From Africa to Saipan:

What Happens When Chinese Construction Firms ‘Go Global’?

Chinese construction workers return home after protesting for their unpaid wages outside the Imperial Pacific casino. Saipan, 2017. PC: Daniel Lin.

Aaron HALEGUA

For the past several years, I have been deeply engaged with a case involving the exploitation of thousands of Chinese workers by Chinese construction firms on the island of Saipan—part of the United States Commonwealth of the Northern Mariana Islands (CNMI). This essay explores the extent to which Professor Ching Kwan Lee’s findings and conclusions about overseas Chinese construction firms, drawn from her fieldwork in Zambia (Lee 2017), are consistent with the events that transpired in Saipan. More specifically, the Saipan and Zambia cases are used to examine three issues: labour conditions at Chinese construction firms and the role that

state- or private-ownership plays; the plight of Chinese migrant workers on these overseas projects; and, what avenues may be available for contesting such abuses.

By way of background, the CNMI is a series of islands in the Pacific Ocean of which the largest and most populated is Saipan. After World War II, the CNMI was part of the Trust Territory of the Pacific Islands administered by the United States, and then formed a political union with the United States in 1976. At that time, there were no quotas or tariffs on goods shipped from the CNMI to the United States. The CNMI also retained control over its immigration system and set its own minimum

wage. This combination proved very attractive to apparel manufacturers, who could bring in foreign labourers from various parts of Asia and pay them extremely little. This allowed for the development of a garment industry that exported 1 billion USD in goods each year and employed tens of thousands of factory workers to develop on the island.

However, after the media exposed the horrible labour abuses engaged in by garment employers in the late 1990s, a series of class action lawsuits brought down the industry. The US Congress also ‘federalised’ control over immigration to Saipan, stripping the local government of this power, and set a schedule for Saipan to implement the federal minimum wage.

The CNMI struggled economically after the garment industry disappeared, but around 2013 began a process to legalise gambling and the construction of a casino. An exclusive license was issued to Imperial Pacific, a company based in Hong Kong but owned by a mainland Chinese family, which then hired multiple Chinese construction firms to build the casino and hotel in Saipan. The firms employed very few local construction workers; instead importing thousands of workers from China.

The Use and Abuse of Chinese Workers

Lee’s depiction of Chinese construction projects in Zambia shares many parallels with the situation in Saipan. Lee noted how the Chinese state or banks financed these projects (usually through loans) and then the contracts went to Chinese firms. Many central state-owned enterprises (SOEs) established profit-driven subsidiaries that sought out overseas construction projects. They competed alongside a large number of privately-owned Chinese construction firms for these contracts.

In the Saipan project, while the money came from a Chinese developer instead of a Chinese bank, the process was similar. Imperial Pacific

hired as its general contractor a subsidiary of the Metallurgical Corporation of China (MCC), a central SOE mining conglomerate headquartered in Beijing. Other contractors included a subsidiary of Gold Mantis, a Suzhou-based firm traded on the Shenzhen Stock Exchange, and Nanjing Beilida, a privately-owned firm from Nanjing. At least four other Chinese companies, including privately-owned firms and provincial SOEs, had contracts related to the casino project.

In the Zambian construction sector, Lee argues that all Chinese firms, regardless of ownership type, had a ‘purely commercial’ motive (2017, 54) and were totally ‘market- and profit-driven’ (2017, 4). She contends that ‘both types of capital were relentless exploiters of labor, illustrated by the uniformly abysmal conditions of labor in the construction sector’ (2017, 156). Whereas the mining sector in Zambia still had some union presence, collective bargaining, and longer-term contracts, albeit less and less over time, the construction industry lacked all of these things. The absence of unions allowed the ‘unrelenting process of casualization’ (Lee 2017, 25) and reliance on subcontracting to dominate the industry; and the short-term projects and shorter-term employment contracts made organising workers difficult (Lee 2017, 25).

The Saipan case exhibited all of these trends—with an added twist that virtually all workers were imported from China. Some of them had proper guest worker visas, but once these visas were exhausted, rather than offer a wage high enough to attract local residents, the companies illegally employed Chinese construction workers who entered Saipan as ‘tourists’. While there were some minute differences between contractors in terms of labour conditions, and between workers with and without visas, they paled in comparison to the similarities. Indeed, all workers were living in the same crowded dormitories and working on the same construction site. The workers were compelled to labour for 13 hours per day, seven days per week, and were compensated well below the minimum wage, if paid at all.

The Chinese contractors demonstrated little regard for the safety of the workers, many of whom described the conditions as worse than those in China. At least one worker fell to his death from the casino's scaffolding. The injury incidence rate on the project exceeded the national average for US construction sites. The companies also housed workers in dormitories lacking a certificate of occupancy, failed to provide sufficient showers, and reportedly fed them rotten food on occasion.

Lee discusses Chinese companies' preference for Chinese workers willing to 'eat bitterness', noting that they often bend visa rules in Zambia to bring in such employees. While some argue this trend of using Chinese citizens for manual labour is decreasing, the Saipan case makes clear that this practice is far from extinct. And this is particularly so in remote places with little local skilled labour. As Jerome Cohen and I have noted elsewhere (2019), host jurisdictions often lump these hordes of workers together with Chinese banks and companies as part of an 'invading' force; however, in reality these labourers are often themselves victimised by their Chinese employers. Whereas disaffected local workers may simply quit, it is not so easy for Chinese workers stationed abroad. Many incurred debts to work overseas, they sign multi-year contracts, employers often confiscate their passports, and those workers lacking proper visas are scared to seek assistance from local authorities—even if language barriers and physical distance were not a large enough deterrent. So even if these Chinese workers sometimes command a higher salary than locals, having such a captive workforce is often very attractive to employers.

Contesting Abuse and the Role of Bad Publicity

These tales of exploitation and abuse from Zambia, Saipan, and elsewhere raise the question: what can be done in response? Lee

spends a significant portion of her book on the methods through which workers in Zambia attempted to contest capital. While in Zambia wildcat strikes occurred in the construction industry, mostly around the issue of pay, the workers' leverage was limited and thus any gains were incremental and temporal. Workers had more success in those cases where they had an organised union or, even more so, when their interests aligned with those of the Zambian government. While these factors were sometimes present in the mining industry, the construction sector lacked any worker organisation; and since the construction industry was not a strategic priority, the host government was often more likely to side with employers than workers.

Once again, the Saipan case largely confirms Lee's observations. Saipan had no unions at all, let alone in the construction sector, and a group of foreign guest workers lacking the proper visas did not organise the first one. While the project was ongoing, there were some wildcat strikes by unpaid workers. These actions triggered labour authorities to get involved and the employers often paid what was owed—but then continued to pay workers illegally low wages. It took the intervention of the US federal authorities to put an end to these practices—which persisted for well over one year—and remedy the abuses. After receiving multiple worker complaints, the US Department of Labour eventually undertook an investigation, interviewing hundreds of workers, and ultimately concluded settlements requiring MCC, Gold Mantis, Nanjing Beilida, and others to compensate 2,400 workers nearly 14 million USD in unpaid wages and recruitment fees. The workplace safety authority, OSHA, found over 20 serious violations by these employers and issued nearly 200,000 USD in fines. Managers of MCC and Nanjing Beilida were criminally prosecuted for illegally employing unauthorised workers.

Perhaps most interesting is that all of the Chinese contractors exhibited some sensitivity to public pressure. After the FBI raided the construction site and most managers fled back

to China, it was the workers who remained in Saipan, staging protests and generating media attention, who got paid the fastest and the most. The firms often paid them in cash, if they promised to return immediately to China. Some protesting workers were even able to negotiate compensation for injuries suffered on the project site. Their colleagues who had already returned to China would eventually be paid through the US Department of Labour settlements, but not until many months later.

Lee determined that all Chinese construction firms in Africa were driven to maximise profit, and it was only the SOEs that occasionally considered other factors, such as China's political objectives or national image (54). However, in Saipan, this seemed to be true of all of the contractors, as even the publicly-traded company (Gold Mantis) and the private firm (Nanjing Beilida) agreed to pay millions of dollars in owed wages. Given that none of the contractors had significant assets in Saipan after the FBI raid essentially shut down the project, making them effectively 'judgment proof', the firms could have chosen to simply ignore the protesting workers and the US Department of Labour. Thus, there must have been some non-economic motivations for reaching these large settlements over wage violations. Part of the answer may lie in how little the Chinese media—in strong contrast with the foreign press—reported on the Saipan case. This suggests that Chinese authorities considered the incident to be politically embarrassing, which may have motivated the responsible companies to settle the matter in order to avoid any trouble with their own government.

towards their own compatriots. Furthermore, as Chinese firms are often operating in jurisdictions where host governments are unlikely to meaningfully ensure labour standards, and unions are often weak or non-existent, international media may be one of the few avenues available for applying any sort of pressure to these Chinese companies. There remains the unfortunate reality, however, that journalists in many of these countries do not always operate with total freedom. Nonetheless, how international media may be leveraged to improve the treatment of workers is a topic worthy of further study.

In conclusion, when it comes to the construction industry, Chinese firms of all ownership types seem to have a similar operational model—long hours, low wages, and limited concern for health and safety, all exacerbated by pervasive subcontracting—regardless of whether they are operating in Zambia, Saipan, or elsewhere. It remains difficult for workers to contest their oppression without intervention by the host government, although the reputational sensitivities of some Chinese firms may occasionally present opportunities for redress. All in all, Lee's somewhat depressing depiction of workers employed by Chinese construction firms in Africa seems to unfortunately be more the rule than the exception worldwide. ■

Future Directions

As China continues in its quest to be respected on the world stage, there may be increasing opportunities to use public pressure and media attention to influence Chinese companies engaged in abusive practices—even

This text is taken from *Made in China Journal: Volume 5, Issue 1, 2020*,
edited by Ivan Franceschini, Nicholas Loubere and Christian Sorace, published 2020
by ANU Press, The Australian National University, Canberra, Australia.

doi.org/10.22459/MIC.05.01.2020.20