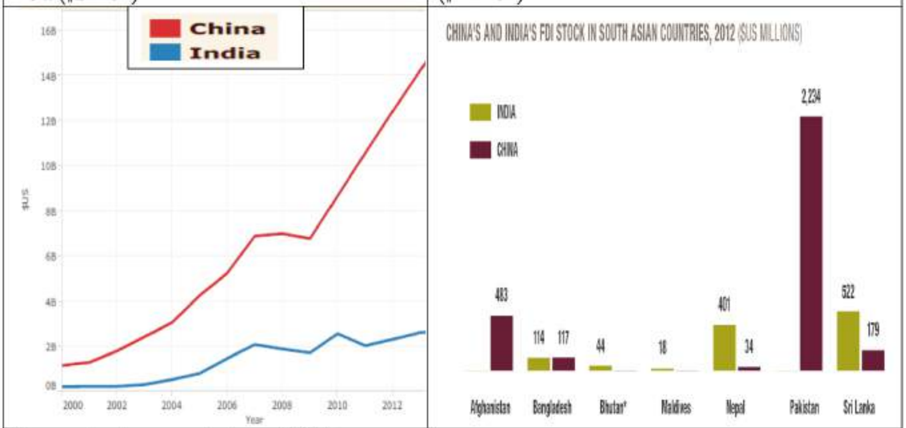
The dynamics of their needs complementing each other is well reflected in exceptionally steady growth in bilateral trade as well as in investment agreements, even in an environment of various kinds of on-going politico-economic disagreements and sometimes apparent conflicts. However, in overall terms, India still ranks very low in Chinese overseas investments and also China ranks very low in foreign direct investments in India. It is also to be emphasized that Chinese expansion in south Asia also challenges the Indian politico-economic position in the region, and hence it also reflects intense competition between the two regional powers for politico-economic domination in the region.

China has already emerged as dominant economic player in South Asia leaving the India far behind (Figure 1). The case of Pakistan is well discussed, as early as in 2007 China-Pakistan Free Trade Agreement was implemented. Pakistan is also most important BRI country. Among other things, these were important factors that increased the economic dominance of China in Pakistan to Alarming levels. China is single largest foreign investor and single largest trade partner of Pakistan. China overtook India as Bangladesh's top source of imports in 2004, displacing many Indian goods, including cotton, which is central to Bangladesh's garment industry. In turn Bangladesh allocated two special economic zones for Chinese investors in Chittagong which is major port, and in Dhaka. China helped in upgrading the Chittagong port and also pursued a port project at Sonadia Island. The Case of Sri Lanka is even more interesting. India still remains Sri Lanka's top trading partner, however, China's exports to Sri Lanka are rising fast and soon it may be replacing India as top trading partner. After Pakistan, Sri Lanka has been the leading beneficiary of Chinese infrastructure investments in South Asia, with nearly $15 billion worth of projects between 2009 and 2014.

India still accounts for half of Nepal's total trade, however, China has become the largest source of FDI in Nepal in 2014 and its trade with Nepal is growing at steady rate. Political developments in Nepal in recent decades also provided an opportunity for China to expand its economic influence in Nepal. (US-China Economic and Security Review Commission, 2016: 316-18)

Figure 1: China and India's Economic Position in South Asia

China & India's Good's Trade in South Asia ($billion)	India & China's FDI Stock in South Asia ($million)



Source: Anderson and Ayres (2015)

Figure 1: China and India's Economic Position in South Asia.

India is struggling to maintain its economic and political dominance in South Asia and the intense competition between the two powers is now reflected in each and every politico-economic dynamics of South Asia. Take Nepal for example. In September 2015, displeased with Nepal's new Constitution India held an informal blockade of trucks heading to Nepal across India border (which ended in February 2016); but China provided a swift assistance to Nepal, sending fuel and opening trade routes. In turn Nepal signed several agreements with China, including a permanent arrangement for energy supplies and a transit treaty granting Nepal access to Chinese ports. However, in order to normalize the relations with India, Nepal had to later sign nine agreements with India, for infrastructure, rail and road transit. Similar dynamics emerged in case of Bangladesh. It may be seen as political influence of India when in February 2016 Bangladesh quietly closed the Sonadia port project involving Chinese collaboration, opting instead to develop another deep sea port with the help of India. Moreover, Bangladesh also permitted Indian cargo ships to access Chittagong Port. In case of Sri Lanka also we observe similar kind of dynamics. Probably as an attempt to counter the growing Chinese economic dominance, India almost suddenly decided to sign civil nuclear deal with Sri Lanka along with agreements for new economic assistance and expanded free trade area. It is worth mentioning that this was done only a month after the new government came in power in Sri Lanka which demanded a review of several Chinese projects. (US-China Economic and Security Review Commission, 2016: 317-19)

It is also interesting to note that only to counterbalance the Chinese acquisition of Sri Lanka's Hambantota port, India is in process of acquiring Sri Lanka's Malata airport which is considered world's emptiest airport and hence a business of huge loss (Balachandran, 2018).

In the national budget covering 2015-16, India prioritised Bhutan and provided significant development assistance, announced an additional $1 billion to Nepal for post-earthquake reconstruction, and also provided significant aid to Afghanistan. All this may also be seen as efforts to counter the growing dominance of China and to maintain its position as regional power. (Anderson and Ayres, 2015)

This dynamics of growing politico-economic dominance of China and India's attempts to counter it and maintain its position in the region is most powerfully reflected on the issue of BRI. All the countries in Asia and beyond value well the significance of BRI in terms of immense opportunities of expansion of trade and overall capitalist expansion, which may probably benefit all countries in the region in various degrees depending on their politico-economic power. However, it seems that the current nature of projects may largely be in the benefit of China rather than any other country. For China it is one multi-lateral project but for other BRI countries it is divided in various projects. China has formulated and has been implementing it in the form of bilateral agreements with various countries for the parts of projects that fall under that country. It means that the China will have access to the whole OBOR but for other countries, access to any part of OBOR will depend on its bilateral relations with that country owning that part of OBOR. No such attempts were made by China to create any multilateral dynamics in OBOR. Therefore, it is simply meant for expansion of Chinese capital and will certainly facilitate the politico-economic dominance of China in South Asia and South-East Asia. As a report argues, "The BRI can ultimately be deduced to a series of unconnected but nonetheless related bilateral trade and development deals which China is making either one-on-one or group+1 with countries and political blocs across Asia, Europe, and Africa. There is no overarching structure, no membership protocols, no moralistic brow beatings, no predefined set of standards that BRI participants need to uphold in unison, and deals that are made do not need to be watered down to the lowest common denominator of an established group. Each country or bloc negotiates on their own terms, and deals can be structured in accordance with its particular parameters. When things go awry, China can renegotiate with the conflicting party directly rather than having a situation that puts an entire multilateral network at risk." And that "This strategy also gives China more of a dominant position over its partners, as without a bloc of countries behind them they are in the ring one-on-one with a much stronger, faster, and economically stable opponent." (Shepard, 2017)

This is one of the most prominent concerns of Indian state and capital. This bilateralism is so strongly built is Chinese OBOR strategy that even if CPEC is passing through POK which is a matter of intense conflict between India and Pakistan, China did not bother to even discuss this issue with India, and did not even bother that name CPEC may convey a kind of recognition of POK not as disputed territory but as part of Pakistan. This concern was strongly raised by India. Indian state also expressed its dissatisfactions on the OBOR structure and said that China invites India to be part of OBOR, but when asked about access of land (OBOR routes) it says that this is a matter of bilateral agreements.

It is in this way China have structured its 'string of pearls'-Chain of Ports across Indian Ocean- Chittagong in Bangladesh, Gwadar in Pakistan, Colombo and Hambantota in Sri Lanka, Marao in the Maldives, Kyaukpyu in Burma, Lamu in Kenya, and Bagamoyo in Tanzania. In the above dynamics of OBOR, this is naturally a matter to worry for Indian state and capital as this can be effectively used to contain expansion of Indian capital. Therefore, Indian state and capital is attempting to bring an alternative corridor for getting the connectivity to the same regions. India's initiative and agreement with Iran in 2016 to develop Chabahar port and build a corridor between Iran and Afghanistan is targeted towards the same ends, "to mitigate the security and economic challenges India might face from China's OBOR projects, and from CPEC in particular" (US-China Economic and Security Review Commission, 2016: 332)

It may not be out of context to mention here that International significance of Gwadar port and Chabahar port was recognized long back. It is said that Former Prime Minister of Pakistan Zulfikar Ali Bhutto was very close to sign an agreement with Soviet Union in 1970s to build a naval base in Gwadar port. And in reaction to this move US planned to build a naval base near the port city of Chabahar in Iran. However, the plan was aborted following the victory of the Islamic Revolution in Iran. Moreover, Soviet Union during its occupation of Afghanistan planned connecting these two ports- Gwadar and Chabahar to Central Asia through road and rail network, in order to facilitate military movements. But this did not progress as Eastern Power bloc soon collapsed and the nature of rivalry over Makran coast changed. (Sardana, 2017)

It is also worth mentioning that India has been in talks with Iran on the development of the port since 2003, however, due to various problems related to international tensions over Iran, the program remained stalled. With change in international situations, and particularly with emergence of new international dynamics after China's emergence as a new global power, the situation became more favourable to go ahead on the program and US appreciated India's move towards opening a vast new trade link from South Asia to Central Asia, excluding Pakistan. In 2016 an agreement was finally made between Iran and India. These two countries along with Russia are signatories to proposed International North-South Transport Corridor and Iran is key gateway to this corridor, and hence this agreement may give momentum to this corridor project as well. The Corridor entails the ship, rail and road routes for moving freight between India, Russia, Iran, Europe and Central Asia and aimed to increase trade connectivity between major cities such as Mumbai, Moscow, Tehran, Baku, and Astrakhan. (Sardana, 2017)

However, along with attempting to build an alternative route to central Asia, the Indian state and capital can think in no other way but to desire to be part of OBOR as well to get opportunities of expansion of its trade and investments. It is clear from the fact that Indian state and capital cites so many problems related to OBOR, but emphasizes on only one issue. The problems that were cited by Indian state and capital included for example, "the projects could push smaller countries on the road into a crushing debt cycle, destroy the ecology and disrupt local communities, and China's agenda was unclear, with the implied accusation that this was more about enhancing its political influence, not just its physical networks" (Haider, 2017) and that "mutual agreements on infrastructure projects should have been transparent and debt repayments made easier for recipient countries" (Financial Express, 2017). But only one issue was clearly emphasized for non-participation in OBOR that "the BRI includes projects in the China-Pakistan Economic Corridor (CPEC) that are located in the Pakistan-occupied

Kashmir's Gilgit Baltistan" (Haider, 2017) and that India "would not compromise on its sovereignty concerns, and more so in the case of Pakistan which is making apparent efforts to destabilize the Kashmir Valley" (Financial Express, 2017). Probably China perceived and articulated as if this concern was arising because of the name of the corridor and therefore offered to change its name if it resolved the problem. Problem is not as simple as articulated by China, but at least it reflects the fact that the doors are still open for talks, from both sides.

Moreover, even when India finally rejected to be part of BRI, it remains part of BCIM (Bangladesh, China, India, Myanmar) which is one of the six major economic corridors under BRI. Position of Indian state is that BCIM predates the BRI and did not emerge as part of BRI (Patranobis, 2018). So it is part of BCIM which is part of BRI and India does not consider it part of BRI. Interestingly, neither it forms any contradiction in India's position, nor it makes any impact on BCIM or on BRI, because BRI is nothing but a bunch of separate projects without much integrative and multilateral dynamics.

A Joint Study Group meeting of BCIM-EC was held in Kolkata in April 2017. In this meeting Chinese representative mentioned that it was decided in the second conference held in Bangladesh in December 2014 that mechanism modalities of an intergovernmental framework agreement will be worked out on the basis of reports by all BCIM countries and pursued to now upgrade the joint study group dialogue to the intergovernmental level to accelerate the process. However, India is showing no haste. According to Indian officials, "…Even as we explore greater connectivity between BCIM countries, we should be mindful of different domestic circumstances and developmental aspirations in our respective countries. While forging ahead on our respective developmental paths our four countries [are] at present at different levels of developments and this should be an important consideration while we engage in mutually beneficial areas for cooperation" (Bagchi, 2017). It is clear that India remains the part of BCIM and the officials say that BCIM is work in progress and the delay in the process may be probably because at present Bangladesh and Myanmar are not keen on it because of the Rohingya refugee crisis (Patranobis, 2018).

TAKING THE CONTRADICTIONS OF LIBERALISATION TO THE CULMINATIONS

Liberalisation forcefully closed any space for self-sustainable and gradual development based on its own resources, capacities and the people, and imposed a development dynamic based on FDI and free trade. An illusion was strongly built and widely served that even when the developing countries does not possess enough capital, they can make Olympic records in development jumps and transform their shanty towns in Hong Kong and Singapore, and all this can be achieved by privatizing everything, ending the so called inspector raj, ending discrimination with foreign capital and giving it incentives in order to attract FDI, get generous loans, receive high quality imports and also be able to strengthen their economy by exports. There are a lot of stories from Latin America to South Asia about what kind of disasters this strategy has produced in the life of people. But it seems that the Chinese expansion, at least in case of South Asia, is taking all the contradictions of liberalization to the culmination, and this is powerfully reflected in two interrelated problems that have already started surfacing:

Economic Crisis: Countries Heading Towards a Debt Trap

Serious trade imbalances, particularly in favour of China, have been emerging in almost all South Asian countries including India. However, the more serious problem that have already started surfacing is some South Asian countries is that they have already entered or they are heading towards a debt trap, particularly led by huge infrastructure investments from China.

Sri Lanka appears to have already entered in to a debt trap, as it is unable to pay off its debt to China, and this situation has compelled it for an agreement to convert its debt into equity, which may lead and has been leading to a kind of transfer of ownership of projects to China. This is reflected in the decision of Sri Lanka government to allow 80% of the total share of projects and 99-year lease of Hambantota port to China, which created public outrage and violent protests in Sri Lanka. (Chaudhury, 2017)

Pakistan appears to be heading towards a similar crisis if not worse. Chinese investment in CPEC may be reaching as high as $50 bn. For Pakistan most of this investment is a loan to be paid in instalments, and it appears highly difficult if not impossible for Pakistan to be able to pay these loans in current state of economic conditions. Experts and analysts claim that this loan may virtually be transforming the Pakistan in to a client state of China in real sense of the term. It is also argued that this project was projected to be leading towards transformation of Pakistan for its own advantage, but it seems that it is leading for a transformation of Pakistan in the benefit of China in terms of imposing Chinese control on its economy in perpetuity. (Chaudhury, 2017).

The problem of a country entering or heading towards a debt trap necessarily gets reflected in intense socio-economic and political crisis, as this situation forces the state to austerity measures which most seriously impact its spending on social welfare. This crisis becomes particularly intense as the privatization of public sectors and various kinds of tax holidays and tax sops and various kinds of incentives (extreme examples like reimbursing employers their part of social security contributions etc.) to the local and foreign industries has left the state with very few resources and it largely depends on taxing the people.

Impact on Democracy and Politics

As we argued in earlier sections of this report that such a large scale economic expansion cannot be otherwise than to be necessarily accompanied with political and military expansion to safeguard its economic interests. With huge scale of investments in South Asia the China has to necessarily worry about political stability in countries and the region. As an analyst points out, "China's major interests in South Asia include promoting stability in both Afghanistan and Pakistan in order to curb the influence of Islamist extremists, and to facilitate trade and energy corridors throughout the region that China can access, that is to increase its presence in the Indian Ocean Region. The Ocean accounts for half the world's seaborne container traffic and 70 per cent of the total traffic of the world's petroleum" (Khan, 2018). However, this captures only part of concerns. The real concern arises from the problems that China may be facing if there are wide spread unrests created by increasing Chinese dominance on the economies of particular countries and by multi-dimensional socio-economic and political crisis arising from the aggravating debt crisis in those countries. The real concern also arises if the change in regimes in particular countries lead to change in politico-economic relations with China and creates risks to its investments. Moreover, BRI projects are bilateral projects, and in case of any radical change in regimes of any particular country owning a particular part of BRI project, China may face a serious crisis.

The recent political crisis in Sri Lanka clearly reflects on what kind of political dynamics may be developing in various South Asian countries. It is interesting to note that reference of India and China appears in significant way in the discourse on Sri Lankan political crisis. For example, "The appointment of Rajapaksa appeared as good news for China which enjoyed close ties with Sri Lanka during his 10-year rule ending in 2015 that saw the nation rack up large debts to fund infrastructure projects" (Marlow and Ondaatjie, 2018) and that "Wickremesinghe had attempted to re-balance Sri Lanka's foreign relations away from China and toward India and Japan" (Marlow and Ondaatjie, 2018). It is worth mentioning that under the Vickremesinghe regime several Chinese projects were suspended, including the $1.4 billion Colombo port city due to the opacity of financing terms (Anderson and Ayres, 2015). Moreover, Sri Lanka reversed a decision to award a $300 million housing deal to China in favour of a joint venture with an Indian company (Firstpost, 2018). A news report quoted Ranjan Ramanayake, a deputy minister in Wickremesinghe's administration, accusing China of paying for Rajapaksa to buy legislators: "I am telling China not to spend their millions to buy MPs in SriLanka. They want to buy the country wholesale" (The Asian Age, 2018). However, China denied any such interference and said that "Recent allegations about China by MP Ranjan Ramanayake are groundless and irresponsible" and that "It is a matter of internal affairs, and China has consistently supported the principle of non-interference in other country's internal affairs" (The Asian Age, 2018).

Whatever may be the truth, but politics in Sri Lanka appeared to be polarized with some contents of pro-China and Pro-India elements in at least two major political parties.

It seems that the situation of rising trade imbalances and alarming debt problem in different south Asian countries may lead to wider discontents among the people, and it may also get reflected in bourgeois politics in terms of Pro-China and Pro-India polarization of politics in some countries. But this in no way reflects the real question that is emerging, and this real question is: Why the hell we need such large scale infrastructure developments by taking loans, if this is leading to such an intense economic crisis? Is it not justified and possible to adopt development strategies based on our own capacities and move towards more self-sustainable development and focus on people's welfare? The emerging discontent may certainly raise these issues at certain point of time.

However, there is also a possibility of emergence of another political dynamics in South Asia. As we have already discussed that India is the only country in South Asia with a capacity to absorb the enormous surplus capital and over production of China, and therefore it appears next to impossible for China to avoid bringing India in its fold. However, this may effectively happen only when: a) India and Pakistan are able resolve their issues and most importantly able openly come forward in public as no more enemies; and b) China agrees for a multi-lateral structure and dynamics in BRI. It seems that some sort of efforts towards this kind of process may be going on behind the curtain; at least the recent developments give some indication towards this. It is important to note that India still remains part of BCIM, and apart from raising territorial concerns in CPEC, the discussions seems more focused on demands for certain kind of multilateralism in BRI. On the other hand, recent opening of Kartarpur Corridor for Sikh pilgrimage and intellectual and political discourse around this in both countries also give some indication of some positive change in India-Pakistan relations. In recent years, the focus of Indian state appears to be increasingly more on Naxal terrorism-urban terrorism than on Islamic terrorism. Do all these indicate towards some kind of political shift? We still do not know. Industrialists and businessmen in both India and Pakistan realize that there are immense potential for economic cooperation between both countries in the benefit of both countries, and therefore the possibility cannot be ignored. Moreover, it is difficult for China to dream about any kind of long term political stability in the region without this kind of change in India-Pakistan relations, hence they may also be leaving no stones unturned in this direction. It seems that the pace and direction of change in this regards may be clearer after 2019 elections in India. Probably the needs of winning election are very different and may not be permitting to move fast in this direction. However, if this kind of change happens in India-Pakistan relations and if China agrees for multi-lateral structure and dynamics in BRI, then it may certainly bring certain positive dynamics in South Asian region, both in terms of political stability and economic development.

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Impact of Chinese Foreign Direct Investment in Pakistan: A Labor Perspective

Farooq Tariq, Tabitha Spence and Khalid Mehmood

INTRODUCTION

The region known today as the country of Pakistan is located in greater South Asia, locked between Afghanistan and Iran to the west, India to the east, China to the northeast and the Arabian Sea to the south. In spite of the treacherous geographic barrier created by some of the highest peaks in the world in the Himalayas, people and goods have flowed between parts of the region known today as China and Pakistan, across diverse terrain, ranging from Pakistan's forests and mountains, the flat Indus plains and the Balochistan plateau, down to the deserts and the southern coast of the Arabian Sea.

Held together by successive waves of merchants and traders, and at times disintegrated and reconfigured by impacts of the military and economic might of subsequent invaders and colonizers, ancient trade routes going back thousands of years have linked present-day Pakistan with present-day China. This is evidence that the region has a long history of dynamic yet enduring political, economic and cultural exchange.

The development of the nation-states of China and Pakistan in modern times, and the political and economic trajectories taken by regimes of each of these countries, cannot be considered in isolation from one another when considering the impacts of the current and emerging forms of production, transport and exchange on labour in the region. Nor can the current relationship between the two countries be understood without referencing the wider political economic and geopolitical context.

The unlikely rise of China as the world's economic superpower in the twenty-first century is having ripple effects across the region as the country seeks new avenues to invest its swelling reserves of capital. Averaging an annual growth rate of about 10 percent between 1978 and 2013, the Chinese economy mushroomed, but not without mixed consequences for local and neighbouring populations.

Much of the immense wealth from becoming "the workshop of the world" has entered the pockets of local industrialists, real estate speculators, and investors, creating a growing class of Chinese elites seeking lucrative avenues to reinvest. Yet, while poverty in China has declined significantly during the country's economic explosion, social inequality between classes in China is increasing. Seeing the lives of the wealthy, as well as the material improvements in infrastructure and the wonders of advanced technology designed for personal use and in many cases built by their own hands, the aspirations and expectations of Chinese workers are erupting into a growing number of workers strikes and demands for higher pay and dignity in the workplace.

At the same time, Chinese production has devastated the country's environment, polluting the country's water, air, and soil, with dire impacts on public health and local ecosystems. In the past decade and a half alone, China's cumulative emissions in the atmosphere have exceeded those of most countries of the world combined, only surpassed by emissions of the United States if US military emissions are factored in.

It is within this context that the Chinese state as well as private Chinese investors are cooperating in the large-scale planning of the Belt and Road Initiative. This chapter tells the story of the drivers and impacts of the intensified regional integration and expansion as part of the China-Pakistan Economic Corridor (CPEC) leg of the BRI.

First we provide a brief review of Pakistan's relationship with China preceding the conception of the CPEC. Then we go on to examine the drivers, mechanisms and sectoral characteristics of the China-Pakistan Economic Corridor. The chapter then examines the major impacts of CPEC on labour in Pakistan. Finally, we consider the limits and weaknesses of Chinese foreign direct investment (FDI) in Pakistan, as well as prospects for the future of working-class people in the region.

CHINA-PAKISTAN RELATIONS: 1951-2008

China–Pakistan relations began in 1951, when Pakistan was among the first countries to recognize the People's Republic of China (PRC). After the former Republic of China lost power in the Mainland to the Communist regime in 1949, the newly born state of Pakistan had no particular love for the People's Republic of China. However, after India's Prime Minister Nehru recognized the newly formed power of the PRC in 1950, Pakistan began diplomatic relations with China's new government, considering it a potential counterweight to India, the country it had split from when the subcontinent became independent in 1947 from the colonial British rulers of the preceding several centuries.

By 1956, Pakistani Prime Minister Huseyn Shaheed Suhrawardy, hailing from East Pakistan (today Bangladesh), signed the Treaty of Friendship with Chinese Premier Zhou Enlai between Pakistan and China, signalling a close bilateral relationship. The escalating border tensions of both Pakistan and China with India over parts of Jammu and Kashmir led to the 1962 Sino-Indian War. The land dispute led China and India to support one another in a strategic alliance against India. The following year Pakistan ceded the Trans-Karakoram Tract to China to end border disputes and improve diplomatic relations with the growing Communist power. While China was aligned with the Soviet Union during early years of the Cold War, the Sino-Soviet Split in the 1960s and mutual suspicion of India made possible the deepening Chinese-Pakistani friendship.

The relationship has evolved into one of close strategic allies, with the wealthier PRC providing military, and later economic, assistance to Pakistan. Pakistan-China's "all-weather friendship" has been primarily a security-centric relationship, until roughly the past decade with the rise of ambitions for further economic integration vis-a-vis the China-Pakistan Free Trade Agreement and the China-Pakistan Economic Corridor, according to Andrew Small in The China-Pakistan Axis: Asia's New Geopolitics.

Chinese military assistance to Pakistan began in 1966, when Pakistan ordered Chinese planes, and the growing power continues to supply Pakistan's air and naval power, ranging from modern drones to submarines. Today China is Pakistan's largest supplier of arms globally, as the United States withdraws military support under President Trump.

Yet historically Pakistan also had a role to play in thawing tension between China and the United States during the Cold War. In 1971, US National Security Advisor Henry Kissinger was instructed by President Nixon to use Pakistan's strategic location and strong relationship with China to lay the groundwork for Nixon's visit to China the following year, the first meeting between the two countries in a quarter century. Pakistan facilitated the meetings to open a channel of communication between Beijing and the US, serving as a springboard to thawing icy relations between the two growing powers.

This initial meeting was just the beginning of China's consideration of addressing its own material crises by opening up to Western markets and foreign direct investment, which had not been the case for decades under Mao Zedong's Communist Party of China, who himself met Nixon on that fateful trip.

At around the same time, Pakistan had split in two from East Pakistan in 1971 in a bloody civil war under former Prime Minister of Pakistan, Z. A. Bhutto who himself had met Mao, yet feeling that Pakistan was isolated and had virtually no support from either its American nor Chinese allies, had become obsessed with India's nuclear weapons program and securing Pakistan's defense capabilities. Pakistan has continued to rely on Chinese support for military-grade weapons, as well as nuclear power plants. China and Pakistan continue to share close military relations, with China supplying a range of modern arms to the Pakistani defense forces to this day, as well as cooperating in joint ventures for the development of tanks, fighter jets and other weapons to be used against people deemed as threats, both foreign and domestic.

Economic cooperation began in the late 1970s after Pakistan's military dictator, General Zia Ul Haq, took power in 1977 during a bloodless coup. The first major non-military project was the development of the Karakoram Highway linking northern Pakistan with western China, which officially opened in 1978. Also known as the 'Friendship Highway', the Karakoram Highway shares the same path as parts of the ancient trade route connecting Pakistan and China, although this route is not directly connected to the ancient 'Silk Road' dating back to around the first century. Regardless, historians widely agree that parts of the region currently known as Pakistan were integrated into the inter-regional networks of trade that facilitated the flow of goods, people and ideas across these ancient trade routes, and that people of the region held commercial relationships.

Pakistan has also acted as the sole friendly Muslim country with influence among its neighbouring Muslim countries for China, which has not been kind to its own Muslim Uyger population in its western province of Xinxiang. In the 1980s, both China and the US provided support via Pakistan to the religious fanatics of Khyber Pakhtunkhwa and Afghanistan, the Mujahidin, who had been trained and armed to fight Soviet forces in northern Afghanistan in the protracted not always bloodless Cold War. However, despite propping up these groups, the Chinese state is currently marginalizing its own Muslim population, alleging that all of them, over 1 million people, are violent religious anti-state fanatics.

China and Pakistan also reach a comprehensive nuclear cooperation agreement in 1986, and today has constructed several nuclear power reactors with Chinese support. Yet the support has come with implied strings attached. Beyond each country having issues with the growing influence of India, the countries have taken on a role of unilateral support in the case of human rights violations against their own populations. For instance, in 1989, Pakistan was one of the first countries to support the Chinese government after Deng Xiaoping enacted martial law and violently crushed prodemocracy forces, killing tens of thousands of students and workers peacefully protesting at Tiananmen Square for freedom of speech and assembly and against the privatization of state companies. Moreover, China supports Pakistan's stance on the dispute of Kashmir, while Pakistan supports China on the question of sovereignty in Xinjiang, Tibet and Taiwan. Chinese officials have stated that "Pakistan is our Israel", as the two countries continue to support one another unilaterally. With assistance from China in obtaining missile, submarines and nuclear materials, Pakistan is the only Muslim nation known to possess nuclear weapons.

Some of the strategic assets that are today considered part of the larger China-Pakistan Economic Corridor came under construction in the early 2000s. The deep-sea port at Gwadar is being primarily financed by China, located on the coast of the Arabian Sea just a short distance from the Strait of Hormuz for the integration of sea and land routes for shipment of oil from the Persian Gulf. By 2008 Pakistan and China began to build a railway through the Karakoram Highway, in order to link China's rail network to Gwadar Port.

All of this infrastructure, and the large number of pipelines, roads, railways, fibre-optic cables and surveillance projects, and special economic zones and other projects on the books being folded into the CPEC cannot be viewed in isolation from the War on Terror or the ambitions to secure these investments. Therefore, China's earlier efforts to prop up Pakistan's military capabilities are being intensified under a number of joint ventures for aircraft, missiles and other military development, in addition to cooperation between the two countries' intelligence and military establishments into the new millennium to strengthen anti-terrorism efforts and protect strategic assets. Cultural, political and popular transformations underway are also becoming increasingly militarized in the 21st century.

It is evident that the militaries and economies of China and Pakistan continue to be co-dependent on one another. Because of the 2007 Free Trade Agreement, Pakistan is the largest buyer of Chinese arms in the world today, accounting for roughly half of Chinese arms exports. China has also become Pakistan's third-largest trading partner after the US and European Union, and in some cases has offered support without any obvious immediate return on their investment, as in the case of China donating USD 260 million to flood-struck Pakistan in 2010, along with help from several military rescue helicopters to assist in rescue operations. The same year Wen Jiabao visited Pakistan, signing more than USD 30 billion worth of deals, many of which were further arms contracts, with Pakistan buying ten missiles from China for the 250 JF-17 Thunder Fighter Fleet in 2011. Pakistan's former ambassador to China at the time, Masood Khan, described relations between the two countries as "higher than the mountains, deeper than the oceans, stronger than steel, dearer than eyesight, sweeter than honey, and so on", suggesting that the terms of the agreements are mutual between the political representatives on both sides.

CPEC is an important attempt to expand the scope and scale of the relationship, adding an important economic component. Lenders and investors have tended to avoid doing business in Pakistan for several reasons. First, lack of reliable energy supply and integrated transport infrastructure to facilitate the flow of goods, and therefore an inflow of capital has remained sparse, beyond the generous funds from the United States in the fight against the Soviet Union and later the Islamic fundamentalists as part of the War on Terror.

Most of the factors needed to attract foreign investment in Pakistan do not exist in Pakistan. Even loans on strict conditions were hardly available from International Financial Institutions prior to the CPEC agreement. Factors like capital availability, competitiveness, regulatory environment, political stability, local market and business climate are largely missing from the business life of Pakistan. Foreign direct investment (FDI) represents capital invested in a country that provides manufacturing and service capabilities for both native consumers and world markets. Another component for attracting FDI involves the availability of low-cost, skilled employees who possess the necessary aptitudes, experience and proficiencies to create, manufacture, and provide goods and services that can compete in global markets. Pakistan's economic, social and political history indicate that there is not currently a conducive atmosphere in Pakistan for direct foreign investment.

On the other hand, since the early 2000s China itself became a very attractive destination for investment capital. However, other than the Chinese case of rapid infrastructural and economic growth due to FDI, the aspirational CPEC has no parallel in the region.

Successive military and civilian governments have been desperate for foreign investment and liberalized the economy to an extent that has no parallel in the region. The neoliberal agenda has engulfed hearts and minds of the ruling elite, who see no economic life outside this approach. Over the last 30 years, the civilian and military governments alike have attempted to privatize the industries, financial institutions, telecommunications and other major public sector institutions. This is the only factor that favoured the recent Chinese investment through loans.

China took massive debts to save its economic growth after the Global Financial Crisis in 2008. The Asian giant spent trillions of dollars to deliberately run a state-driven stimulus program to stave off economic collapse by building infrastructure, including railways, roads, irrigation canals and airports. With this stimulus program, China developed massive manufacturing industries and a skilled workforce.

To utilize this massive manufacturing industry, feed the workforce and recover from massive debt, China started searching for investment opportunities in other countries. They offered loans to develop infrastructure with the condition that Chinese labour, raw materials and equipment would be utilized in the projects. Many countries fell into the Chinese trap, especially those that lack infrastructure and manufacturing capacities in Asia and Africa.

Why is China so keen to invest in Pakistan, and now in neighbouring countries like Nepal and Bangladesh? In part because many of China's production sectors have been facing overcapacity since 2006. The Chinese leadership hopes to solve the problem of overproduction by exploring new markets in neighbouring countries through the BRI. The BRI initiative has provide more opportunities for the development of China's less developed border regions.

The present relationship between China and Pakistan can be judged from the famous words of Xi Jinping, President of the People's Republic of China, before his 2015 visit to sign the CPEC agreement with Pakistan:

> *When I was young, I heard many touching stories about Pakistan and the friendship between our two countries. To name just a few, I learned that the Pakistani people were working hard to build their beautiful country, and that Pakistan opened an air corridor for China to reach out to the world and supported China in restoring its lawful seat in the United Nations. The stories have left me with a deep impression. I look forward to my upcoming state visit to Pakistan.*

CPEC, THE "GAME CHANGER"

The China Pakistan Economic Corridor (CPEC) was conceived of as part of the Belt and Road Initiative (BRI), and was originally valued as a USD 46 billion investment in Pakistan. In its Annual Development Plan (2017-18), the Planning Commission of Pakistan claims that investment under CPEC is around USD 60 billion, which is projected to create 1.5 million additional jobs to boost the GDP growth rate by 1.5 percent.

CPEC is a 15-year investment program that ostensibly aims to address Pakistan's energy shortages, improve integration of the country's transportation network, and develop the deep-water port in Gwadar on the Arabian Sea. Since CPEC was launched in 2013, Chinese firms have finalized USD 19 billion of the in investments in Pakistan; a significant injection of capital that has already served to supplement the country's electricity production. Mian Nawaz Sharif, the former prime minister who lost the July 2018 general elections and public office, is considered the key official involved in securing the Chinese funds for building infrastructure, though the Chinese terms and conditions are still not fully known to the public, six years later.

In April 2015, President Xi made the first trip any president of China had made to Pakistan in 9 years, and his first overseas visit of the year. The focus of the trip was CPEC and strengthening security. 51 agreements were signed for the development of highways, roads, energy, agricultural supply chain integration, language and cultural education, telecommunication projects and special economic zones.

One of the major incentives for China is that many of these projects will boost the efficiency of its existing supply chains. For instance, the Gwadar port will help China reduce its energy delivery route from the Middle East by 12,000 km. The BRI road and sea routes will meet in South Asia at Gwadar.

While China sees Pakistan as important for geostrategic importance, Pakistan is economically dependent on China. China is Pakistan's second-largest trading partner, with USD 20 billion in trade annually as of 2017. The same year China's exports to Pakistan grew by roughly 6 percent, reaching USD 18 billion, while Pakistan's exports to China fell by roughly 4 percent to USD 1.83 billion.

In spite of the unevenness of the relationship, the "all-weather strategic partnership" between Islamabad and Beijing is touted as a win-win, with the aim of boosting diplomacy, security, development, economic trade, and cultural exchanges "through thick and thin". According to the Pew Center, 80 percent of Pakistanis have a favourable view of China, more than of any other foreign country (Fred Teng 2015). That perception has changed to large extent in the end of 2019.

Tall claims were made by Sharif's Pakistan Muslim League-Nawaz (PML(N)) government after they signed the CPEC agreement. Illusions of unprecedented mass scale development were constructed around the CPEC projects.

Even with the formation of Pakistan's new government of the Pakistan Tehreek-e-Insaaf (PTI) party in August 2018, the China-Pakistan Economic Corridor remains one of the most discussed topics within the country. While continuing to support the development of CPEC as a whole, the new government has reportedly de-prioritised some of the "early harvest" CPEC projects, while emphasizing other projects. Under the weight of a deepening deficit and a swelling budget, this new government has opted to court various lenders, despite the famous words of Prime Minister Imran Khan during his electoral campaign that he "would not go begging to the IMF if elected". Yet since there appeared to be no alternative to seeking further loans to pay off previous loans, the leader went to all prospective lenders. Therefore, it does not come as a surprise that the "all weather friendship" of China and Pakistan was shaky in the initial period as the new government proposed a USD 12 billion loan from the IMF. The immediate response of the IMF handlers was, "We will not lend to Pakistan for the repayments of Chinese debts".

Regardless of the new government's mild scepticism and the challenges posed by the country's deficit, China appears set to become Pakistan's top trading partner over the next five years. The Pakistani government invited the Chinese companies to invest in and produce their products, as well as sell them in Pakistan and abroad. If Chinese-based enterprises had limited or no access to foreign customers, particularly in the United States, Western Europe, and Japan, the local market alone may not be enough to warrant significant investment in money and energy. Even though the local market was considered a future attraction, the Trump administration's restrictions and trade barriers on Chinese goods, and vice versa, have had serious effects on Chinese investment in Pakistan and other countries as well as within the country.

Moreover, CPEC faces domestic political opposition in Pakistan, with infighting between provinces and the central government over the allocation of the investments. A more serious issue continues to be that of security. On the Chinese side of the border, the East Turkestan Islamic Movement (ETIM) is hindering Chinese efforts, while on Pakistan's side, the Pakistani Taliban and other militant groups, including some in Balochistan, pose an immense threat to construction crews and could disrupt the flow of goods.

Despite the challenges, various mechanisms for CPEC investment in Pakistan, ranging from CPEC's already invested finance, as well as underway projects and development policies, appear to be showing little signs of deterrence. The state to state agreements remain non-partisan, incentives for non-state Chinese investors and businesses remain on the table, as do prospects for at least some workers from both sides. Moreover, a variety of propaganda tools have convinced much of the Pakistani public that CPEC will be a "game changer" that can resolve all of the country's woes, predominantly as a result of driving economic growth overall. Therefore, support for the project has been advocated as a matter of patriotism and love for the country, which undoubtedly has a large population of people who want to believe in the possibility of better days.

China in Pakistan is like religion. You cannot publicly oppose or criticise it. It does not seem like a pie in the sky prospect to many that China of all countries could be the purveyor of a brighter future for Pakistanis, given the fact that many material improvements are occurring as a result of Chinese investments and projects. Ease of transport, a more reliable supply of electricity and advanced telecommunications, are some of the benefits the public as well as businesses are experiencing and hoping for as the CPEC projects continue to come online.

The CPEC will connect Pakistan with China and the Central Asian countries with highway connecting Kashgar to Khunjrab and Gwadar. Gwadar port in Balochistan province of Pakistan will serve as the trade nerve centre for China, as most of its trade especially that of oil will be done through the port, which is operated by the China Overseas Port Holding Company, a state-owned Chinese company. Currently, sixty percent of China's oil must be transported by ship from the Persian Gulf to the only commercial port in China, Shanghai, and a distance of more than 16,000 kilometres. The journey takes two to three months, during which time the ships are vulnerable to pirates, bad weather, political rivals and other risks. Using Gwadar Port instead would reduce the distance by 7000 kilometres.

The plan further seeks to build on a market presence already established by Chinese enterprises-- Haier in household appliances, China Mobile and Huawei in telecommunications and China Metallurgical Group Corporation (MCC) in mining and minerals.

On 26 April, 2018, for instance, China Mobile announced another USD 1 billion of investment in Pakistan in telecommunication infrastructure and training of its officials within a period of three years. The announcement came a day after China Mobile's subsidy Zong emerged as the highest bidder in the 3G auction, claiming a 10 MHz 3G band license, qualifying for the 4G license. Zong commenced operations in Pakistan as Paktel in 1991, as the first company granted a free license to carry out cellular phone service in Pakistan. On May 2007, Paktel Limited was renamed China Mobile Pakistan. On April 2008, Paktel was rebranded as Zong, which has invested more than USD 2 billion with over 6000 base stations. It also has the country's largest solar power communication network.

In other cases, such as textiles and garments, cement and building materials, fertilizer and agricultural technologies, China has shown interest in propping up new companies. On 8th November 2018, both countries signed a memorandum of understanding to "cooperate" in the agriculture sector, where the main thrust of the plan actually lies, contrary to the image of CPEC as a massive industrial and transport undertaking, just involving infrastructure like power plants and highways. For agriculture, the plan outlines an engagement that runs from one end of the supply chain all the way to the other. From provision of seeds and other inputs, like fertilizer, credit and pesticides, Chinese enterprises will operate their own farms, processing facilities for fruits and vegetables and grain. Logistics companies will operate a large storage and transportation system for agrarian produce.

Not much information is made public on the mechanism for Chinese investment in Pakistan, even though several parliamentarians have demanded the CPEC agreement be made public. When the currently governing party, PTI, was in opposition prior to the general elections of July 2018, this was one of its main demands. However, after coming to power, they have kept mum about public access to information, just as did the previous PML(N) government. Newspapers report that approximately USD 11 billion worth of infrastructure projects are being developed by the Pakistani government, to be financed at an interest rate of 1.6 percent, after Pakistan successfully lobbied the Chinese government to reduce interest rates from the initial 3 percent. Loans will be dispersed by the Exim Bank of China, the China Development Bank and the ICBC. Loans for previous Pakistani infrastructure projects financed by the World Bank carried an interest rate between 5 percent and 8.5 percent, while interest rates on market loans approach 12 percent.

The economy of Pakistan is the 26t^h^ largest in the world in terms of Purchasing Power Parity (PPP). According to the IMF, the GDP of Pakistan for fiscal year 2015 was USD 271 billion. The GDP value of Pakistan represents 0.39 percent of the world economy, with per capita GDP at only USD 1,427 (Trading Economies, 2016).

The loan is being used to finance projects that are planned by the Pakistani government. Portions of the approximately USD 6.6 billion Karachi-Lahore Motorway are already under construction. The USD 2.9 billion phase that will connect the city of Multan to the city of Sukkur over a distance of 392 kilometres has also been approved, with 90 percent of costs to be financed by the Chinese government at concessionary interest rates, while the remaining 10 percent is to be financed by the Public Sector Development Programme of the Pakistani government.

The China Development Bank will also finance the USD 920 million towards the cost of reconstruction of the 487 kilometre portion of the Karakoram Highway between Burhan and Raikot. An addition USD 1.26 billion will be lent by the China Exim Bank for the construction of the Havelian to Thakot portion of this 487 kilometre stretch of roadway, to be dispersed as low-interest rate concessionary loans. USD 7 billion of the planned USD 8.2 billion overhaul of Main Line 1 of Pakistan Railways is also to be financed by concessionary loans, extended by China's state-owned banks. The Pakistan Railways passed through its worst era between 2008 and 2013 where its revenues dropped to alarming $18 billion, however, the PMLN government during 2013 to 2018 managed to increase Railway revenues to $40 billion before they lost the general elections in 2018. The proposed entire ML1 covers a 1,872 kilometre track from Peshawar to Karachi. The present Tehreek Insaaf government is boosting this project as one their main achievements.

The long-planned 27.1 km long USD 1.6 billion Orange Line of the Lahore Metro is regarded as a commercial project, and does not qualify for Exim Bank's 1.6 percent interest rate. It will instead by financed at a 2.4 percent interest rate after China agreed to reduce interest rates from the planned rate of 3.4 percent. The USD 44 million Pakistan China Fibre Optic Project, a 820 km long fibre optic wire connecting Pakistan and China, will be constructed using concessionary loans at an interest rate of 2 percent, rather than the 1.6 percent rate applied to other projects.

USD 15.5 billion worth of energy projects have been constructed by joint Chinese-Pakistani firms, rather than by the governments of either China or Pakistan. Exim Bank of China will finance those investments at 5–6 percent interest rates, while the government of Pakistan will be contractually obliged to purchase electricity from those firms at pre-negotiated rates. For example, the 1,223MW Balloki Power Plant does not fall under the concessionary loan rate of 1.6 percent, as the project is not being developed by the Pakistani government, this plant is already put on sale by the government.

Several articles in Pakistan have criticized the project's finances as being shrouded in mystery, alleging that "there is far too much secrecy and far too little transparency". The Private Power and Infrastructure Board has also been accused of irregularities in the approval process for coal power plants and the tariffs at which Pakistan is contractually obliged to purchase electricity from those plants, with special concern regarding potential irregularities in the tariff approved for the 300MW coal power plant to be built in Pind Daden Khan by China Machinery Engineering Corporation. Most of CPEC investments deals have not been disclosed even after the demands were raised at the national parliament.

The CPEC project is a prime example of the risks and challenges facing China. Should all the planned projects be implemented, the combined value of the projects would be equal to all foreign direct investment in Pakistan since 1970 and would be equivalent to 17 percent of Pakistan's 2015 GDP, some put it to 19 percent. The claim is that once completed, landlocked central Asian countries (Afghanistan, Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan) would also get benefits of the shortest route to the sea port of Gwadar, which is only at a distance of 2500 km as compared to Iran (4500 km) and Turkey (5000 km). This route not only serves China, but also European countries, Middle Eastern countries and landlocked central Asian countries.

Although both governments have hailed the projects associated with CPEC as beneficial overall, workers, communities, business people, scholars and others have raised concerns about potential detrimental impacts to the economy, communities, workers and even the environment. The first long-term challenge being raised is the likelihood of Pakistan's economy getting ensnared in a debt trap.

DEBT TRAP

Nearly all official documents related to CPEC state that the project is intended to rapidly modernize Pakistani infrastructure and strengthen the economy through the construction of modern transportation networks, numerous energy projects, and special economic zones. China is focused on establishing free trade areas — similar to the China-ASEAN Free Trade Area that came into effect in 2010 — with Central Asia and South Asia.

Although the ongoing construction of the multibillion dollar China-Pakistan Economic Corridor (CPEC) is hailed in both Islamabad and Beijing as a strategic "game changer" and an economic boom for the people of Pakistan, over the last several years the mammoth infrastructure initiative has generated growing criticism within Pakistan for the lack of transparency, limited inclusion of Pakistani workers and businesses, and adverse effects on the country's long-term stabilization and sovereignty. Meanwhile, anti-CPEC discontent in the troubled areas of Balochistan and Gilgit-Baltistan has been harshly suppressed by Pakistani security services.

After initial opposition by the Chambers of Commerce in several Pakistani cities, including the country's largest-- Lahore and Karachi, even Pakistani industrialists are beginning to accept and understand the bitter realities of the Chinese presence in Pakistan as senior partners. On 8th October 2018, 10 private companies from both countries signed agreements worth USD 100 million to set up "joint ventures" in Pakistan.

The acceptance by many Pakistani industrialists of the notion that there is no life without the Chinese is a new development initiated by the present government following recent visits to China by Imran Khan. The practice by the previous Pakistani government prioritized state-guaranteed contracts with Chinese public and private sectors to develop road and energy infrastructure. However, it seems clear that CPEC would worsen Pakistan's debt trap.

According to a 2017 IMF assessment, debt service obligations to the Chinese state, banks, and firms are projected to grow gradually, peaking in 2025 at between roughly USD 3.4 billion and USD 4.5 billion. These estimates likely undervalue the full repayment obligations Pakistan will have under CPEC, as they do not include tariffs for power generated by Chinese firms, toll fees for Chinese-built roads, or maintenance and operation expenses. China, already Pakistan's largest trading partner, is indeed the primary driver of Pakistan's growing trade deficit, accounting for 29 percent of imports.

IMPACTS ON LABOUR: DECENT JOBS, SAFETY, AND ENVIRONMENT

Chinese investment in Pakistan is littered with Chinese labour and Chinese technology. The Chinese language is been taught in public and private institutions, where learning Mandarin is becoming more common for many middle-class students. Since the start of the groundwork on CPEC, more than 39,000 Chinese laborers have come to Pakistan over the past five years, according to official data and documents reported BY/TO WHO on March 5, 2018. Nearly 8,000 Chinese were issued visas in 2013 at the start of the CPEC projects, soon after the Nawaz Sharif government came to power. In addition, about 91,000 Chinese nationals visited Pakistan on tourist visas over the same period.

During the first half of 29, Pakistani media reported the forced marriages of Chines labour in Pakistan with poor Christian families, with complaints of bringing the newly wed women to China for prostitution and forced labour. Aljazeera television reported on 5th December 2019 that more than 600 poor Pakistani girls and women were sold as bribes to Chinese men over a period of nearly two years, according to one investigation by police authorities. Thus a new social dimension of Chines migrant labour to Pakistan has emerged with mass anger against the initial euphoria of Chinese positive impact on Pakistan economy.

Taking its partnership with China a notch further, Pakistan is reportedly building a planned city to house half a million workers at a cost of USD 150 million. The proposed city will be a financial district that Beijing is planning to set up in Pakistan's port city of Gwadar to exclusively house the Chinese workforce, according to a report in The Economic Times by 2022.

There has been little mention of the labour conditions involved in the projects of CPEC. During the construction of the Orange Line in Lahore as part of CPEC, 25 workers were killed in separate incidents in the first year alone due to lack of health and safety measures. Most of the Pakistani workers in the construction industry come from rural backgrounds and are exploited the most. Minimum wage rates for one day's work is not normally paid and there is absolutely no social security provided to these workers, who sleep in tents in under construction sites without basic facilities.

Human labour is mentioned mostly in terms of 'employment generation' or 'creation of jobs', and hence is pushed out of sight in the CPEC narrative. According to various estimates, CPEC projects would generate between 400,000 to 700,000 jobs from 2015 to 2030. Beyond statistics and general assumptions, there is hardly anything on labour in the discourse on CPEC.

One can view the categories and number of jobs (mostly professional, technical, administrative, skilled) in advertisements on a local website, and also learn about efforts towards skilling the labour force by the Technical Education and Vocational Training Authority in Punjab. But the real labour is missing from the advertisements. Manual labour is the most exploited form of labour, as they all work on unwritten contracts. By word of mouth workers are employed as well as kicked out of a job at the will of the contractors.

The labour that is employed to work on infrastructure and energy projects is being regulated under domestic labour laws, which suffer from extreme weak implementation. Several special economic zones coming up under CPEC are to be regulated under the Special Economic Zones Act, 2012, as its Article 30 makes all labour laws of Pakistan applicable to SEZs. The construction phase of the infrastructure and energy projects requires a large number of contract and subcontracted workers. CPEC's official website lists eight infrastructure and 15 energy projects in various phases of completion/implementation. Project-specific details on the website do not include any information on the workforce.

Four energy projects became operational in 2017 that include Sahiwal Coal Power Plant as well. Of the four rail-based mass transit projects, Lahore's Orange Line Train Project, is in the construction phase. Since construction began two years ago in 2016, there have been reports of about 100 on-site deaths and injuries. Causes of fatal accidents include falling from a height, electrocution, collapsing structures and fire at the makeshift residences of low-tiered workers, all because the contractors are not implementing the health, safety and environmental management plans.

Similar to construction, the energy transmission and distribution sector is also fraught with danger and strong safety measures are required. There has been no news of work-related accidents for CPEC energy projects because there is no mechanism for reporting and documenting accidents. In addition, energy projects are installed at some distance from settlements, hence away from the public eye, while the Orange Line is in the city, visible and within the media's reach.

The majority of Pakistan's workforce is poorly educated and unskilled. Employers and contractors do not ensure safety standards or provide safety training to workers. There seem to be no plans to improve and extend education. The literacy rate was stagnant at 58 percent in 2017 as in the preceding year, while gross enrolment rate declined by 3 percent over the same time frame. These are the official figures, with independent surveys estimating a mere 35 percent literacy rate.

There are no trade unions at the sites of CPEC projects. Workers are not allowed to informally work in this sort of work, and Pakistan's formal trade unions are weak and fragile. Less than one percent of the total workforce is organized in trade unions, primarily in public sector jobs. Union organizing remains out of reach in the private sector.

According to Pakistan's Constitution, no trade union activities can be carried out at projects located at Export Processing Zones (EPZs), while labour laws are supposed to be implemented at special economic zones (SEZs) under the Special Economic Zones Act of 2012. So is the case with the labour employed at CPEC construction projects. The CPEC has in fact increased the level of casualization of the workforce, rendering it worse than before the CPEC began. It has not helped the incremental growth of the membership of the trade unions, but rather has discouraged unionization in the name of security of the Chinese employees.

Trade unions in Pakistan are regulated under provincial industrial relations acts. Under the constitution of Pakistan, labour is considered a shared responsibility of the federal and provincial governments. Both are united in their negative approach towards unionization. The National Industrial Relations Commission (NIRC) was established under the Labour Policy of 1972 as a quasi-judicial authority to promote genuine trade unionism, setting up industry-wise federations of unions and at the national levels. However, NIRC has become one of the main vehicles to discourage the registration of the unions' hands in hands with the bosses.

According to NIRC, in 2016, there were 1,390 trade unions with a combined 1.4 million members registered. There are 16 registered federations, and the ratio of total union members to total employment is only at 2.2 percent, one of the lowest in the world. This low level of unionization trend since 2016 is not on the upwards side but on the contrary to downward.

The prerogative to protect workers' rights in the country should be part of all agreements and Memorandums of Understanding (MOUs) with China. Pakistan has experienced jobless growth for decades. Until now the quagmire of right-less employment growth in Pakistan under CPEC is witnessed.

The reality is that the government has placed the CPEC projects under the Essential Services Maintenance Act to curb trade union activities. Furthermore, the existing labour laws are not liked by the Chinese companies. For example, the overtime compensation rate is 150 percent of the normal wage rate in China while it is 200 percent in Pakistan, a law that is normally not implemented in reality at work places in Pakistan. Another aspect is that the prescribed annual leave is 5 days in China during the first 10 years of service, while it is 14 days in Pakistan after the first year of service. Many associations of bosses have made a lot of noise, claiming that there are too many holidays in Pakistan.

Civil society groups and labour organisations should facilitate workers (as they did in the case of GSP Plus) to advocate for compliance in CPEC projects, demand transparency, raise awareness and campaign for universal education and skill training. CPEC officials should add a labour advisory group in the institutional framework that provides regular briefings on project policies on labour, health, safety and environment to allay public concerns.

Take the example of Lahore's Orange Line project, which had devastating effects on the lives of over a million of the Lahori population in terms of degradation of environment and displacement.

An additional factor for the labour in construction of CPEC projects is the opposition by several nationalist groups mainly in Balochistan. They see the project as an invasion to their national rights. The more modest groups are demanding more local labour at the construction sites and so on. However, the more militant groups are regularly involved in terrorist activities. The growing suicidal sectarian attacks by the rival religious fanatic groups in Balochistan is often termed by the provincial government as an "effort to spoil the CPEC". So CPEC has also become a scapegoat for any terrorist attack in the province. Up to 230 people have been killed and more than 400 injured in a spat of suicide attacks in Balochistan province -- so far in seven suicide attacks during 2016-18. The security establishment and government functionaries have condemned the lawlessness in the province as foreign hands' desperate measures to destabilize the China-Pakistan Economic Corridor (CPEC).

The issue of growing religious fundamentalism cannot be tackled by a government and its institutions that are still not ready to break all links with the religious fanatics. A state with heavy dependence on religion cannot go very far on the road of capitalism with Chinese investment. The state is still protecting feudalism and most of the politicians in power come from feudal backgrounds. They will not be able to any basic work to modernize the state.

The rhetoric of development was used as part of CPEC long before its inception, and this strategy is undermining and eclipsing workers' rights. "Development" at any cost is the slogan of the government of Pakistan, which often cites examples of Far Eastern countries like Korea and Malaysia where they claim the development was a combination of authoritarian rule alongside industrialization.

Goal 8 of the Sustainable Development Goals requires "full and productive employment and decent work for all". This Goal is achievable only if workers engaged in all CPEC related projects are given their rights to organize, bargain collectively, strike, be free of bonded and child labour, and free of all kinds of discriminatory treatment in employment and occupation. It is the State's responsibility to ensure this work is 'decent' and free of all kinds of exploitation, according to the 1973 Constitution of Pakistan.

If the adage, "past behaviour is the best predictor of future behaviour" has some merit, we should look at Chinese investments around the world and the situation of workers' rights. There have been instances of "tense labour relations, hostile attitudes by Chinese employers toward trade unions, violations of workers' rights, poor working conditions, and unfair labour practices" in the Chinese firms operating in Africa. If most of the workers, especially the support staff, are engaged as casual workers, they will not be able to benefit from the legal guarantees of minimum wage, social security and other allowances.

We must also consider the internal situation of China, where there is only one trade union that operates hands in hand with the state. There are more trade union federations in Pakistan registered, but in practice the state does not protect workers and their rights. Most of the existing labour laws are not implemented, and labour departments in most cases are aware of the situation only to collect bribery from the bosses. The more the labour laws are being violated, the more profits to the labour officers of the area concerned- this is normally the practice in Pakistan.

The job creation by CPEC projects will not help undermine the poverty and unemployment, on the contrary it will increase the exploitation of working class in a new traditional manner where no one will dare to talk about the rights of the workers as this will be seen as anti-state activity. It will increase slave labor and more economic exploitation. There have been heroic efforts to protect their rights by a small section of Pakistani working class on the projects by Chinese companies. A worker strike at Tarbela Dam against the management of the Chinese contractor Sinohydro occurred in 2017, resulting in the company agreeing to meet the demands of paying the unpaid wages.

China's increasing presence in building infrastructure projects across the world is taking its toll on workers' rights and livelihoods. Failure to comply with the most basic legal stipulations like minimum wage laws warrants serious concern.

It was also noted that insufficient provision of safety equipment was putting workers lives at risk. In July 2017, six workers at Tarbela – three Chinese and three Pakistani – were killed when a scaffold came crashing to the ground. Tarbela is one of a number of energy projects being built in

Pakistan at the moment by Chinese contractors.

These projects, along with many other major infrastructure projects throughout Pakistan, will together make up the China-Pakistan Economic Corridor (CPEC). Not only section of trade unions but also mass in general are making their voices heard over the non-payments to the land they have lost to CPEC projects.

In July 2017, construction work on a patch of road, which is a part of China-Pakistan Economic Corridor (CPEC) project in Battagram's Gajborai area, resumed after several days when the government agreed to pay the agreed compensation. Area residents had halted construction work on the CPEC project due to non-payment of compensation for their lands according to the market value. The people had asked the government to pay them commercial value of the lands and houses that will be razed by the CPEC project.

SHRINKING SPACES

Since the formal arrival of CPEC in 2013, there has been a rapidly shrinking space for social activism in Pakistan. There are more missing persons, extrajudicial killings and false encounters, and more censorship on television, news and social media. New laws were formulated to halt criticism of China by members of the Pakistani public. The militarization of civil administration has also increased, with a special army branch being created for protection of Chinese people at work places. Residential areas of Chinese workers are protected by the police, and it is a crime for Chinese in Pakistan to walk in the streets without informing the police who ensure that Chinese workers in Pakistan are heavily protected. Although you are not allowed to speak and write against China in commercial newspapers, there is a growing number of articles against China's role in Pakistan, particularly in regard to climate change. Coal power plants are opposed by the local population, who are met with police registering cases against them.

THE ENERGY CRISIS, CLIMATE CHANGE AND ENVIRONMENTAL IMPACTS

Pakistan's virgin beaches are located in District Gwadar, which is the major coastal town of Balochistan, and also said to be the epicentre of the

China-Pakistan Economic Corridor (CPEC). But the beaches are in danger of being badly affected by a newly planned 300MW coal power plant in Gwadar. Besides the beaches, there will be a significant impact on human lives and the environment. Pakistan is already suffering from climate change.

Pakistan has long needed more power than it can produce, with its energy deficit currently around 4,000 MW. According to the International Energy Agency (IEA), Pakistan's average energy demand is around 19,000 MW, while the country generates only 15,000 MW. Only 67 percent of the population has access to electricity at present.

Coal power plants have very negative impacts on the environment and health. The most worrying part of the coal projects under CPEC is that there has been a lack of, or equally no, economic cost benefit analysis and Environmental Impact Analysis (EIA) of the coal-based projects linked to CPEC.

A report published by the Asian Development Bank in February 2018 finds that the 10 gigawatts of generation capacity expected to be brought online under the China-Pakistan Economic Corridor will increase greenhouse gas emissions substantially, undermining climate change mitigation efforts.

One of the most critical parts of these coal projects is that the coal is being imported from Indonesia. When it arrives Pakistan, It would be difficult to bring the coal from Karachi to Sahiwal with its ineffective railway system. When coal makes it to Gwadar or Karachi port, it has to go by trucks or trains with open bogeys to Sahiwal, Punjab, where a 1320 MW coal-based project is the first one to be completed and now in service. The USD 1.8-billion Sahiwal Coal Power Project, now part of the China-Pakistan Economic Corridor (CPEC), employs 3,000 Pakistani personnel and 1,000 Chinese.

Experts say keeping emissions low will not be possible with coal power. "No matter how effective and efficient of technology is used, it would impact the environment because there will be carbon emissions," Jahanzeb Murad, an energy and environmental expert said. "The coal plants also release ash, and ash disposal is one of the pressing issues. "At the end of the year 2017, the thick layer of smog that blanketed Punjab's skies was an example of environmental cost. The smog in New Delhi, India … is equally appalling and can be attributed to the coal consumption by the coal-based industries and power plants across the border in Indian Punjab and Rajasthan. They are also sources of pollution that have triggered the smog in Pakistan."

The most heated debate in Pakistan in recent years has been related to the persistent problem of prolonged load shedding of electricity. Circular debt, the chronic shortfall between cash inflows and outflows for power sector participants, is the singular symptom of several problems that underlie the performance of Pakistan's power sector. USD 35 billions of China's total official investment in CPEC in Pakistan was earmarked for energy related projects.

Currently, more than 60 percent of the utility electricity generated in Pakistan comes from fossil fuel-based generation, including gas, coal and furnace oil. Over 10,400 MW of energy generating capacity was brought online by the end of 2018, with the majority developed as part of CPEC's fast-tracked "Early Harvest" projects. The results is that the electricity shortage has come down to less than four hours a day, a source of relief for the majority of the 220 million population of Pakistan.

There are a total of 19 CPEC energy projects, which involve both building new power plants as well as upgrading transmission lines to meet future energy demand. While there is a mix of thermal, hydro-electric, solar and wind, the majority of the projects are fossil fuel-based (CPEC Secretariat 2018). The new fossil energy projects have significant harmful impacts on communities, workers and the environment. The smoke emitted from these power plants, even with newer technology, is contributing to negative local environmental health impacts including the hazardous air pollution plaguing the country. It also contributes to global climate change when the GHGs are absorbed by an atmosphere already oversaturated.

While the entire supply chain of fossil fuel extraction, transport, and use contributes to global climate change, these processes also have had negative impacts on communities displaced for the projects as well as those living and working in the shadow of the power plants and mines.

There are several renewable energy projects in the CPEC, most of these are not of significant potential except the Quaid-e-Azam Solar Park in Bahawalpur, Punjab, which has a capacity of 1000 MW. In contrast, there are 10 coal-based energy projects with a total estimated capacity of 8880 MW (CPEC Secretariat 2018). Although CPEC-related power projects are beginning to reduce the supply-demand gap in the country, many are already having harmful effects on the public and their local environment, from heavy use of water as well as pollution of water and air due to mining and fossil-fuelled power production. Moreover, there are concerns about the carbon dioxide (CO2) emissions associated with coal-based thermal power projects at a time when all countries are being asked to plan to reduce their greenhouse gas emissions to meet the climate targets under the Paris Accord.

A paradigm shift towards coal-fired power plants could have serious long-term environmental implications for Pakistan as the country is already quite vulnerable to climate-induced hazards (Isran 2017; Saleem 2017; Zaman 2016). According to the Global Climate Risk Index of 2017, which ranks countries based on impacts of extreme weather events both in terms of fatalities as well as economic losses, Pakistan is among the 10 most affected countries (Kreft et al. 2017).

The global climate context necessitates a complete phase out of fossil energy projects over the next few decades, replaced with a turn towards renewable energy production. While Pakistan is only responsible for approximately one percent of GHGs accumulated in the atmosphere, it will have to eventually phase out dirty energy projects after the biggest polluters do the same. Studies suggest that Pakistan has a total renewable energy potential of about 167.7 GW, which is more than enough to meet the total electricity demand of the country. Due to the public health concerns attributed to pollution, focusing on making this change now would tremendously benefit not only Pakistan but the whole region of South Asia and beyond.

Yet with encouragement from China and other investors, Pakistan is moving in the opposite direct by investing in coal-based energy plants instead of focusing on renewables. Despite huge potential of renewable sources of energy in the country, Pakistan's total share of the energy mix is less than 1 percent from renewables (Sheikh 2010), with no significant changes of this ratio since 2010.

The Asian Development Bank has criticized the upcoming 10 gigawatts generation capacity under the China-Pakistan Economic Corridor expected to be commissioned before 2019, saying that "it will increase greenhouse gas emissions substantially that will worsen the climate change mitigation concerns". However, the bank itself is funding 600MW coal plant in Jamshoro (Sindh).

According to 2012 Pakistan Environmental Protection Act (PEPA-1997), section 12 (1) of the PEPA-1997 states that: "No proponent of a project shall commence construction or operation unless he has filed with the Provincial Agency an initial environmental examination or, where the project is likely to cause an adverse environmental effect, an environmental impact assessment, and has obtained from the Provincial Agency approval."

The findings of a survey by a student group in 2018 explains it all. "The hazardous pollutants across Lahore's skyline caused residents respiratory difficulties, eye irritation, and cardiac complications, among other ailments." Pakistan's second-largest city, home to more than 14 million people, is facing elevated levels of air pollution, thanks to rapid industrialisation, growing vehicular emissions and tree slashing, and increased crop burning and coal plant emissions.

During 2016, almost 60,000 Pakistanis died from the high level of fine particulate matter in the air, among the highest death tolls in the world from air pollution, according to the World Health Organization (WHO). Pakistan's median exposure levels to fine particulate matter (PM 2.5) – among the most harmful pollutants in the air – is 68 in urban areas, compared to just 12 in UK cities, according to WHO.

CPEC agreement was done in haste without proper homework or any effective analysis of the project by the former PML(N) government. The former government accepted that the majority of CPEC's energy projects would be coal power plants to fulfil energy needs as quickly as possible. Such was the haste that Mian Shahbaz Sharif, the former chief minister of Punjab and younger brother of the former Prime Minister was known as "Mr. Speed" not only in Pakistan but also in Chinese circles. Opening the desert of Thar in Sindh province for coal mining has entailed the forcible displacement of entire villages in the region, the heavy use and pollution of the groundwater, and pollution of the air, damaging the health of residents.

According to one estimate, China could make between 17 and 20 percent guaranteed profit under a sovereign guarantee and use the Gwadar Port free of charge for the next 43 years. In economic terms, it is not a bad investment for China, regardless of the need for doing away with internal combustion engines and focusing on clean transportation.

Modern transportation networks built under CPEC will link sea ports in Gwadar and Karachi with northern Pakistan, as well as with points further north in western China and Central Asia. A 1,100-kilometre-long motorway will be built between the cities of Karachi and Lahore as part of CPEC, while the Karakoram Highway between Rawalpindi and the Chinese border will be completely reconstructed and overhauled. The Karachi–Peshawar main railway line is scheduled to be upgraded to allow for train travel at up to 160 km per hour by December 2019. Pakistan's railway network will also be extended to eventually connect to China's Southern Xinjiang Railway in Kashgar. The estimated USD 11 billion required to extend these transportation networks will be financed by subsidized concessionary loans. Yet, again, there is no discussion of electrifying the train lines and running them on sustainable and clean electricity.

The maximum age limit of a coal power plant is 30 years; sometimes it also can complete its lifetime in 10 years. Once it finishes its tenure and technology reaches its expiry date then it is no more of use. One needs to install another plant.

Though many political parties have raised questions over the suspicious nature of the China-Pakistan Economic Corridor (CPEC), no one has gone to the tribunals yet to challenge the coal-based projects.

In the case of this flagship project, Pakistan is on the receiving end, so it should evaluate, research, and effectively analyse any project before approving it. Pakistan has a dire need for more energy but it should not opt for coal-based power plants until their impacts have been scientifically researched. Pakistan should opt for other sources of energy such as hydro, solar, and wind that are environment friendly.

On 22 April 2015, According to China Daily, China released its first overseas investment project under the Belt and Road Initiative for developing a hydropower station near Jhelum. Building of this dam has had devastating effects on the local population, leading to the catastrophic reduction of water in the Neelum River. The Neelum River has almost dried up from Nosari to Muzaffarabad, the capital of Pakistan-occupied Kashmir, known as Azad Kashmir, after the ingurgitation of the Neelum-Jhelum Hydral Power Project due to diversion of 90 percent of river water to the tunnel. Around four hundred natural water resources have disappeared as a result.

WEAKNESSES AND LIMITS TO CHINESE INVESTMENT IN PAKISTAN

Finally, this chapter discusses the limits and weaknesses of Chinese FDI in Pakistan, and prospects for the future. Chinese FDI in Pakistan weakens the local economy by flooding the market with cheaper Chinese goods. There also remains unequal access to often insecure jobs across ethnic and national lines, involves eviction of entire communities, often results in insufficient and unpaid compensation, results in pollution of air and water of communities, contributes to climate change, does not help build resilience but rather dependence on foreign funders as the deficit deepens, chance of important economic nodes being taken as collateral by the Chinese or other lenders for not receiving payments according to the conditionality's set in the agreement.

Five years of CPEC development drive (2013-18)

When the project proposal became known to the public to some extent, it was clear that Punjab-dominated Pakistan Muslim League (PML(N)) would turn the project benefits toward Punjab. Concerns were raised by Khyber Pakhtunkhwa and Sindh provincial governments of PTI and PPP. The initial proposal had to be changed and small provinces were ensured of their due share in the CPEC. These contradictions surfaced again in end of December 2018, coupled with the changed priorities of the new PTI government.

On December 10, 2018, the China-Pakistan Economic Corridor (CPEC) Cell, in its briefing to Balochistan Cabinet, revealed that Balochistan's share in the USD 62 Billion CPEC project was a miniscule nine percent, about USD 5.6 billion. In its briefing, the CPEC Cell also disclosed that the current shortfall of 700MW in the Province meant that none of the new power injected into the grid as a result of CPEC power projects was directed toward Balochistan. Expressing concern over the dismal share of the Province in development projects under the CPEC, on December 9, 2018, the Balochistan Government disclosed that only two projects — the Gwadar Port and Hubco Coal Power Plant — had been approved for the Province by that point, since CPEC's launch on May 22, 2013. The Government, moreover, claimed that even these two projects had no direct benefits for the people of Balochistan. It was also disclosed that, out of this committed sum, less than USD one billion had been spent in over five years, since May 22, 2013, when CPEC was launched. The stunned Cabinet members reportedly described CPEC spending in Balochistan thus far to be "a joke".

Significantly, the Gwadar Port is the epicentre of the entire CPEC project in Pakistan, yet the residents of the city have a hard time getting drinking water on a daily basis. In order to address the drinking water shortage in Gwadar, the Federal government has announced many desalination plants, but none has materialized as of the end of 2018.

The apprehension that CPEC will not benefit Balochistan has rightly been there for long. Indeed, the Senate (Upper House of the National Assembly) was informed on November 24, 2017 that 91 percent of the revenue to be generated from Gwadar Port as part of CPEC would go to China, while the Gwadar Port Authority would be left with a nine percent share of the income for the next 40 years.

There is a growing concern that Baloch people would become a minority after the influx of foreigners in Balochistan as the CPEC projects are complete. According to the Census in 2017, the total population of Balochistan was 12.3 million, indicating that the Baloch population (Balochi language speaking population) has shrunk from 61 percent of the total to 55.6 percent over a period of 19 years (Census 1998 to Census 2017) in the 21 Districts where the Balochi-speaking population form a majority.

Due to these reasons, there is persistent discontent among the ethnic Baloch with regard to CPEC. The Province is at the heart of the CPEC scheme – a massive series of projects that includes a network of highways, railways and energy infrastructure spanning the entire country. This discontent constitutes an enduring threat to Chinese engineers, workers and people associated with the constituent projects, with Baloch nationalists, who consider it part of a 'strategic design' by Pakistan and China to loot their resources and eliminate the Baloch culture and identity.

Terrorist activities have been going on since the beginning of the CPEC in Balochistan. However, the victims were mainly laborers from other provinces. On May 4, 2018, six Punjabi laborers were killed and one was injured in an incident of firing in the Laijay area of Kharan District. Levies sources said the laborers, who hailed from eastern Punjab, were working on a mobile tower and were sleeping in tents at the site when unidentified militants on motorcycles opened fire on them.

On October 31, 2018, five construction workers of non-Baloch ethnicity were shot dead while another three suffered injuries in an attack near Ganz, some 15 kilometres west of Jiwani town in the Gwadar District of Balochistan. According to official sources, the laborers were working at a CPEC-related private housing scheme on Peshkan-Ganz Road, which links Gwadar with Jewani, when a group of unidentified assailants riding motorcycles appeared on the scene and opened fire.

A new turn in this regard was witnessed on 22nd November 2018, when armed attackers attempted to storm the Chinese consulate in Karachi, killing four people. Three attackers were also killed in the assault on the consulate in the city's high-security red zone. The Baloch Liberation Army, a separatist group, claimed responsibility in a tweet that included a photo of three unidentified men and the message. In a statement released after the attack, the group said its objectives were "clear -- we will not tolerate any Chinese military expansionist endeavors on Baloch soil." Insurgents trying to disrupt construction of CPEC projects in Balochistan have killed 66 persons since 2014.

THE IMPACT OF NEW ECONOMIC CRISIS ON CPEC AND DEBT TRAP

Apart from terrorist attacks an reservations of the provinces, there has been also issue of economic crisis since beginning 208 hindering the work on ongoing projects of CPEC. The contractors at National Highway Authority stopped work on several projects of the CPEC after their bank cheques worth over Rs. five billion bounced in July 2018. Affected projects include Hakla-Dera Ismail Khan, the western route of CPEC and all sections of the Karachi-Lahore Motorway (KLM). The economic and financial crisis that the new government is facing is taking a tool on CPEC projects as well.

Piling up loans from China is a big gamble for Pakistan economy. Patterns of Chinese investments in South Asia-Pakistan, Bangladesh, Sri Lanka and Nepal-- all of which are part of BRI-- depicts the Chinese propensity to control the domestic markets and natural resources of the South Asian nations.

When Pakistan went to seek a 12 billion loan from IMF in August 2018, the first question that was raised was "how would you deal with the growing Chinese loan issue?" Chinese officials have ensured Pakistan that they are not against the IMF loan to Pakistan as a member state of the IMF. Yet the reality is just the opposite. Since the start of China-Pakistan Economic Corridor (CPEC) in 2013, the bulk of Chinese loans to Pakistan have increased many fold. China has now become the biggest bilateral lender to Pakistan, surpassing Japan. According to the State Bank of Pakistan, by June 2017, China's bilateral debt to Pakistan stood at USD 7.2 billion, which increased by over USD 3 billion in four years.

Pakistan owes USD 19 billion (one-fifth of its total debt) to China. The CPEC loans will add USD 14 billion to Pakistan's total public debt, raising it to USD 90 billion by June 2019, abating Pakistan's economic ability to service this huge amount of debt. Although CPEC has the potential to transform Pakistan's economy, this transformation would come at the heavy price of making Pakistan a colony of China.

In other words, China is a new emerging imperialist country for Pakistan, which is reconstructing the decaying capitalism with new faces. The remaining tasks of British Imperialism to modernize capitalism in Pakistan has been taken over by the Chinese. Building capitalism with transport and energy projects with your own labour and technology has brought new social and political contradictions. It is a half-hearted effort to build capitalism in Pakistan.

Pakistan needs to look at the fallout from projects in Sri Lanka, Tajikistan, and several countries of Africa, all of which are now facing huge debt risks brought by Chinese investments.

The recent data from the Centre for Global Development (CGD), suggests China's Belt and Road Initiative (BRI) program has already left several developing countries drowning in debt. In 2011, Tajikistan wrote off an unknown amount of a loan owed to China in exchange for 1,158 square kilometres of their land, which was only 5 percent of the land that the Chinese demanded. Kyrgyzstan's debt from infrastructure projects has risen from 62 percent of its GDP to 78 percent, while China's share of this debt will jump from 37 percent to 71 percent. In Sri Lanka, China did a debt to equity swap against a USD 8 billion loan at 6 percent provided for construction of the Hambantota Port on a 99-year lease for managing the port. China has also invested over USD 52 billion in Venezuela from 2008 until 2014. In November 2018, Nepal cancelled a USD 2.5 billion deal with China for the construction of hydroelectric dam, because Nepalese officials.

CPEC IMPACT ON LOCAL ECONOMY, JOBS, DEBT TRAP, AUSTERITY

The Government of Pakistan and the country's ruling elite view CPEC as game changer for the country and region. However, experts and local economists have different insights, viewing CPEC as having much less to offer Pakistan in terms of trade. The Chinese approach of not partnering with local companies will not create new job opportunities for millions of

Pakistani youth.

Pakistan leading economist Dr. Qaiser Bangali termed the CPEC not a game changer but a "game over". In 2017 interview with Daily News International he said,

> *"I do not think Pakistan will gain a lot from the CPEC initiative, which is still shrouded in mystery. There are no details available and the government is not ready to answer any questions. Instead of a game-changer; CPEC may signify a game over. I see the Corridor creating threats for local businesses and fear that it won't be a win-win situation for both countries. For example, since Chinese companies are tax-exempt they will bring everything from China and hence they will have no reliance on Pakistani businesses to fulfil their demands. This has shattered the dreams of many local companies that planned to expand their production facilities in anticipation of receiving orders from these Chinese companies. The Association of Cable Operators in Pakistan is one such entity that was expecting a big boost in its sale volumes, but now they are struggling to sustain their existing sale figures".*

On the other hand, the Pakistani government is awarding sweeping tax exemptions to Chinese firms, creating a damaging and discriminatory playing field against Pakistani firms, and virtually abolishing the remaining locally owned manufacturing sector in the country. As a result, local markets are flooded with Chinese goods.

EMERGING IMPERIALIST CHINESE TRENDS IN SOUTH ASIA

China's Belt and Road Initiative raises debt risks not only in Pakistan, but also in other South Asian countries, including Bangladesh, Sri Lanka and Nepal, a Centre for Global Development study found. If we look at the patterns of Chinese investments in recent years in these countries, it appears there is a Chinese propensity for control over domestic markets and natural resources in this region.

Examining it carefully since the global financial crisis of 2008 until 2016, Chinese investments in South Asia have concentrated mostly in the sectors of energy and transport. While 53 percent of these investments have been in energy projects, around 30 percent have been in transport schemes. Indeed, except in Sri Lanka, where the majority of Chinese investments have been in transport, similar investments in Pakistan, Bangladesh and

Nepal have been overwhelmingly in the energy sector. Chinese firms are making huge investments in gas projects and port facilities in Bangladesh, and coal and road projects in Nepal. In Sri Lanka, transport and energy projects accounted for 58 percent and 9 percent of Chinese investments respectively during 2008-2016. So is the case in coal-fired energy plants in Pakistan, where Chinese companies are expanding their control. Pakistan needs to look at the fallout from projects in Sri Lanka, Tajikistan, and several countries of Africa, all of which are now facing huge debt risks brought by Chinese investments. China in end of 2019, effectively controls a growing number of ports in Burma, Bangladesh, Sri Lanka, Pakistan, Maldives and Oman. However, the issue of the security of the Chinese workforce and investment in the troubled province in Balochistan is at risk. The Pakistan army is unable to effectively protect its barracks from Taliban and Baloch separatists', Beijing cannot place its trust to secure its strategic investment on a state that is often termed as "failed state". On the other side, China's global expansion places it in direct competition, in their traditional zones of influence, with all the existing powers, Russia in Central Asia and Belarus, India and South Asia, The US in Latin America, the European in their own countries and every one in Africa. So we can say that Chinese geopolitics is in an uncertain phase of adaptation and simply consolidation of linear expansion and Pakistan is no exception to this process.

Table 1. Comparison of distance between current route and proposed route via CPEC

Origin Port	Destination port	Current route Distance	CPEC route Distance	Difference in KM
Kashgar China	Hamburg	25,114	14,627	10,487
	Le Havre	24,266	13,779	10,487
	Rotterdam	24,645	14,158	10,487
	Jeddah	17,298	6,811	10,487
	Kuwait	16,380	4,813	11,567
	Oman	15,133	3,665	11,468

Table 2. Impact of CPEC in trade (in USD billions)

Ports	Exports	Imports	Total trading Volume	10 % save
Germany	$92.50	$87.4	$179.90	$17.99
France	$50.40	$20.00	$70.40	$7.04
Netherland	$44.70	$10.3	$55.00	$5.50
Saudi Arabia	$19.80	$48.00	$67.80	$6.78
Kuwait	$3.85	$8.93	$12.78	$1.278
Oman	$1.21	$18.90	$20.11	$2.011
Total	**$212.46**	**193.53**	**$405.99**	**$40.599**

Note: This table shows that supply chain can save about USD 41 billion dollars per year.

Table 3. Comparison of shipping costs between current route and proposed CPEC route

Origin Port	Destination port	(Taken from Table 16) Current route Shipping cost	(Taken from Table 21) CPEC route shipping cost	Difference
Kashgar China	Hamburg	$3900 - $4100	$2500 - $2700	$1400
	Le Havre	$3900 - $4100	$2500 - $2700	$1400
	Rotterdam	$3900 - $4100	$2500 - $2700	$1400
	Jeddah	$3300 - $3600	$1600 - $1800	$1700 - $1800
	Kuwait	$3300 - $3600	$1600 - $1800	$1700 - $1800
	Oman	$3200 - $3400	$1000 - $1200	$2200

Table 4. Comparison of transit time between current route and proposed CPEC route

Origin Port	Destination port	Current route Transit Time	CPEC route Transit time	Difference
Kashgar China	Hamburg	36 – 42 Days	26 - 31 Days	10 – 11 Days
	Le Havre	36 – 42 Days	26 - 31 Days	10 – 11 Days
	Rotterdam	36 – 42 Days	26 - 31 Days	10 – 11 Days
	Jeddah	21 – 27 Days	10 - 14 Days	11 – 13 Days
	Kuwait	21 – 27 Days	6 - 9 Days	15 - 18 Days
	Oman	18 – 22 Days	8 - 12 Days	10 Days

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Chinese Investment in India and Working Conditions in Chinese Factories

Centre for Worker Education, India

CHINESE INVESTMENT IN INDIA

Chinese FDI and bilateral trade in India have been progressing consistently and at steady rate despite many political and military issues that surfaced between the two countries in recent years. In 2017, China invested an estimated $2 billion, compared to $700 million in 2016, tripling the funding in a single year. China has become the biggest trading partner of India, and India has become the largest project-contracting market for Chinese companies in South Asia. India-China bilateral trade scaled up to $84.44 billion in 2017, rising 18.63%, which is well above the $71.18 billion registered in 2016. (D'Cunha, 2018).

China ranked 36th among largest investors in India in 2010 (Patil, 2017), however, only in few years it climbed up at quite higher ranks (table 1). Moreover, Mauritius and Singapore which emerge as top two foreign investors may actually not be real investing countries, but the investment from many countries may be routed through them. Further, Indian statistics capture direct investments from mainland China, but a majority of Chinese overseas direct investment, flows through tax havens such as Hong Kong. Therefore, actual Chinese investment may be at least three times that the official Indian figure. In 2016, Chinese vice-minister for finance Shi Yaobin was quoted saying China has cumulatively invested $4.07 billion in India, and India has invested $650 million in China (Patil, 2017). It is worth mentioning that currently China ranks at the top in investment proposals in India. Among the investment proposals currently listed, 42% are from China, followed by 24% from US and 11% from UK (Banerjee, 2018).

However, India being a huge and diversified economy and accordingly diversified foreign investment sources, Chinese investments still form a very small percentage to total investments. In 2012-13, Chinese investment accounted for only 0.8% of the total FDI in India, it peaked in 2014-14 reaching at 2% and further declined to 0.5% in 2016-17 (Table 1).

It can be said that Chinese investment in India is still on the way of taking off. Many MOUs (Memorandum of Understanding) have been signed that promise huge Chinese investments, including, MOU between Maharashtra government and China's BeiqiFoton Motors for Auto Industrial Park in Pune; MOU between Industrial Extension Bureau of India, Government of Gujarat and China Development Bank Corporation for supporting the setting up of Industrial Parks in Gujarat; MOU between Industrial Extension Bureau of India and China Small and Medium Enterprises (Chengdu) Investment Limited to set-up multi-purpose Chinese Industrial Park in Gujarat; MOU between Government of Haryana and Dalian Wanda Group to develop an Integrated Entertainment Park-cum-Industrial township in Haryana and MOU between government of Haryana and China Fortune Land Development to set up an Industrial Park in Haryana etc. However, most of the MOUs haven't yielded any mainstream, huge infrastructure investment yet. (D'Cunha, 2018).

India and China have agreed on (bilateral) Joint Economic Group (JEG) Meeting to resolve various issues related to trade and investments and also agreed to set up product/sector specific Joint Working Groups to promote exports and bilateral trade (D'Cunha, 2018). In December 2017, the National Association of Software and Services Companies (Nasscom) and the Municipal People's Government in Dalina, China, signed a deal to launch a collaborative platform to promote cooperation between Indian & Chinese firms on the internet of things and artificial intelligence (Chakraborty, 2018). The Industrial and Commercial Bank of China, has already launched China's first India-dedicated publicly offered investment fund, urging Chinese to invest heavily stating that the Indian economy is entering the "golden age of economic take-off" (TOI, 2018). This move is expected to boost the Chinese investments in India.

Table 1:
Foreign Direct Investment Flows to India: Country-Wise And Industry-Wise ($ million)

Source/Industry	2012-13	2013-14	2014-15	2015-16	2016-17 P
Total FDI	18,286	16,054	24,748	36,068	36,317
Country-wise Inflows					
Mauritius	8,059	3,695	5,878	7,452	13,383
Singapore	1,605	4,415	5,137	12,479	6,529
Japan	1,340	1,795	2,019	1,818	4,237
Netherlands	1,700	1,157	2,154	2,330	3,234
U.S.A.	478	617	1,981	4,124	2,138
United Kingdom	1,022	111	1,891	842	1,301
Germany	467	650	942	927	845
U.A.E.	173	239	327	961	645
Switzerland	268	356	292	195	502
France	547	229	347	392	487
South Korea	224	189	138	241	466
Italy	63	185	167	279	364
Cyprus	415	546	737	488	282
Spain	348	181	401	141	213
British Virgin Islands	3	0	30	203	212
China	148 (0.8%)	121 (0.7)	505 (2%)	461 (1.2%)	198 (0.5%)
Belgium	33	66	47	57	172
Others	1,394	1,501	1,754	2,677	1,109
Sector-wise Inflows					
Manufacturing	6,528	6,381	9,613	8,439	11,972
Communication Services	92	1,256	1,075	2,638	5,876
Financial Services	2,760	1,026	3,075	3,547	3,732
Retail & Wholesale Trade	551	1,139	2,551	3,998	2,771
Business Services	643	521	680	3,031	2,684
Computer Services	247	934	2,154	4,319	1,937
Miscellaneous Services	552	941	586	1,022	1,816
Electricity and other Energy Generation, Distribution & Transmission	1,653	1,284	1,284	1,364	1,722
Construction	1,319	1,276	1,640	4,141	1,564
Transport	213	311	482	1,363	891

Restaurants and Hotels	3,129	361	686	889	430
Education, Research & Development	150	107	131	394	205
Mining	69	24	129	596	141
Real Estate Activities	197	201	202	112	105
Trading	140	0	228	0	0
Others	43	292	232	215	470

Source: RBI (1018); Note: Figures includes FDI through SIA/FIPB and RBI routes only

FOCUS SECTORS OF CHINESE INVESTMENT IN INDIA

The FDI from China is mainly concentrated in the state of Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu and Haryana. The major industrial parks that are proposed to come up with Chinese FDI are located mainly in Gujarat, Maharastra and Haryana (Patil, 2017).

Chinese FDI is very much diversified in India, however its main target is manufacturing including automobile, metallurgical industries, electrical equipment (including electronics) and industrial machinery, power and other infrastructure development. Pharmaceuticals sectors, online retail services and various other sectors, for example, online taxi services, are also attracting significant Chinese FDI. Currently, the major share of Chinese FDI in India is in automobile manufacturing which alone accounts for as high as 60% of total Chinese FDI and metallurgical industries which alone account for 14%. Electrical equipment, industrial machinery and power sector are also important sectors of Chinese FDI (Table 2).

Table 2. Destination sectors of Chinese FDI

FDI sectors	Proportion of Total FDI
Automobile	60
Metallurgical industries	14
Electrical equipment	4
Industrial Machinery	4
Power	3
Others	15

Source: Goyal (2017).

Chinese companies today dominate the telecom sector in India. In handsets, they control 51% of India's $8 billion plus smartphone market and the same story is emerging in telecom equipment sector as well (Goyal, 2017). Mobile phone sale in India increased from 102.7 million in 2015 to 109.1 million in 2016 (Kastner, 2017). Although as a single largest company Samsung captures the largest share of market at 28%, but cumulated market share of Chinese companies goes as high as 51%, including Xiaomi (14.2%), Vivo (10.5%), Lenovo (9.5%) and Oppo (9.3%) (Kastner, 2017).

In mobile phone segment Xiaomi currently manufacturers 95% of its phones in India at two factories managed by Foxconn at Sricity, Andhra Pradesh. In 2017, it started another factory in Noida especially to manufacture power banks. Oppo also started an assembly unit in 2016 and purchased 110 acres of land to establish a large manufacturing facility in Noida. Chinese CCTV camera manufacturers such as Hikvision and dahua, have secured several contracts under the Smart City Mission of Government of India. (Pranav, 2018)

In automobile sector, Chinese companies have to face more intense competition from the existing international players; however, this phase coincides with a new phase in automobile sector, where all the players may be largely treated as new in the Indian market, and this is the phase of great focus and promotion for electrical vehicles in India. This provides a great opportunity and relatively eases the competition for the Chinese companies. SAIC and BYD have already entered in India in big way. Wanfeng Autowheel established its factory in Bawal, Haryana in 2013 and now it controls about 70% share in India's two-wheeler alloy wheel market, with clients such as Hero, Honda, Bajaj, TVS, and manufactures 3 million units of aluminium wheels per annum. (Pranav, 2018)

In Machinery manufacturing Chinese companies are entering in India in a big way. Sany Heavy Industry, one of the world's leading engineering machinery manufacturers is planning to invest $9.8 billion in India. Moreover, Sany Heavy Industry is heading a list of nearly 600 foreign companies that are planning to invest a total of $85 billion in India in the next five years. It is widely projected that this will create an estimated 700,000 jobs in the country in next five years. (Chitravanshi, 2017)

In electrical equipment segment Haier started a manufacturing facility in India in 2007 and have a significant market presence in India. In Construction Equipment segment, SANY group has already established its factory at Chakan, Pune has set a sales target of US$1billion from India by 2020. In Solar sector, Chinese companies already command 90% market share in India, with leaders being Trina Solar, JA Solar, Jinko, Yingli, Hareon etc. In 2018, CETC and Longi bought land at Sricity, Andhra Pradesh to set-up Chinese solar module manufacturing facilities in India. Tebian Electric Apparatus (TBEA), Baoding Tianwei Baodian (TWBB), and Highly Electrical have been the pioneers in the electrical equipment space, with all three establishing large manufacturing facilities in Gujarat. CRRC has made a big presence in the Railways segment, winning over 7 orders to supply metro coaches and components in India, including 112, 76, 69 metro coaches for Kolkata, Noida and Nagpur metro projects. In 2016, it established a joint venture with Pioneer (India) Electric to assemble electric motors in a factory at Bawal industrial area in Haryana. CRRC invested US$63.4 million in the project. (Pranav, 2018)

In construction sector many Chinese companies including Pacific Construction, China Fortune Land Development and Dalian Wanda, are each planning investments of more than $5 billion (Patil, 2017). In power sector and in overall infrastructure development sector, Chinese companies have already established their competence and are considered most efficient companies, and they have been emerging as dominant players.

China's tech giants Alibaba and Tencent have alone deployed close to US$3.5-4 billion in Indian companies in the last three years, primarily in Indian e-commerce (Flipkart, Snapdeal, Big Basket), payments (Paytm), and other Internet based business (Hike, Ola, Practo) models (Pranav, 2018).

Interestingly, Chinese companies are also showing their great interest in Indian film industry, they are now interested in everything of Bollywood, from partnership and distribution rights to Indian directors and writers. Kung Fu Yoga released in 2017 was probably the first Indo-China joint production and it was quite successful in market.

MERGERS AND ACQUISITIONS DOMINATE THE SCENE

Mergers and acquisitions are emerging as significant strategy of Chinese FDI, particularly in manufacturing sectors. In Pharmaceuticals sector the Chinese presence was felt in 2016 when Shanghai Fosun Pharmaceutical Group struck a deal to buy 86 % stake ($1.1 billion) in Indian generic injectable drugmaker Gland Pharma. India allows 100 percent FDI in pharmaceutical sector, but requires government clearance if FDI is above 74 percent. This deal became an issue of concern and caught headlines of media, and lastly the Chinese company had to reduce its stake size to 74% (Bhatia, 2017).

India's largest digital payments company Paytm is now 40%-owned by Chinese e-commerce firm Alibaba and its affiliates, and Alibaba is reportedly in process of raising its stake to 62% (Patil, 2017). In the past three calendar years, Chinese and Chinese-origin investors have poured in about $3.7 billion into Indian start-ups and major beneficiaries are around 25 start-ups, including Truebil, ixigo, Paytm, Flipkart and MakeMyTrip (Banerjee, 2018).

In automobile sector, Chinese automaker Geely acquired Swedish passenger car company Volvo Cars in 2010 and thereby made its entry in India. In 2017, Geely invested $3.9 billion to become the biggest shareholder of Volvo, a leading truck and bus maker. Volvo has a joint venture with Eicher Motors and it also sells high-end trucks and buses independently in India. Geely is also planning its direct entry in India. Geely further acquired a 9.69% stake in Daimler, a German automobile major having strong presence in India. Daimler's Mercedes Benz India is India's largest luxury car brand. On the other hand, Daimler India Commercial Vehicles (DICV) is also a formidable player with Bharat Benz trucks and buses. The $9-billion stake purchase by the Geely chairman is making him the biggest single shareholder in the group, with a strong say in decision making. Geely's move of buying a stake in Daimler is probably motivated at strengthening its presence in the electric vehicles (EV) space. In 2005, China's Qianjiang Group Co bought Italian bike maker Benelli, and a few years ago, the Chinese Group signed a joint venture with Pune-based DSK Motowheel for selling Benelli bikes in the country which are part of premium segment of bikes with prices ranging between Rs 2 lakh and Rs 12 lakh. China's largest automaker and General Motors' (GM) partner in China, SAIC Motor Corp, has already started a fully-owned car company locally, MG Motor India. SAIC Motor Corp has acquired the GM plant at Halol in Gujarat. The first SAIC product may be an SUV and is expected to roll out in the market in 2019. Chinese electric bus maker BYD has formed a partnership with Hyderabad based Gold Stone Group to establish Goldstone Infratech and has setup a plant in India with an investment of Rs 200 crore. Goldstone Infratech recently supplied 25 electric buses to Himachal Pradesh Transport Corporation, and it has also bagged other contracts. One bus costs at least

Rs 2 crore. 75% components are still imported from China or elsewhere and not manufactured in India. Zhengzhou Coal Mining Machinery Group owned SEG Automotive recently bought the starter motor and generator business divisions of the Bosch Group that has a strong market presence in India. It is also worth mentioning that India's leading component maker Motherson Sumi System was also in line to acquire this division of Bosch group. China's Ningbo Joyson Electronic Corp acquired (through its 100 per cent-owned American entity Key Safety Systems) the troubled airbag and safety parts maker Takata, which has a strong base in Rajasthan, Tamil Nadu and Maharashtra. This further strengthened China's strength India's OEM supplier space. (Khan, 2018).

THE ISSUE OF CHINESE WORKERS ACCOMPANYING CHINESE INVESTMENTS

This is a general trend that Chinese investment brings Chinese workers as well. This is also reflected in the remittances received in China from the Chinese workers working in South Asia. According to a report, China received more than $ 1billion in 2014 as remittances from Chinese migrant workers working in South Asia, and out of this $958 million came from Bangladesh (Anderson and Ayres, 2015).

In almost all the infrastructure projects operated by China in India significant numbers of Chinese workers are seen working. In construction of steel plant of Electrosteel Castings Limited (ECL) at Chandankyari in Jharkhand, more than 1,600 Chinese workers (out of total 6600 workers) including supervisors, technicians and other laborers were engaged (Lakshmi, 2010).

Similar are the conditions in many mega infrastructure projects like ports, highways, power and steel plants contracted to Chinese companies. In many projects operated by Chinese companies like Dongfang Electric Corporation (DEC), Sichuan Machinery and Equipment Corporation (SCMEC) and Shandong Electric Power Construction Corporation (SEPCO), Chinese manpower is employed in large numbers. According to Indian companies contracting or subcontracting the projects to Chinese companies, the Chinese know their job well and if they are supplying the equipment, they would rather use their expertise and people to install the equipment. A Thermal power plant of Adani Power in Mundra, Gujarat is partially being built by Chinese company- SCMEC. It was engaged in setting up boilers and turbines for the plant. It engaged about 100 Chinese workers including engineers and supervisors. According to Indian industry people, the power sector requires skilled engineering cadre and the Chinese companies are using their own people for deploying the power plant equipment. A Chinese company DEC implemented an EPC contract with West Bengal Power Development Corporation for two plants at Sagardihi and Durgapur, and engaged about 500 Chinese Engineers, supervisors and project managers in these two projects. Similarly, DEC supplied equipment for Amarkantak thermal project of Lanco Infratech in Madhya Pradesh and engaged about 150 Chinese workers. Likewise, another Chinese company SEPCO implemented EPC contract for Vedanta's power plant at Jharsuguda in Orissa and in this case also significant numbers of Chinese workers were engaged. It is interesting to note that there is continued and at increasing scale influx of Chinese workers into the country despite the challenging environment for them to get a visa. (Singh, 2013)

Interestingly, several hundred Chinese workers (out of total 2500 workers engaged) were also engaged in construction of huge statue of late Indian politician Sardar Ballabh Bhai Patel on the bank of Sardar Sarovar Dam in Gujarat. According to reports, Rs 3000 crore project was contracted to Larsen & Toubro (L&T), which subcontracted certain works like "bronze cladding" of the statue etc to TQ Art Foundry (Jiangxi Toqine Company in Nanchang), which brought hundreds of Chinese workers to work on the project. This issue was also reflected in war of words between the two dominant political parties in India. (Indian Express 2015, NDTV 2018a).

The Indian companies prefer to engage Chinese infrastructure companies and also the engagement of Chinese workers, as according to them this insures timely delivery of the projects. According to them, Steel plant in Chandankyari was to be completed in 18 months and if only Indian workers were used it would have taken 5 years to complete the project; and that even when Chinese workers are paid little more, their speed ultimately brings down the cost of project. Industry people also expressed concerns that due to Visa problems, thousands of Chinese workers had to leave dozens of projects in midway, as they were on business visas and that this affected the construction of many power projects. On the concerns of its implications in terms of displacement of Indian workers, both Industries and the government were of the view that India lacks enough and competent skilled electricians, carpenters, welders, mechanics and masons who can build mega infrastructure projects and that most such Indian workers have to be trained on the job, and that this factor often delays the projects and makes it more expensive. In these situations the engagement of Chinese workers provides an opportunity of a kind of classroom for Indian workers, and also this may be helpful in creating benchmarks for speed, quality and cost. Until this skill gap is bridged, engaging Chinese workers is a kind of compulsion. It was also argued by the government officials that engaging Chinese workers specialized in certain skills and in certain specialized functions is not a problem as they fill the skill gap with no displacement impact, however, they need not be engaged in jobs that Indians can do. (Lakshmi, 2010)

ALARMINGLY RISING TRADE DEFICIT

Trade deficit in India, in context of its bilateral trade with China, has been rising consistently and steeply. The bilateral trade between India and China increased from $71.5 billion in 2016-17 to $84.44 billion in 2017-18 (D'Cunha, 2018). However, imports from China to India accounted the major share worth $61.3 billion, and exports from India to China accounted just $10.2 billion in 2016, and therefore, the trade deficit for India reached as high as -$51.1 billion (Aurn, 2017). As we can see in figure 1, with growing trade, the trade deficit is also growing consistently, in 2010-11 it was at -29.3 billion and in just 5 years it reached to -$51.1 billion. The CII-Avalon study forecasts that the trade deficit will hit $60 billion by 2018-19 (Patil, 2017).

In current state of affairs it does not appear to be manageable and hence unsustainable. India has been raising this concern with China and as it is articulated by Indian officials that this can be addressed either by increasing Indian exports to China or increasing Chinese investments in India (Aurn, 2017). However, as for as the second solution is concerned (increasing Chinese investments), it can never resolve the problem, as it does not address the real problem of trade deficit, it may only give some short time relief or breathing space. And the first solution has probably not much to promise, at least in short run, considering the nature of exports from India to China. Currently the major constituents of Indian exports to China are largely the raw materials or primary commodities. In Indian exports to China in value terms, Ores, slug and Ash account for $1623 million, Cotton account for $1348 million, Organic chemicals $887 million, Mineral fuels $789 million and copper and articles account for $708 million. On the other hand, in imports from China, in value terms, Electric items account for $21.9 billion, Machinery and parts $11.1 billion, Organic chemicals $5.6 billion, plastics $1.8 billion and Ships and boats account for $ 1.5 billion. China has not opened the doors for many Indian products yet. (Goyal, 2017)

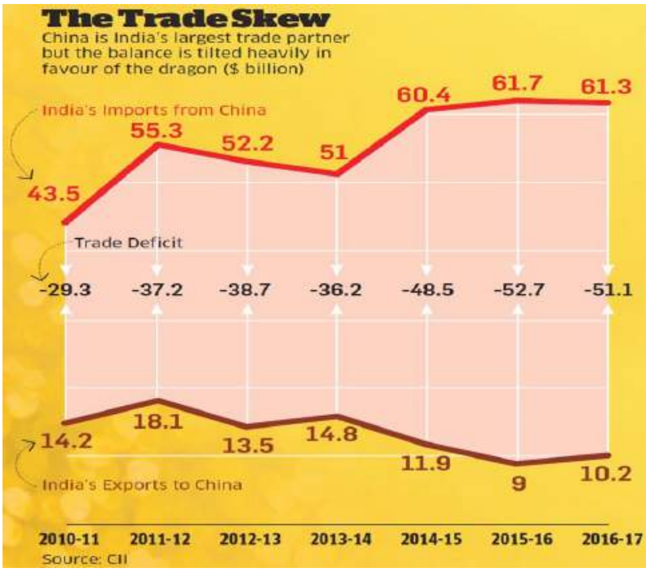

Figure.1. Rising trade Imbalances. Source: Goyal (2017).

LABOUR RIGHTS IN CHINESE FACTORIES

Scope of Study and Methodology

In order to understand the conditions of labour rights in Chinese factories, the study mainly focuses on one automobile factory and two electronics factories manufacturing mobile phones. In manufacturing these two sectors appear to be currently the main focus of Chinese ODI. Automobile sector alone attracts 60% of total Chinese FDI, and in mobile segment Chinese companies together capture 51% of market share and have entered in mobile manufacturing in India in big way.

The two Chinese mobile manufacturing companies selected for study of working conditions are Vivo India Pvt Ltd and Hipad Technology India Pvt Ltd, both located in Noida which is one of the electronics manufacturing hubs. Hipad Technology India Pvt. Ltd is located in A-Block of Sector 63 in Noida, and manufactures mobile phones for Oppo and Xiaomi, which involves mainly the assembling of components imported from China. Vivo India Pvt Ltd is located in Knowledge Park III in Ecotech Zone of Greater

Noida. The unit is especially focussed on assembly of its smart phones with components imported from China. In 2018 discontent erupted in these two units and the study aimed to document this and also to look at the reasons why this discontent erupted.

The automobile manufacturing unit selected for study is MG Motor located in the state of Gujarat in Halol which is one of the automobile manufacturing clusters of India. The MG motors came in to existence after acquisition of GM motor's plant at the same location. There was long struggle of workers during the acquisition process. The study aimed to understand the change in the working conditions after acquisition of GM motors by MG Motors.

There are some limitations of the study. In case of mobile manufacturing units, the study focussed more on discontent that emerged in 2017-18. Therefore the focus was to interview the workers who were employed during 2018 discontent and most of them are no more engaged in those factories. Some currently engaged workers were also interviewed but they were not open enough to reveal the conditions in detail, apparently out of fear of losing job. Therefore the picture presented in the study largely represents the conditions of 2017-18, and reflects not much light on whether there was any change in working conditions after this discontent. Along with workers interviews the secondary sources are also used for substantiating the findings; as the incidents of discontent in these factories were widely covered by media.

Limitations of study on working conditions in MG Motors is that the production operations had not yet started at full swing, during the period when study was conducted. The company was producing only few vehicles and was largely in the process of testing the vehicles to pass various clearances needed for production and sale in Indian market. Therefore, the structure of workforce and working conditions may be reflecting on the trend rather than a comprehensive picture. Along with workers interviews Secondary sources were also used for understanding the issues and dynamics during the phase of acquisition of GM Motors and also on structure of workforce in MG Motors.

Labour Rights in Chinese Electronics Industries in India: The Case of Vivo and Hipad

Structure of the workforce

The structure of workforce is almost same in both companies, largely following the industry trends in the region. Majority of workforce is that of migrant workers, as is the general trend in the NCR region where the two factories under study are located.

During the period of study, Vivo employed more than 6000 workers and Hipad Technology employed about 2500 workers. Both units generally engaged only ITI (Industrial training Institutes) certificate holders from different states as production workers, and therefore all of them fall in category of skilled workers. However, rarely if any production workers are engaged on a regular contract of the company, as workers said-no one is permanent, only Chinese staff is permanent. There are significant number of Chinese workers in both the companies, but not in the category of shop-floor production worker but mainly as technical, HR, supervisory and other management staff. However, the workers were not able to tell the exact number of the Chinese staff in these units. (Worker Interviews, 2018)[336]

Production workforce is typically structured in such a way that it reduces the wage cost to the minimum and makes unionisation almost impossible. There are mainly only two category of workers-Apprentice/trainee and contract workers. In both companies a significant proportion of workers are hired as Apprentice/Trainee. They are recruited fresh from ITI institutions across the state and also from other states. The contract workers form the majority of the workforce in both the companies. (Worker Interviews, 2018)

Wages and Working Conditions

In Vivo, in July 2017, the wages of contract workers was Rs 9300 per month which almost equalled to the statutory minimum wages for skilled workers (9118pm). After deduction of their contributions in social security schemed (Employees state insurance and provident fund) the cash in hand they received was about Rs 7100. On the other hand apprentice workers received about Rs 7100 (without any deductions for social security as they are not required to be covered), which

336 Seven Hipad workers and six Vivo workers were interviewed for the study during December 2018

was near about the statutory minimum wage for unskilled workers (7400pm). Overtime was said to be almost compulsory, but in general workers also welcomed it, as the wages were low and survival was insured only by earning more by doing overtime. (Worker Interviews, 2018; PUDR, 2017)

In Hipad, the workers reported that their total wages was about 12000pm in November 2018, but this was not for 8 hours shift. It was strange to note that none of the workers were able to tell their monthly wages without overtime. This simply means that there was a practice of regular overtime for fixed hours, as also evident from their statement that they regularly worked for more than 10 hours daily and many times 12 hours daily. This indicated that their monthly salary was equal to statutory minimum wage (9457.49 in November 2018) and two hour OT daily was simply included in their daily shift and paid at single hourly rate and in this way their wages became 12000 per month. The OT hours over and above this 10 hour shift was compensated at double hourly rate which becomes roughly about Rs 100 per hours. The apprentice workers were getting a stipend equal to minimum wages for unskilled workers (7675.45pm in Nov 2018), which roughly became about Rs 9300pm for 10 hour shift. (Worker Interviews, 2018, GroundXero, 2018; Counter Currents 2018)

The working conditions were reported to be very harsh in both the companies. Vivo workers reported that there was a policy of deducting about 20% of the monthly salary for unreported absence of even a single working day. This simply means that no paid leave is provided to workers. There was also an incentive of Rs 2000 for full attendance in any month; however, they never heard any worker getting this incentive. Workers faced problems like verbal abuse and harassment by supervisors, and not easily allowed to go to washroom during work time. According to them, normally they had a target of assembling 160 phones per hour (one phone in every 23 seconds), which required very intensive work process; and not meeting the target lead to punishments, sometimes even leading to termination of the services of the entire line of workers. There was no job security for either contract workers or the apprentices. The contract workers were generally fired before completing the six months. Sometimes they were not discontinued in job but only discontinued on rolls or shifted to the rolls of another labour contractor, just to create a break in the service and keep the continuous length of service not reaching 240 days, which is a requirement for certain labour law provisions like, severance pay (one month notice pay), and earned leave. According to workers, the frequent hiring and firing created a problem for them in claiming their PF as well. However, the workers reported that the company provided some services free of cost, like transport for pickup and drop, and food in the canteen. (Worker Interviews, 2018; PUDR, 2017; Counter Currents, 2017)

The similar working conditions were reported by Hipad workers as well. They also reported high targets and high work pressures, harassment by supervisors and a general fear of losing job in case of not able to complete targets. Some Hipad workers also added that on the one hand the breaks (lunch and tea breaks) were shortened than legally required and on the other hand, taking rest for a minute or going to washroom during work time was to invite pay cuts or threat of pay cuts. (Worker Interviews, 2018; Ground Xero 2018)

According to the workers in both the factories, the contract workers were engaged through multiple contractors. They were legally considered the workers of labour contractors and not the company. Vivo workers reported that their contract was renewed almost every 6 months, and Hipad workers reported the renewal of contract every 11 months. This was precisely for not allowing the workers to complete one year of continuous service which is required in law for eligibility of benefits like severance pay (notice pay and retrenchment compensation) and earned leave. Other benefits like gratuity require eligibility of 5 years of continuous service, for which these workers can never dream to be eligible. Workers of both the factories reported that there was no job security, even for the contract period, hiring and firing was done without following legal procedures. There are no difference in legally binding rules and regulations of working conditions for company regulars and contract workers, but the laws are simply violated. This why there was always an environment of fear; every one feared losing job. This was also reflected in large scale firing of workers during 2017-18 in both the companies. (Workers Interviews, 2018)

There were no trade unions in either of the two companies and there was no form of workers representation or any space for collective bargaining.

Revolting workers and repression

The Case of Vivo Workers

The company had a workforce of about 15000 workers from the beginning when it started operating in current plant located in Greater Noida. It is interesting to note that Vivo became one of the sponsors of Indian Premier (cricket) League and used this strategy for its branding. During the 10th edition of IPL T20 tournament in 2017, sales of Vivo mobile phones skyrocketed and therefore large numbers of production workers and apprentices were recruited and the total workforce in May 2017 reached at about 24000. But after the IPL season the sales dwindled and firing of workers in mass started, and only in two months the strength of workforce was reduced to almost one-fourth, about 6000. According to workers, no legal procedures were followed in firing the workers and no severance benefits were paid to any workers. (Worker Interviews, 2018; HT, 2017a; PUDR, 2017)

The workers were gradually and continuously fired and that also without any prior information and without any severance benefits, therefore the discontent was growing among them. There was no union and no workers representation in any form and therefore workers had no platform to express their grievances and no scope for any dialogue with management. It was in these situations there was a burst of anger on 25th July 2017 when all workers of one assembly line (about 70) were fired in similar manner. Their anger was further escalated when management responded by abusing and beating up some workers. Then around 400 workers responded in the same language, physically clashing with security guards and management staff, damaging some physical property and beating some members of the management. (Workers interview, 2018; PUDR, 2017)

The clash continued outside the company gates for about half an hour, before police reached, and some workers also received injuries. Management called the police and around 30 to 35 workers were taken in to custody. However, police later registered FIR against only 7 workers named and 250 unnamed. Six workers including Nakul, Yashpal, Bhupendra, Pushpendra, Somdev and Sonu were arrested. Many serious criminal charges were labelled in FIR against the workers-CRPC section 147 (rioting), 148 (rioting armed with a deadly weapon), 149 (unlawful assembly), 379 (theft-claiming that workers ransacked a truck loaded with smartphones and around 150 handsets were reported missing), and 427 (committing 'mischief' and causing damage). (Workers Interviews, 2018, PUDR, 2017, HT, 2017b)

According to workers, there was a physical clash but all other charges were completely false. It was also not surprising that the police action was completely one-sided and no action was taken against the management and its staff. It was also reported by workers that many more workers were fired even after this incident, and so there was no impact on company, business continued as usual. (Workers Interviews, 2018)

A media report quoted a Vivo spokesperson saying that layoff was in line with their business decisions (FE, 2017). But on any counts firing out workers in above manner cannot be considered as layoff. Lay off can be announced following the legal procedures, i.e., it must be clearly announced as layoff for a specified period for which half of the wages need to be paid to the workers. This was certainly not the case.

The notice that was posted at the entrance of the unit read: "Due to some special situation, it is hereby to announce 26th July as a holiday for all people. And all people shall resume work on 27th July normally unless with further notification (sic)" (HT, 2017b). This notice was on a plain paper and not on company letter head and without any signature. This kind of notice has no legal value; at least workers cannot claim anything on this basis. Moreover, this was not an isolated incident; this was part of continuous process after May 2017 when over a thousand of workers were fired in batches, by giving them a pink slip (HT, 2017c). As the workers said, there was complete uncertainty during the period and every second day some workers were fired without any prior notice (Worker Interviews, 2018).

In another statement of Vivo quoted in media it was said that: "With continuous growth and strategic review, we look at staffing the right size in various divisions to improve productivity. The layoff is in line with this business decision" (Livemint, 2017) and that the company had strictly adhered to rules and regulations, and contracts, and was taking measures for a peaceful transition (Livemint, 2017). This statement makes it clearer that factory was actually aggressively downsizing the workforce, but even then they claim it layoff.

Surprisingly, on 27th July the representatives of the Chinese embassy came along with the Vivo management to meet District police officers, seeking protection of Chinese establishments and its nationals working in the region. The police assured the delegation for its support and also asked to provide details of other Chinese establishments in the area so that police can react swiftly in the future. The police also asked company officials to inform in advance about their retrenchment plans, so that police may be ready to handle any situation like this. There is already police security at the plant and over and above police also agreed to deploy more men near the manufacturing plant in the days to come so that no untoward incident takes place. (HT, 2017a)

The case of Hipad Technology workers

Similar incidence in similar conditions took place in Hipad Technology as well in November 2018. The sales are generally high during Deepawali festival and therefore the company hired large number of workers before Deepawali in July-September 2018, with total strength reaching to more than 4000 in October 2018. But after the Deepawali the sales dwindled and therefore the company started firing the workers in mass and up to December 2018 the strength of workers reached to only about 2500. According to workers no legal procedures were followed in firing these workers and no severance pay or other benefits were paid to anyone. (Worker Interviews, 2018; Ground Xero, 2018)

The workers were fired in batches in the same way, without any prior information and without any severance benefits, as in case of Vivo. Here also, in absence of any union or any form of workers representation, the workers had no platform for dialogue with management. Therefore the discontent was growing. The additional factors behind increasing discontent in this case were the delayed salary payments and unexplained wage cuts, as the workers alleged. It is interesting to note that there was some kind of protest-demonstration by workers in April 2018 precisely on the issue of delay in salary payments. (Worker Interviews, 2018; Ground Xero, 2018, Counter Currents, 2018)

More than 50 workers were fired in first three weeks of November and on 29th November about 180 workers were fired in mass, which flared the anger of workers. This happened in such a way that no prior information was given to them and when they reached at the gate to report for duty they suddenly came to know that they were fired. Observing them in anger the management communicated that they were not actually fired but shifted to another plant and therefore they should temporarily go on leave for 15 days (as mentioned in the notice that was posted at the gate) and they will be informed later when they can join their duty in another plant. However, the workers were sure that they were fired as this was not the only incident but it was part of continuous process of firing the workers in batches that was going on for last two months. This was not an isolated incident. Almost close to 2000 workers saw similar fate in this company since Diwali this year. (Worker Interviews, 2018; Ground Xero, 2018; Counter Currents, 2018)

Therefore, about 1200 workers gathered and surrounded the management staff and started arguing. Not getting any satisfactory answers, and angry as they were, they started shouting and pelting stones on the company building, but, according to workers not hurting any person. They surrounded the over 50 senior Chinese officials and not let them go for many hours. Out of fear, Chinese officials hid in different cabins. Soon heavy police force was deployed at the site and about 10 workers were taken in to custody. (Worker Interviews, 2018, Counter Currents, 2018, BNN, 2018, Amar Ujala, 2018)

In this case unilateral action was taken against workers and FIR was registered by police itself on 29th November against 6 workers named and about 300 unnamed, levelling serious criminal charges under CRPC sections 147 (rioting), 148 (rioting with deadly weapon), 332 (causing hurt), 336 (endangering life and safety of other), 353 (deterring public servant), 427 (mischief causing damage to the amount of fifty rupees or more) and 108 (abetment) of IPC have been invoked. Six named workers were arrested. A second FIR was registered on the compliant of management on 2nd December under sections 147 and 427 of IPC naming 5 more workers along with six named in the first FIR and many unnamed others. Arrested workers included including Yogesh Kumar, Akhilesh Kumar, Deepak Pandey and Yogesh Pal. (Counter Currents, 2018, Scroll, 2018)

A fact finding report of Peoples Union for Democratic Rights says that when they talked to the police officers they explained the whole incident but no further details of investigation were disclosed citing that the investigation was underway and that the case involved the 'Chinese Embassy' and that the top officials of the management were also Chinese citizens. (Counter Currents, 2018)

A Media report quoted the management statement that workers were not terminated but they were given break as there were some problems in production; but at the same time also claimed that they had merely asked the contractors to 'reduce the workers'. (Ground Xero, 2018)

According to another management statement quoted in media, "It is clearly mentioned in the terms and conditions of the contract that the company can reduce the number of workers without notice" and that the company had not to inform directly to the workers but to the labour contractor and that company intimated the labour contractor in advance about this changes. In yet another statement quoted in media, management said that it had engaged a neighbouring firm where it wanted to train these employees, but due to power-related issues that could not happen immediately. (BS, 2018)

In another statement quoted in media the management said that post-Diwali there was decline in production, and that one more unit of the company will soon start in Noida-Sector-63 and that the company planned to send these workers to the new unit and this is why they were sent on 15 days' paid leave; but there was some misunderstanding. (BNN 2018)

All the statements appear to be contradicting each other. Moreover, some statements either lack any understanding of labour laws or do not feel any care for labour laws. For example, it is a clear violation of law to say that company can reduce the number of contract workers without notice. It is also clear violation of law to send workers on 15 days unpaid leave. Moreover the workers cannot be fired without following the legal procedures and paying all severance benefits. Neither police nor the labour department took any note of all these violations. However, the workers protest was repressed and here also business started as usual.

Labour Rights in Chinese Automobile Industry in India: The case of MG Motors

The MG Motor acquired the General Motor plant in Halol, Gujarat in 2017. The study intended to look at the changes, if any, in labour rights and working conditions after this transition.

Labour Rights Issues in the process of Takeover

In 2011, there were 1,600 workers in GM, Halol plant, of whom 800 were permanent and the rest were on contract, and the wage difference between permanent and contract workers was 50%. A new trade union Gujarat Kamgar Mandal (GKM) was formed challenging the existing internal union, which they claimed was pro-management. This new union got affiliated with INTUC. The new union along with demanding wage revision also demanded equal pay for equal work for the contract workers. The union also highlighted the issues of occupational health and safety and sought quick action regarding the same. The union claimed that 269 workers were suffering from spinal cord injuries due to unsafe working conditions. Workers went on strike on March 16, 2011. Protest demonstrations started at the gate of factory. General Motor workers received wider solidarity and support from other international institutions and trade unions, primarily from US organizations. US-based Institute for Global Labour and Human Rights took initiative to campaign and mobilize solidarity and support for this struggle. The trade unions from across the world, including International Metalworkers Federation (now Industriall) and Automobile workers union in US supported the GKM workers struggle. Charles Kernaghan, the director of Global Labour and Human Rights (formerly the National Labor Committee) wrote a letter on 6th April 2011 to the Chairman and CEO of General Motors in Detroit, the US, highlighting the adverse conditions in which workers work at the company's Halol plant, and raised the issue of 269 workers suffering from spinal cord injuries due to unsafe working conditions. He requested the Chairman and CEO of GM at US to inform the management at Halol factory that General Motors insists upon internationally recognised labour standards and safe working conditions, and that the General Motors workers in the US are organised by the United Auto Workers Union. (ET, 2014; Indian Express, 2011a,b,c)

On the other hand, American Chamber of Commerce in India wrote a letter to the state industries secretary about this labour unrest. Following this a section 144 was imposed and any gathering was not allowed at the plant. The officials from General Motors (India) were meeting with government authorities, including Chief Minister Narendra Modi requesting to intervene for restoring the normalcy. The government in turn assured them for a trouble-free environment. The Panchmahals district police forced the protesting General Motors workers to vacate the premises. (Indian Express, 2011d, e)

On 11th day of strike, the labour department finally issued three notices to the management on March 27, 2011, on various issues and asked them to appear before it on March 28. In first notice, the complaint by workers suffering from back pain due to excessive work load was taken up, and it was suggested that the work load may be reduced and workers may be given a compensation of Rs 1,500 every month with effect from 1st January 2000, and considering back pain as industrial disease the GM officials were requested to come with all related documents on March 28. The second notice took up the issue of payments for overtime, including allowances, and suggested that these must be made according to law. The third notice took up the issue of temporary workers and suggested that all 700 workers who were working as temporary assignees may be given permanent jobs and benefits as per rules. (Indian Express, 2011f)

On the other hand, the management argued that the workers associated with GKM are making a series of complaints and false allegations against the company, which are not backed by facts, and that the government surgeon sent 13 employees for an MRI and a physical examination with an orthopaedic surgeon, and the reports are absolutely normal, there were no work-related injuries or problems. (Indian Express, 2011f)

A case was also filed in High Court and the High Court issued a notice on 10th April 2011 directing both parties to appear at Gujarat High Court mediation centre to work out a solution. On the other hand, the company started hiring new workers to resume production. (Indian Express, 2011,g)

The strike finally ended on 4th May 2011. It was the longest labour strike reported in the state in the last two decades. The management agreed to reinstate the suspended workers. However, According to the accounts of Assistant Labour Commissioner published in Indian Express, a committee comprising representatives of the protesting workers and the management was formed to look into the dispute, and the grievances of the workers were to be discussed in the meetings of the committee mediated by the Labour Department. (Indian Express, 2011b, Industriall, 2011)

The GM India Management did not officially recognize the Gujarat Kamdar Mandal for collective bargaining; however, it negotiated with GKM representatives. The legal issues regarding transfer of workers, increased workload, inhuman treatment, wage agreement, were pending in the courts and were to be decide by the courts in accordance with law and these were not part of agreement. (Industriall, 2011)

Lastly, 7 out of 9 suspended workers were reinstated, and all transfers were cancelled. The workers were given full wages for the strike period. Moreover, 25% workload, that the management was trying to increase, was dropped. It was a great victory in the face of the fact that in many strikes in recent decade the workers were denied the wages for strike period. Stopping the 25% increase in workload was certainly a worth celebrating victory. (Worker Interviews, 2019)

However, this was the period when GM started talking about closing down and selling of this factory and consolidating and expanding its Talegaon plant in Maharasthra. The workers now entered in another difficult situation-the threat of losing their job. (Livemint, 2015)

On the one hand, the issues they raised were not completely resolved and on the other hand this new threat of losing the job emerged, therefore GM workers continued their struggle in some form or the other after 2011. Finally, under a plan announced on 29 July 2015 during a high-profile visit by GM global chief executive Mary Barra when she first met Prime Minister Narendra Modi and intimated him about her plans, the Halol plant was scheduled to close by 30 June 2016. However, later in a press statement the Indian unit said that it will extend production at its Halol assembly plant until March 2017 primarily to facilitate an orderly transition for employees, suppliers and other stakeholders. (Livemint, 2016; NDTV, 2017a; ET, 2015)

Probably there were three reasons to close the Halol plant in Gujarat and consolidate and expand Talegaon plant in Pune, Maharashtra. One, Halol plant was an old plant and Talegaon plant was a new facility and more suitable for its production of vehicles based on its Global Emerging Market (GEM) platform; two, the period for which tax incentives (probably 50% tax incentive for 20 years) were provided by the government was already expired and there was no benefit to continue this plant; three, precisely because of being an old facility, the old structure of the workforce still dominated in Halol plant and permanent workers formed more than 60% of the workforce, which created a strong Union presence. It was precisely because of this factor that trade union struggle was strong in the factory and even after using the strategy of maintaining a yellow union the management was not able to silence the workers. On the other hand, Talegaon plant was new and therefore the structure of workforce was such that permanent workers were in small minority and contract workers formed a huge majority and therefore, even when there was a workers union in Talegaon plant, it was not strong enough to create any big problem for them. (Worker Interviews, 2019)[337]

After the formal announcement in July 2015 for closure of Halol plant to happen in April 2017, the GM workers entered in a new phase of struggle.

GM Halol plant engaged more than 1600 workers, out of which about 900 were permanent employees and the rest 700 were the contract workers. But during this period about 200 workers and 30 supervisors were already transferred to Talegaon plant; and so there were about 600-700 permanent production workers left before closure. (Worker Interviews, 2019)

The primary issue now was around the closure. It is interesting to note that talk on closure of GM plant was accompanied with talk of SAIC taking over it. Therefore the workers were demanding that all workers must be retained in employment after the change in the ownership of plant, and this became an issue of contention. Raising these demands, the workers were protesting by way of sit-in demonstrations and fasting continuously for 35 days, without affecting the production, when finally GM shut its plant in April 2017. The workers argued that the new employer should not just take over assets,

337 10 workers of MG Motors were interviewed during January 2019.

but employees also. (Worker Interviews, 2019; TOI, 2017; HT, 2017; NDTV, 2017))

It is worth mentioning that the state government gave GM India 172 acres of farm land in 1996 under the condition that it will provide employment to displaced farmers. Therefore the demand for retaining all GM workers in SAIC was also based on this argument. (Worker Interviews, 2019)

But SAIC had already indicated that before takeover it wanted to stay clear of the labour issues. It was a kind of condition for takeover. It did not want to carry forward the workforce. SAIC Motor wanted a clean slate and also the tax incentives that are provided by the government for establishing new industries. There were uncertainties whether the government may extend incentives to another 15 years on the same plant. Moreover, GM's Halol plant was for some time in joint venture with SAIC (During 2009 GM plant was in crisis and SAIC helped by way of investment in the form of purchasing shares, which were bought back by GM in 2013) and therefore SAIC already enjoyed the tax benefits of 50% for the same plant and therefore it was difficult for government to extend incentives on the same facility for another 15 years. Retaining of workers was another issue. However, SAIC strictly made it clear that it was willing to buy the plant, but without the liabilities, and with tax incentives. For some time situation was unclear and therefore, may be as bargaining tactics, they also showed that they are not much interested in investing in this plant in Gujarat and started talking with the governments of Tamil Nadu, Andhra Pradesh and Maharashtra to set up a manufacturing unit there, rather than buying GM plant. (Livemint, 2016, ET, 2017)

Lastly, takeover agreement between GM and SAIC did not make any mention of the fate of employees; and the government also granted the tax exemptions to them.

Despite long protest this demand of workers was not accepted. On February 06, 2017, GM made twin offers to workers: a) transfer to Pune plant whoever may be willing and b) voluntary separation scheme (VSS) providing payment of 100 days of salary per completed year of service. Initially, the union and the workers were not ready to accept either of these offers, but with weakening of struggle, gradually about 350 workers accepted transfer and were soon shifted to

Talegaon plant in Pune, while others accepted VSS as offered by GM above. (Workers Interviews, 2019, Businessline, 2018)

SAIC made it fully clear that it acquired the plant on an asset sale basis from General Motors India and therefore, it is free to hire its own fresh workforce at the plant. However, it also promised that some GM workers may be rehired as fresh workers. (Worker Interviews, 2019)

After acquisition SAIC created a new entity MG Motor India Ltd to run the Halol plant. This is in the name of Morris Garages or MG Motor, which is a British car manufacturer now owned by SAIC Corporation.

Working Conditions in MG Motor India Ltd

MG Motor rehired GM's majority of the higher management staff who were running the Halol plant. Therefore, the managing director and other managers remain the same. The facility spread over in 170 acres is being upgraded and renovated. (Worker Interviews, 2019)

The production in the facility has still not started in full swing. The factory is currently in the stage of producing test vehicles and testing the vehicles produced, in order get it approved from various departments of the government before the production for market starts.

However, the strength of workforce including management staff has already reached more than 1000 and therefore, trends in the structure of the workforce already reflect on the emerging labour exploitation regime.

Structure of Workforce

Around 800-900 production workers are currently engaged, including supervisors. According to worker about 40% of the workforce is constituted by female workers who are fresh ITI certificate holders hired as apprentices under a government scheme. The company rehired about 100 GM workers including supervisors on fresh contract. The rest is hired from the open labour market, generally with significant length of experience of working in Tata Motors and Ford India which also operate in this locality. No Chinese workers are engaged in the factory. (Worker Interviews, 2019)

The company uses a new designation for workers and call them 'Associates' and 'Trainee Associates', and not as operators. (Worker Interviews, 2019)

It is interesting to note that the structure of the workforce that emerges in MG motors is very peculiar, different from the existing trends in workforce structure in automobile industry. Dominant structure of workforce in automobile industry in India is characterised by a significant proportion of workforce engaged on regular contract as permanent workers engaged directly by the company and most of the rest engaged on regular contract but not directly by the company but through labour contractors; trainee/apprentices representing only a very small proportion of workforce. In contrast to this dominant trend, in GM Motors, there are almost no production workers with regular on-going contract either as permanent workers or as contract workers. (Worker Interviews, 2019)

Only housekeeping and maintenance workers are engaged through labour contractors. As for as production workers are concerned they are all directly engaged by the company in two categories: a) Associates on fix term contract and b) Trainee Associates (apprentices) also for a fixed term. As workers said, they are FTCs, i.e., on Fix Term Contracts. (Worker Interviews, 2019)

The company has recruited about 800 more women apprentices and they are gradually appointed in batches. 300 are already taken in job and the rest may also be joining gradually with start of production in full swing. It is aimed that women workers, apprentices and others may lastly constitute more than 40 % of the workforce. (Worker Interviews, 2019)

Wages and Working Conditions

It is already discussed that all the workers are on fix term contracts and there is no job security. They do not have any legal claim for continuity of their job beyond the terms fixed. Moreover, both fix term employees as well and apprentices can be fired before ending their term.

All fix term employees are covered under social security schemes like provident fund (PF) and Employees state insurance (ESI). But this does not apply to apprentices, as they are not considered as workers under labour laws.

100 Ex GM workers who are rehired as fix term employees are the most experienced workers and get relatively higher salary-Rs 28000-32000 per month. Other fix term employees are paid Rs. 16000-17000 per month. ESI and PF contributions are deducted from their wages. (Worker Interviews, 2019)

The apprentice workers are paid Rs 12000 per month and no deductions are made from their wages for ESI and PF contributions, as they are not covered under social security. (Worker Interviews, 2019)

The contract workers engaged in housekeeping and maintenance are largely paid the statutory minimum wages (about Rs 9000pm) (Worker Interviews, 2019)

The company provides free of cost canteen facility including food and tea, and also transport including pickup and drop. (Worker Interviews, 2019)

No issues of production pressures, overtime, health and safety etc. were reported as also because the production operations have not yet started in full swing.

If we compare with the working conditions from GM era, the wage cost for the company is significantly reduced. GM employed about 60% of workers as regular permanent workers with their last salary ranging from 25000 to 40000. Now there are only about 100 workers who get salary in the range of 28000-32000pm. However, GM engaged almost 40% of workers as contract workers who were paid largely the statutory minimum wages (about 8000pm); on the other hand, there are no contract workers in production under MG Motors, and the salary of production workers (Associates) is 16000-17000pm and even apprentice workers (Trainee Associates) are also paid Rs 12000pm which is well above the minimum wages. Therefore, disparity in wages among workers is minimised under MG motor labour regime.

The one big impact on working conditions after transition from GM to MG is in terms of job security of workers which have strong implications for right to association and collective bargaining.

Incentives and Other benefits to the Company

Tax benefits: 70-90% reimbursement in value added tax on 70-100% of fixed capital investment for 10 years is offered by the state government of Gujarat in case of new investment for establishing new units or expanding existing units to create new employment. Halol area falls under Taluka III category for which 70 % reimbursement for 10 years on 70% of fixed capital investment applies. Moreover, it also leaves the space for getting additional similar incentives provided by the central government. One of the important condition for availing this incentive is employing at least 85% of total workers from state of Gujarat in such a way that not be less than 60% of persons in managerial and supervisory capacity are also from the state of Gujarat. (GOG 2016).

Over and above all this, the Central government offers 25% capital subsidy for 10 years for promoting manufacturing. Incentives by central government under income tax act include, investment allowance at the rate of 15 per cent to a manufacturing company that invests more than US$ 4.17 million in any year in new plant and machinery, several additional deductions for instance deduction equal to 30% of additional wages paid to new regular workmen employed by the company over and above 50 workmen and higher weighted deductions of 200% provided for expenditure related to R&D subject to fulfilment of conditions. Moreover, under the foreign trade policy exports have been provided with several incentives like duty drawback, duty remission schemes etc. The corporate tax rate for companies registered in India is reduced from 30% to 25% of net profits. (GOI 2016).

Reimbursement of Employer's Part of PF and ESI Contribution for 3 years and 7 weeks maternity leave wages: Central government has implemented a scheme for full reimbursement of employers' part of provident fund contribution (which is 12% of wages of employee; equal to employee's contribution) for first three years of employment of a new worker. The similar scheme is in process and soon to be implemented for full reimbursement of employers' part of contribution under Employees State Insurance (which is 4.75% of wages as against employee's contribution of 1.75%). It is worth mentioning that this kind of scheme was earlier implemented (2009) only for the workers with disabilities. Moreover, recently the period of maternity leave was increased from 12 weeks to 26 weeks and soon the government came with an incentive scheme for employers providing for reimbursement of 7 weeks' wages of maternity leave for every worker to the employers. (ET 2018a,b; The Hindu 2018; GOI 2009)

Bonus Act does not apply on New Units: The Bonus act becomes applicable only after completing 5 years of operation; before 5 years, the company is required to pay bonus only in the year it makes any profit. MG motors has been established as new entity and hence it may not be legally required to pay annual bonus of 8.3% of annual wages to the workers.

Workers will never be eligible for Severance Pay and Gratuity: The structure of workforce in MG Motors is such that the workers may never be able to be eligible for severance pay and gratuity. In conditions when workers are fired/retrenched they are eligible for one month's notice pay and 15 days wages for each completed year of continuous service; but both these provisions become applicable only after completion of one year of service. However, the fix term contracts offered to the production workers are for less than a year, and then they may be renewed for the same period again; and therefore they may never be able to complete one year of continuous service without any break. As for as apprentices are concerned, their term of contract is also for less than a year, and over and above, they are not considered as workers under labour laws and therefore they cannot claim any severance benefits. The workers become eligible for Gratuity only after completing 5 years of continuous service, without any break. If they are eligible then they are paid 15 days wages for every completed year of service, whether they resign or retrenched. But in MG motors the practice of fix term contracts may insure that they may never be eligible to claim these benefits. (see GOI 2018).

Reimbursement to the employers of 50% stipend amount paid to apprentices: Under the National Employment Enhancement Mission (NEEM) and Apprentice Promotion Scheme, the government offers huge benefits for engaging apprentices. Before 2016, the apprentice act regulated engagement of apprentices by way of provisions for assessment of infrastructures and on that basis number of apprentices to be engaged was determined. The government provided reimbursement of 50% of stipend amount to employers but this was only for engineering graduate-diploma apprentices. After the amendment in apprentice act in 2016, the whole regulation mechanism of apprentices is abolished and employers are allowed to engage apprentices with a maximum limit of 10% of total workforce, including contract workers, in a year. All India Council for Technical Education [National Employability Enhancement Mission (NEEM)] Regulations, 2017 further relaxed these conditions and proposed evaluation of training capacity on the basis of turnover. According to this, NEEM Facilitator[338] shall have turnover and capacity to place students in registered companies or registered industries for the purpose of providing training under the objective of NEEM as per following:

No.	Turnover in crores per year for last three years	Training capacity per year
1	25 and above	5000
2	15-25	3000
3	5-15	1000

Moreover, now ITI certificate holders, graduates and post graduates or those perusing these degrees or anyone having completed at least 10th standard education are also allowed to be engaged as apprentices. Scheme for reimbursement of 50% of stipend amount to employers in case of engineering graduate-diploma apprentices remains as earlier. But under new scheme reimbursement of part of stipend amount is offered for all kind of apprentices. For apprentices other than graduate and diploma engineers, 50% of training expenses including stipend amount (1500+1500pm) is offered for the period of basic training which may be for 3 months and for the rest of the training period reimbursement of 25% of the stipend amount (max of Rs 1500pm per apprentice) is offered. Moreover, state government offers additional reimbursements over and above what is offered in central government scheme. For example, state government of Gujarat offers following additional amounts over and above reimbursements by central government for various categories of apprentices:

- Graduate Apprentices – Rs. 3000 per month
- Diploma Apprentices – Rs. 2000 per month

338 Any Society/Trust/Company registered under Section 25 of Companies Act, 1956 / Section 8 of Company Act, 2013 or Relevant Act as amended from time to time /Bodies of Central Government/ Bodies of State Government / Government Institutes and Universities shall be eligible to apply for registration as NEEM Facilitator. NEEM Facilitator shall be in the business of training for at least five years or the parent company under which a Section 25 Company /Section 8 of Company Act, 2013 or Relevant Act as amended from time to time, is formed to meet the objective of NEEM shall be in the business of training for at least five years.

- Trade & Other Apprentices – Rs. 1500 month

Therefore for general apprentices (other than graduate and diploma), for which we are discussing above, the cumulative reimbursement becomes Rs 4500pm per apprentice for basic training period and Rs 3000pm per apprentice for rest of the training period. The apprentice period may be a minimum of 3 months and maximum of 3 years. In amended act, one more provision is introduced which allows discontinuing apprentices before completing the term, i.e., they can be fired in between, which was not possible in earlier act. Labour rights under various labour laws and social security laws do not apply to apprentices, except working hours and provisions for occupational health and safety. Stipend is generally fixed at an amount equal to minimum wages for unskilled workers. On the other hand they are required to work as any other skilled production workers. Hence this scheme opens immense opportunities to use apprentices as source of cheapest and most vulnerable labour force. (GOI 2017a,b; GOI 2016; GOG 2018)

Towards Making a Union Free Zone?

The major aspect of transition from GM to MG Motors appears to be a movement towards a peculiar labour regime that prevents unionisation of workers.

The structure of production workforce as discussed above contains two kinds of workers-apprentices and the FTC (fixed terms contract) workers. Apprentices are not considered workers under labour laws and therefore have no legal rights for collective bargaining on wages and working conditions. On the other hand, renewal of contract of FTC workers depends completely on the mercy of employers and they dare not raise their voice for fear of losing job. Any one raising voice can take it for guaranteed that his/her contract may not be further renewed. Moreover, apprentices and FTC workers both can be fired without any sound reason before expiry of contract, in case of apprentices one month notice is required and FTCs can be fired by giving two weeks' notice (GOI, 2017a,b; GOI 2018).

Further, engaging high proportion of young unmarried women workers also appears as a strategy for preventing unionisation. According to some reports, MG motors says that it aims to increase the proportion of women workers to more than 35% (NDTV 2018). All apprentices are unmarried female workers. It is not clear whether this is the result of well thought policy, but this is the fact at ground. The majority unmarried women workers may be temporarily in this job and after marriage they may have to leave the job, this is generally beyond their control; and therefore they also work with the same mentality, and do not think in long term interests which is necessary for any organisational activity to emerge (worker Interviews, 2019).

In these conditions, the unionisation of workforce becomes highly difficult if not impossible.

CONCLUSION

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