The Great Leap Outward:

Chinese Construction Companies in the Global Market and BWI Engagement

BWI
Building and Wood Workers' International
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The Building and Wood Workers' International - BWI is the Global Union Federation grouping free and democratic unions with members in the Building, Building Materials, Wood, Forestry and Allied sectors. The BWI groups together 333 trade unions representing around 12 million members in 130 countries. The Headquarters is in Geneva, Switzerland. Regional Offices and Project Offices are located in Panama, Malaysia, South Africa, India, Burkina Faso, Cambodia, Kenya, Lebanon, Russia, Peru, Brazil and Thailand. BWI's mission is to promote the development of trade unions in our sectors throughout the world and to promote and enforce workers' rights in the context of sustainable development.

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In many countries throughout the world, Chinese construction companies are now among the major employers, undertaking large-scale infrastructure and other projects. While BWI has knowledge and experience of working with the European multinational companies (MNCs), the Chinese companies are a different challenge. In this context, there is no tradition of social dialogue. BWI cannot draw on the support and experience of its affiliate in the home country of the MNC and there are no International Framework Agreements. The Multilateral Development Banks are not involved, so their procurement guidelines do not directly apply.

How can BWI and its affiliates strengthen trade union organisation on Chinese construction project sites? What information could help develop a more effective understanding of the companies in order to build an organising strategy? What have been the experiences of affiliates to date?

This booklet[1] seeks to explain some of the reasons behind the extraordinary expansion of Chinese construction companies abroad in the last decades, provides information about the structures and governance of the companies and the current regulatory framework and corporate social responsibility guidelines in place. It provides some information on the experiences of affiliates with Chinese construction companies and it outlines the challenges, potential strategies and points of engagement for BWI and its affiliates over the next Congress period.

Chinese construction companies are not independent players. The most significant companies are State-owned enterprise or their subsidiaries. International construction projects are integral to government policies and priorities and are funded in large measure as part of regional or State-to –State cooperation agreements with loans from government banks. The company management structures, even in the publicly traded subsidiary companies, are largely under the control of the Chinese State Council and the Chinese Communist Party (CPC). It is important to take into account the nature of all these linkages when developing BWI strategies going forward.

1 All technical information and statistics in this booklet are taken from a study commissioned by the BWI on Chinese Construction Companies, February 2013.

Chinese Overseas Aid Policies have changed

Chinese overseas aid policy has evolved from ideologically driven assistance to a policy of mutual economic benefit, with the key objectives of expanding the investments of Chinese companies which pursuing geo-political strategies, in particular in order to secure the country's energy needs and natural resource supplies.

For some years before joining the World Trade Organisation in 2005, the Chinese government vigorously encouraged outward investment, known as the "going out" policy. As a consequence, Chinese construction companies dramatically increased their share of the global market.

China has now overtaken the USA as an international contractor, and in 2010, it had almost 15% of the global market in international contracting, with 25% of the Asian market and nearly 40% of the African market.

The great majority of the Chinese construction projects form part of regional or State-to-State bilateral cooperation agreements. For example, through the Shanghai Cooperation Organisation (SCO), China takes the lead in promoting Asian regional cooperation through substantial aid and investment projects. Another recent example is the 2012 China- Economic Community of West African States (ECOWAS) Strategic Agreement for cross-border infrastructure construction, joint production and technology transfer.

State-to-state bilateral agreements usually consist of a package of loan agreements, technical support and some form of cultural exchange. The main focus is on infrastructure projects, such as transport, electricity, energy and the extractive industries, including oil and minerals. Many projects are inter-linked, designed to promote sub-regional development through integrated roads, ports and energy, mining and agricultural investments. In some countries, the creation of Export Processing Zones (EPZs) is also included.

Chinese international construction projects are largely funded through the State-owned policy banks, the China Export-Import Bank (China Exim) and the China Development Bank (CDB). The combined loan portfolio of these two banks now exceeds that of the World Bank.

In 2010, China Exim had more than 70 projects valued at USD 13.6 billion in 2010. The CDB was funding 60 projects in 30 African countries and had loaned more than USD 61 billion to Latin America for energy, transport and housing projects.

Foreign aid is provided either through concessional loans at low interest rates, grants, direct investments or through infrastructure-for-energy agreements. The loans are normally tied to the use of Chinese contractors, machinery and goods and so are not open to tender, or subject to the national procurement policy of the recipient country. The loans are "non-interventionist", in that they are not conditional on the adoption of specific economic policies, democratic reforms, or the exercise of human rights or environmental or labour standards.

While China Exim typically provides loans, the CDB uses a different model of equity investment, which seeks to avoid burdening developing countries with huge amounts of loans and debt. For example, the China-Africa Development Fund (CADF) was set up by the CDB and provides equity investment in the African projects of Chinese companies, in strategic sectors such as agriculture, EPZs, infrastructure and natural resources.

A third pattern of funding has emerged more recently, when the recipient country, or foreign project owner, offers preferential contracts to Chinese companies, in the expectation that the Chinese contractor will be able to facilitate the concessional loans from the Chinese banks.

Chinese Construction Companies and the State

The main Chinese construction companies are nearly all state-owned enterprises, known as Central State-owned Enterprises (CEs). The CEs were set up following the 1979 enterprise reform to separate business operations from the Ministries. During the 1990's, their ownership, management and supervisory functions were separated. More recently, the CEs have restructured again, in response to the increase in international contracting. Subsidiary companies have been launched as publicly traded companies, with the majority share of assets retained by the State, and listed on the stock markets, mainly on the Hong Kong and Shanghai Stock Exchanges.

The Seven Giants of the Chinese Construction Industry

The BWI, together with other Global Unions, has put pressure on the MDBs to include labour clauses in their standard bidding documents and general conditions of contract for construction. For the BWI, infrastructure projects contribute to development and economic growth not only through the project itself, but also through providing employment, training, decent wages and health and safety as well as social security for the workforce and their families, all of which has an incremental impact on the national economy as a whole.

China Railway Group Ltd, CRG (China Railway Engineering Corporation) & China Railway Construction Corporation Ltd., CRCC (China Railway Construction Corporation)

They are the top two international contractors in the world by total revenue, as listed by the Engineering News Record (known as the ENR list). By 2011, CRG had undertaken more than 230 overseas projects in 55 countries. In Latin America, CRG was the 6th largest international contractor in Latin America.

CRCC has contracted projects in 60 countries and counts 10,000 employees in its overseas operations. In 2011, it had 283 on-going international projects in 48 countries and it was the 10th largest international contractor in Africa.

China Communications Construction Corporation Ltd., CCCC

CCCC is the 5th largest construction company by total revenue and the 11th largest company by international contract revenue according to the ENR list. Since 2006, over 20% of its total revenue is generated from international contracting, the highest proportion out of the 7 companies in this study. In 2011, it reported projects and businesses in 80 countries worldwide. It plans to increase international operations to 30-40% of total revenue over 5 years (2012-17).

Metallurgical Corporation of China, MCC (China Metallurgical Group Company)

MCC is the largest manufacture of steel structures in China and the largest CE in terms of the number of affordable homes built. Its production volume rose from 200 million tons in 2003 to 700 million tons in 2011. Since 2002, MCC has transferred part of its operations into mining. Revenue from international mining contracts made up 20-30% of new contract value in 2010.

China State Construction and Engineering Corporation Group, CSCEC

CSCEC was the 3rd largest international contractor in building construction by total revenue in the ENR list in 2010. It has completed over 5000 projects in 116 countries over the last 3 decades. It currently operates in 27 countries and reported RMB 460 billion (USD 57 billion) in international revenues in 2011. International contracts amount to 20% of total revenues.

China National Machinery Industry Corporation, Sinomach

Sinomach was the 4th largest international power contracting company in 2010 according to the ENR list. It has the highest proportion of revenue from international contracts, receiving 80% of its revenue from international contracts in 2008 and 75% in 2010. From 2006-2010, its gross profit rose by a mega 574%.

Sinohydro Corporation (Sinohydro) /Power Construction Corporation of China (Power China)

Power China is the 16th largest construction design contractor in the ENR list. 30% of its revenues, 40% of its newly signed contracts and 57% of its profits come from international contracts. Power China had 728 projects in 81 countries in 2013. Sinohydro was the 3rd largest contractor in the international power construction market in 2010 according to the ENR list. About 25% of its revenues come from international contracts. The company has constructed more than 2,500 projects in hydro power, thermal power, housing and infrastructure construction in 62 countries.

Regulation and Governance of CEs

The influence of the State Council and the CPC in the administration and governance of the CEs is pervasive. It is designed to ensure the political direction of the company and control over the operations and workforce.

CEs are regulated by the State Assets Supervision and Administration Commission (SASAC), which is responsible to the State Council. The SASAC Bureau of Party Building and the Bureau of Mass Work set up a parallel structure of CPC committees and branch unions, affiliated to the All China Federation of Trade Unions (ACFTU) in each of the CEs. Similarly, the Central Commission of Discipline and Inspection (CCDI), a party committee to monitor the integrity of party leaders and to guard against corrupt practices also has parallel structures in SASAC and the CEs.

Each CE has a Board of Supervisors, a Board of Directors and a shareholders' meeting in the case of the publicly listed companies. Worker participation in the management is provided through the appointment of a Worker Supervisor, a Worker Director and the Workers' Representative Assembly. These Worker Representative positions are controlled by the ACFTU Branch or the CPC committee.

Most CEs report high levels of unionisation, with up to 97% of their workforce. The primary role of the ACTFU CE Branch is to maintain workforce stability.

CEs and the role of the All China Federation of Trade Unions

The All China Federation of Trade Unions (ACFTU) is the official and only trade union in China. The CE workplace trade union branches are administered under a dual system of leadership by the SASAC Bureau of Mass Work and the provincial or municipal federation of the ACFTU. Trade unions receive resources and paid staff. There is a system of cross representation between the trade union, the management and the party committee to ensure CPC influence and control. For example, the Chairperson of the trade union is often at the same time a member of the senior management and could be the Secretary or the Deputy Secretary of the company CPC committee.

The Bureau of Mass Work provides ideological direction to the CE trade unions and organises worker training courses. In 2012, the Bureau issued 17 directives to the CEs' trade unions, on a range of issues. One directive concerned how to prevent the infiltration of hostile forces among the workers, apparently concerned about the labour mobilisations and general strikes in Europe. Other issues are quite general, such as increasing participation rates in the Workers' Assemblies, or organising skills and productivity contests. There is a conspicuous absence of information regarding collective contracts or wage bargaining.

Corruption and speculative investments in the CEs

SASAC and the State Council have found it increasingly difficult to establish an effective system of checks and controls and to prevent high-risk indiscriminate investments and corrupt practices. In 2011 and 2012, evidently in response to increasing concerns in this regard, SASAC adopted a series of measures which prohibit the transfer of assets, properties and capital through off-shore subsidiaries, and which made senior managers accountable for losses or depreciation of company assets. After the 2008 financial crisis, 68 CEs reported substantial losses as a result of speculative investments in high-risk securities and derivatives.

Since 2009, the CEs financial reports are subject to external audits by the Ministry of Auditing under the State Council. The external audits of 2012 revealed a range of abuses concerning irregular share and asset holdings, transfers and bidding practices. There are also systematic problems with sub-standard accounting practices.

Foreign Investment and International Contracts Authorisation

Overseas investments of the CEs are regulated by the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM). NDRC draws up the macro-economic plans, while MOFCOM is responsible for the administration of foreign investments and trade arrangements with foreign countries, including international contracting and dispatch of Chinese labour to work abroad.

All large investments require prior approval of the NDRC or MOFCOM. The CEs have been allowed greater autonomy regarding investment decisions in recent years. In 2011, the NRDC increased the ceiling above which CEs are required to seek State approval for the investment to USD 5 million.

The 5 year plan (2011-2015) of the Ministry of Commerce on international contracting and cooperation includes the following:

- **7% increase in outward direct investment;**
- **6% increase in revenue from new international contracts;**
- **number of dispatch Chinese workers to reach over 1 million.**

Environmental and Social Standards and Corporate Social Responsibility

China does not have a law to regulate foreign aid and investment projects and there is no single government body responsible for environmental and social standards. Instead there are various bodies, including the Policy Banks, Ministry of Foreign Affairs and MOFCOM.

Environmental and social risk assessment and corporate social responsibility are relatively new areas for China and are in large measure a response to international criticism. The current standards are weak, difficult to apply in practice and do not refer explicitly to ILO labour standards. There are a number of overlapping guidelines and mechanisms, which could potentially be useful to the BWI and its affiliates.

Guidelines of Funding Banks

In 2007, China Exim and the CDB issued environmental and social impact guidelines. The guidelines were criticised by the environmental campaigners, International Rivers and Friends of the Earth, because they contained vague principles and no specific standards or indicators to ensure enforcement. In 2012, the China Bank Regulatory Commission issued the Environmental Risk Assessment Guidelines. Again, the guidelines are weak and do not refer to specific ILO standards. Article 21 states:

"Banking institutions shall strengthen the environmental and social risk management for overseas projects to which credit will be granted and make sure project sponsors abide by applicable laws and regulations on environmental protection, land, health, safety, etc. of the country or jurisdiction where the project is located. The banking institutions shall promise publicly that appropriate international practices or international norms will be followed as far as such overseas projects are concerned, so as to ensure alignment with good international practices."

MOFCOM, SASAC, the Ministry of Foreign Affairs and the All-China Federation of Industry and Commerce *Guidelines for the Management of Employees of Overseas Chinese-funded Enterprises 2011*

These guidelines are a first step towards labour administration regulation, in what has been previously described as a blank page. The guidelines are applicable to all Chinese companies investing abroad and to all employees, including both Chinese employees and local employees, or employees of another nationality. In Articles 3 and 7, they state:

"Obligations of Chinese Companies: Chinese companies should study and strictly abide by the labour laws of China and the project country.

Labour Practices: *Pay attention to equal employment and avoid racial, tribal, ethnic, religious and sexual discrimination; abide by the local laws on employment and employment contract and provide entitlements to employees according to the local laws and the contract terms; provide labour protection and abide by the local laws on occupational safety and work injury insurance; establish regular communication mechanisms with the employees to handle and resolve the demands raised by the employees; establish a department or assign an officer to liaise and communicate with the local trade union formed by the employees of the project country.*

Labour Disputes: *report labour disputes regularly, promptly and honestly to the Chinese embassy of the project country."*

The guidelines do not explicitly recognise trade union rights or the local trade union law and promote "communication mechanisms" rather than recognition and collective bargaining with local trade unions. However, it is clear that the Chinese embassy has a key role. These mechanisms do not foresee any engagement with the trade unions, whether the local trade unions in the project country or the ACFTU.

China International Contractors' Association (CHINCA) *Guide on Social Responsibility for the Chinese International Contracting Industry 2010*

Formed in 1988, CHINCA is the national trade association of international contracting, labour contracting and engineering investment companies. It has 1,300 members. Although it is a membership-based organisation, it is directly under MOFCOM supervision. CHINCA promotes itself as the official representative of contracting companies in international platforms. This guide was commissioned by MOFCOM and although it remains quite a general framework and does not refer to Chinese national laws or the project country laws, there is a reference to the "relevant ILO Conventions" though they are not specified. It states:

"Remuneration and Benefits: *wages should not be lower than local minimum wages nor common industry standards and benefit provisions should be according to local customs and business practices. An employee salary growth mechanism should be established.*

Employee Communication and Participation: *employer-employee negotiation mechanism should be established in accordance with local laws and practices; there should be two-way communications."*

CSR annual reports by main construction companies

The main CEs now publish CSR annual reports, largely based on the CHINCA guidelines, although some may make reference to the Global Reporting Initiative and ISO 26000 standard on social responsibility. The companies which have been most severely criticised, such as those involved in dam projects, have included stakeholder consultations in their CSR framework. CSR policies and targets are generally set by the headquarters office and disseminated to subsidiaries and suppliers. However, the supervision mechanisms are neither clear nor effective. A policy of engagement with local trade unions when operating abroad is not specifically recognised by any CE and there are no references to ILO fundamental rights.

BWI affiliates' experiences with Chinese construction companies

The Chinese construction companies appear to have considerable differences of approach to the unionisation of the local workforce in their international projects. Where these differences stem from is not clear. It could depend on Chinese and national government /client relations, policy positions within the Chinese embassy, national industrial relations systems or other factors.

In some countries, it appears that the attitude of the companies towards unionisation has changed. Local BWI affiliates in Ghana, Kenya and Uganda report that they have been able to organise and recently have signed collective agreements. In other countries in Africa, such as Tanzania, companies may meet minimum wage levels but are not respecting other labour laws and the occupational health and safety regulations. There the management appears to actively obstruct the unionisation of the workforce. Elsewhere, the government, as the client of a major Chinese construction project, is wilfully ignoring labour law violations, such as Namibia. Finally, there are some countries, where it appears the government is actively supporting anti-union repression, as is the case in Pakistan.

Ghana:
Union signs 8 Collective Agreements with Chinese companies

By early 2013, the Ghana Construction and Building Materials Workers Union (CBMWU) had signed 8 collective agreements with different Chinese companies. The collective contract includes recognition of trade unions, union security clauses, individual and collective rights, procedural processes for addressing conflicts over interests and rights, monetary and non-monetary provisions, paid vacation leaves and exit packages.

"There was initial resistance but now the companies have opened up. They allow unionisation, enter into collective bargaining with our union and they respect the labour laws and the union contracts. We have seen tremendous improvements and have had a 30% increase in our membership as a consequence." Pius Quainoo, General Secretary, Construction and Building Materials Workers Union, (CBMWU) Ghana

KENYA:
Union signs 4 Collective Agreements and anticipates more

The Kenya Building, Construction, Timber and Furniture Industries Employees Union has been able to sign 4 collective agreements with China Road and Bridge Corporation, China Sinohydro Cooperation, China Overseas Corporation, and China Jiangsu International. The collective contract includes standard clauses on recognition, disputes resolutions mechanisms, wage rates and payment, overtime, travel, transfer and housing allowances, leave allowances, injury compensation, maternity leave and redundancy and retirement provisions and termination procedures. However, the clauses on the responsibility of the main contractor for conditions of employment in sub-contracting are not binding. The agreement states that the company *"shall draw the attention"* of sub-contractors and labour contractors to the existence of the agreement and *"urge"* them to adhere to fair labour practices in all work sites and to guard against underpayment to their employees.

UGANDA:
Union and national centre negotiating recognition and collective agreements

Chinese construction companies virtually monopolise major infrastructure projects in Uganda, with over 80% of the contracts. On most sites, basic labour rights are not respected and occupational health and safety regulations ignored. The Government, as one of the major clients, appears to wilfully ignore the situation and is not taking sufficient action to protect workers.

There has been some recent progress in organising the sites. During 2012, the Uganda construction union (UBCCECAWU) recruited more than 200 women members and over 1,600 male members in the above mentioned companies. The union has also recruited workers from some of the notoriously difficult Chinese employers including China Sinohydro Construction Corporation (Ntugamo project) and China Chonguing International Construction Corporation (CICO). The union is currently recruiting workers employed by China Railways Seventh Group (C.R.S.G), China Communications Construction Company (C.C.C.C), China Henan International Construction Company Group (CHICO), among other employers.

So far, the union has negotiated one collective agreement with China Sinohydro. It has also negotiated four recognition agreements with Chinese companies, which should lead to new collective agreements soon.

With the support of the national centre, the National Organisation of Trade Unions (NOTU), the union is also calling on the government to take action to enforce labour laws and regulations through the industrial court and various tripartite labour advisory bodies which have not been operating for a long time.

The union has included the HIV/AIDS pandemic as a health and safety issue, prompting the setting up of workplace bipartite occupational health and safety and HIV/AIDS committee. The CBAs also address this issue.

TANZANIA: Widespread abuses and union refused access to Chinese sites

In 2012, there were more than 30 Chinese construction companies in Tanzania, with nearly 3,000 Chinese workers and over 30,000 Tanzanian employees. Projects include roads, bridges, water supply, buildings, telecommunications and other infrastructure. Unlike Tanzania or Kenya, most Chinese companies in Tanzania do not give access to trade union organisers on the sites, although the unions have followed all the necessary procedures.

Research on four sites run by Chinese construction companies conducted in 2012 revealed a very high proportion of casual workers, up to 80% of the local workforce. Casual workers did not have employment contracts, were not registered with the National Social Security Fund, and not entitled to any benefits, such as sick leave. The legal minimum wage in Tanzania has not been revised to meet real living costs and is set at a poverty level of US$1.8 per day. Most companies were paying slightly above this amount, although many did not pay overtime rates.

While Tanzania has good health and safety laws, as part of the conditions of contract for a construction project, site visits revealed that there were no health and safety committees, and workers were not issued with protective clothing, apart from safety helmets. At the construction site for the Julius Nyerere International Convention Centre, which is being built by Fujian Construction Engineering Group, and where the client is the Tanzanian Ministry of Foreign Affairs, safety conditions were very poor: there were a large number of casual young workers, who had no protective clothing, and were working barefoot. This was in contrast to the Chinese workers, who wore full protective clothing and helmets.

"When the Chinese companies are taken to the Commission for Mediation and Arbitration they appear not to understand what is being said, although we know when they get back to the site, they communicate clearly with the workers.' Anasimbo Nico Lema, Regional Secretary, Tanzanian Mines and Construction Union (TAMICO).

The Julius Nyerere International Convention Centre is a Ministry of Foreign Affairs project and it seems unlikely that the Ministry is not aware of the labour violations taking place on such a major construction project.

"We have received widespread complaints about Chinese employers, about how they treat workers. In most of the companies, they don't like trade unions. They don't give access to trade unions. We have even met with government officials and informed them. A key problem is that the government protects the Chinese investors when we want to do something about their behaviour." Hezron Kaya, Deputy General Secretary, Trade Union Congress of Tanzania (TUCTA).

NAMIBIA:
Chinese companies pay 50% of official minimum wage

There is a good legal basis for labour relations in Namibia, including a collective agreement for the construction industry signed between the Metal and Allied Namibian Workers Union (MANWU) and the Construction Industries Federation of Namibia (CIF). The agreement has been in place for over a decade and is revised every 2 years, gazetted as an act of parliament. Once gazetted, all employers in the construction industry are legally bound by the law, regardless of their size or whether they are a local or international construction company.

All members of CIF must certify that they adhere to Namibian legislation, and must produce a certificate of good standing from the Social Security Commission, and in addition, a letter from MANWU to certify proof of compliance with the Labour Act. There are currently only two Chinese construction companies which are members of CIF, and in 2012, the CIF refused the membership request from New Era investments, a Chinese company because it failed to produce the requisite letter from MANWU.

In 2012, workers at the Okahandja Military Academy, a project run by Jiangsu Zhengtai Company, were receiving only 50% of the value of the minimum wage. Workers had no employment contracts, did not receive pay slips, had no annual leave or sick leave allowances, and there were no social security payments.

"Minimum wages are gazetted, it is the law but reality and written paper are something different. Asian companies tend not to comply with the law and workers do not even receive payslips. It's like the Middle Ages. However, it is not only the Asian companies that do not pay the minimum; it's also the small and medium construction companies, even our members." Malte Beierdörffer, Senior Technical Adviser, CIF.

Referring to the Okahandja Military Academy, Bernard Milinga, General Secretary of MANWU stated:

"We are still having difficulty communicating our demands for a minimum wage and annual leave, and social security, unfair dismissals, provision of protective clothing, and addressing accommodation concerns, insufficient toilets, bathing and dining facilities."

PAKISTAN:
Unions take Chinese consortium to court for labour law violations

In Pakistan, however, the Chinese consortium, CGGC-CMEC has been resolutely opposed to the union and violates many labour laws. The Neelam Jhelam Hydro Power Project is an 8-year project (2008-2016) with an estimated cost of USD 2.1 billion. It is a government project under the supervision of the Water and Power Development Authority (WAPDA). The Chinese consortium, CGGC-CMEC was awarded the construction contract in January 2010. There are 600 Chinese workers and 2,400 Pakistani workers, many hired by Pakistani sub-contractors.

The Pakistani workers formed the Awami Labour Union CGGC-CMEC Neelam Jhelum Hydroelectric Power Project, which was registered in August 2010. When the Chinese management was informed, they terminated 300 workers to intimidate the union. The union did not desist but drew up a charter of demands, demanding that the management comply with the local labour laws.

The union then organised a strike action to support its demands. The management called in army troops and the workers were told that if they did not go back to work, they would be dismissed and replaced by other workers. Because of the widespread unemployment in the area, the workers returned to their duties. Eventually, in October 2011, an agreement was signed by the management and the union, in the presence of WAPDA authorities. However, the management did not implement the agreement, and the union filed a complaint in the local labour courts. Although the court summoned the management for a hearing on two occasions, the management has not appeared in court.

The management is violating many labour laws:

- **not paying the legal minimum wage for unskilled and semi-skilled workers**
- **no overtime pay**
- **no compensation for workplace injuries**
- **no safe drinking water or canteen**

Other experiences with Chinese construction companies

There is potential for BWI affiliates to work together with environmental NGOs, or organisations supporting indigenous peoples' rights, on combined actions to uphold environmental and labour standards. There is also the possibility to work with anti-corruption and bribery campaigners

Environmental NGOs, such as International Rivers and Friends of the Earth, have run successful campaigns to protest against pollution and contamination caused by Chinese energy and mining projects. Strong local campaigns combined with international pressure can be effective in regulating the Chinese MNCs by utilising and strengthening local legal procedures.

PAPUA NEW GUINEA:
International NGOs successful environmental campaign

The Ramu Nickel project in Madang, Papua New Guinea, is one of the largest nickel extraction projects, run as a joint venture between MCC, and the Australian based Highlands Pacific Ltd. and other Chinese companies. The project commenced in 2008, and already in 2009, there was rioting between PNG and Chinese workers because of poor safety procedures, inequality of treatment and communication barriers. In March 2010, the project was halted as a consequence of a law suit and subsequent court injunction, brought by local landowners against the practice of disposing of mining residues (known as tailings) in the sea. They sued the MCC and the PNG government for breaches of the Environment Act. The government responded by amending the Environment Act, and banning injunctions against projects which had already received government approval.

However, Earth Action Network, an environmental campaign group, launched a successful campaign which generated over 1,700,000 protest e-mails from 112 countries. A new government took office in 2011, and the new Minister of Mines announced recognition and protection of traditional landowners' rights to mineral ownership. They further repealed the contentious amendments to the Environment Act. The project resumed production from August 2012.

Anti-Corruption and Bribery Campaigns

Transparency and third-party oversight are required from Chinese companies when the World Bank or other IFIs are the funders. CSCEC and the China Road and Bridge Corporation of CCCC were disbarred from bidding for World Bank funded projects for up to 8 years, after they were found to be colluding in a corruption scandal involving the World Bank financed Philippines National Roads Improvement and Management Programme. CSCEC and CRCC were also found guilty of bribery and bid-fixing practices in the case of the Beijing-Shanghai high speed rail project in 2010.

Conclusions

Over the last decade, there has been a dramatic increase in the overseas operations of Chinese state-owned enterprises, in particular in infrastructure development and extractive industries. These investments have been led and supported by the Chinese government, through the Export-Import Bank of China and the China Development Bank. The government has established sub-regional and bilateral agreements, which provide a package of investments and loans, linked to the use of Chinese contracting companies, machinery and other products.

Chinese development aid is often favoured by developing countries because of the scale of the investments, their comparative low cost and the nature of the loan mechanisms. Concessional loans are offered at low interest rates, and are "non-interventionist", in that they are not conditional on the adoption of specific economic policies, democratic reforms, or the exercise of human rights or labour standards.

The dominant Chinese construction companies are all Central State-owned Enterprises (CEs), which have been separated from government Ministries, and are now under the control of the State Assets Supervision and Administration Commission (SASAC). The influence of the State and Communist Party is pervasive. The All China Federation of Trade Unions (ACFTU) branches in these companies are subservient and their role is to maintain labour stability.

SASAC does not have the control mechanisms to maintain an accurate inventory of the overseas assets, investments and legal compliance of the CEs and their subsidiaries. Many CEs were affected following the 2008 financial crisis because they had been involved in high-risk and speculative investments. Many CEs suffer from sub-standard accounting practices, and corruption at senior manager level.

Chinese construction companies are increasingly involved not just in international contracting but also equity investments in the projects for which they have been contracted. They are also bidding for different forms of contracts, such as BOT and PPP contracts, to minimise risk and generate stable incomes.

In response to international criticism, particularly environmental concerns over the impact of mega-dam projects and mining, the Chinese development banks, the Chinese association of international contractors (CHINCA) and most of the CEs have very recently adopted social and environmental guidelines. These guidelines are all weak general principles, with no reference to specific standards, measurable indicators or sanction mechanisms. They do not contain any reference to ILO fundamental rights and principles.

The Export-Import Bank of China has been encouraging regional financial partnerships with the Asian and African Development Banks, and the World Bank. As a consequence, in the future, the Chinese banks may need to review their standards in order to align them further to those of the multilateral banks.

For the first time in 2011, the government and the All-China Federation of Industry and Commerce issued Guidelines for the Management of Employees of Overseas Chinese-funded Enterprises. While these guidelines are not mandatory, it is a first step towards labour administration regulation, in what has been previously described as a blank page. They state that Chinese contractors operating overseas should abide by the local labour laws.

While CE's may report up to 97% unionisation rates of their domestic workforce, the CEs subsidiaries operating in foreign countries can be fiercely opposed to the unionisation of the local workforce. Case studies show that in some countries, the companies are ready to engage with unions and sign collective agreements while elsewhere they are not respecting the minimum labour laws and the occupational health and safety regulations.

There is no specific government agency responsible for labour relations and practices associated with foreign Chinese investments. The regulations on international labour contracting outline the mechanisms for handling disputes and emergencies overseas. The Chinese embassy has a key role and acts as the intermediary between the Ministry of Foreign Affairs, CHINCA and local governments where the labour agency is based. These mechanisms do not foresee any engagement with the trade unions, whether the local trade unions in the project country or the ACFTU.

The environmental dispute involving MCC in the Ramu Nickel mining project in Papua New Guinea reveals a typical lack of readiness and capacity on the part of Chinese companies to engage with local stakeholders to resolve disputes based on local laws. Instead, the CEs prefer to seek the protection of the government in the project country. However, the Ramu case does show that strong local campaigns combined with international pressure can be effective. They may provide useful lessons for the BWI.

The Way Forward

While there may be different views as to the benefits and disadvantages of Chinese government development assistance and the overall impact of Chinese infrastructure and other construction projects, given their scale and increasing presence, there can be no doubt that the BWI must seek to organise the workers in construction projects. There are critical issues related to employment conditions, including in many cases the absence of employment contracts in unorganised construction companies; low wages below minimum levels, widespread use of casual labour, no social security protection, lack of workers' participation in decision-making and poor health and safety measures.

At this stage, it is important to have a clear BWI policy and strategy that would guide affiliates in organising and negotiating with Chinese MNCs at the worksite. However, there are still many more questions than answers. As we continue to get more information or study the different approaches or develop a more effective approach, the following are useful guidelines or tools that affiliates can utilise whenever and wherever applicable:

At country level, unions have been taking a variety of approaches, depending to some extent on the degree to which their own government is prepared to support the union over issues related to compliance with national labour laws. While unions have sought to organise the workforce through traditional recruitment methods, they have also adopted or considered complementary strategies, such as:

- Approaching the clients of the construction projects in the relevant government Ministries. Unions have requested government Ministries to put pressure on the Chinese construction company to comply with national labour laws.
- Meetings with senior officials in the Chinese Embassy to document the ways in which Chinese companies are not in compliance with national labour laws; and issuing a media release subsequently;

- Meetings with the national contractors' association or construction industry federation to raise issues of non-compliance and unfair competition;
- Placing issues of non-compliance by Chinese companies on the agenda of tripartite sectoral social dialogue meetings;
- Lobbying for an independent regulatory body for the construction industry, which would include compliance enforcement mechanisms for all contractors;
- In study visits to China, at the invitation of the ACFTU, affiliates must always raise workers' rights issues and union recognition and collective bargaining with Chinese MNCs;
- Launching workers rights campaign in alliance with various stakeholders including workers rights groups, academics, and NGOs if dialogue is not workable.

In China, BWI is currently exploring different avenues for dialogue:

Trade unions: One key dilemma is the extent to which BWI should work with the ACFTU and its branches in the construction companies. Engagement with ACFTU is not seen as strategic in addressing the issues of Chinese MNCs. It does not have the direct influence on Chinese MNCs operating outside China and it does not have direct control over the unions and collective negotiation with the CEs in China. Many affiliates complained that ACFTU has not taken interest and action in defending the rights of workers in Chinese construction project in many countries.

Government: Perhaps the most significant guidelines to date are the 2011 Guidelines for the Management of Employees of Overseas Chinese-funded Enterprises adopted by the Ministry of Commerce, (MOFCOM) State Assets Supervision and Administration Commission (SASAC), the Ministry of Foreign Affairs and the All-China Federation of Industry and Commerce. Can the clauses in these guidelines be used to raise concerns about working conditions and the right to organise? BWI must continue to build-up information base on cases of labour and social violations associated with Chinese MNCs. It is important that this information must be communicated in various international fora as well as with Chinese academics and think tanks who are monitoring Chinese companies and investments.

Industry: Would it be appropriate for BWI to develop contacts with the China International Contractors' Association (CHINCA)? The existing CHINCA corporate social responsibility guidelines (2010) are used as leverage to open dialogue to strengthen commitments through developing a joint framework? BWI can explore dialogue and exchange of information with CHINCA. This dialogue can be facilitated by FIDIC or CICA whom BWI has established positive relations. BWI's involvement in GRI, UN Global Compact and the other CSR fora would open the doors for dialogue with CHINCA or Chinese MNC.

Civil Society: BWI can explore cooperation, exchange of information, and joint researches *with Chinese NGOs, Academics and Lawyers Groups* on the behaviour of Chinese MNCs.

At international level, BWI is currently reviewing what might be the most effective pressure points:

- **UN Human Rights Mechanisms:** The Human Rights Council is an important process, which includes the Universal Periodic Review (China will be reviewed in October 2013) or the follow-up to the mandate of the Special Rapporteur on Business and Human Rights. The United Nations Guiding Principles on Business and Human Rights are, though not binding can be an important tool to pressure companies to respect of human rights regardless of whether national law requires them to do so. Because this apply to business partners, where the Chinese MNC has links with others, it may also be possible to reach them through the other companies. BWI can also seek to take a test case to the regional human rights bodies, such as the African Commission on Human and Peoples' Rights or the Inter-American Commission on Human Rights?

- **International Labour Organization:** There are several supervisory mechanisms that can be used in the ILO: the Committee on Freedom of Association or the MNE Guidelines. The advantage of the Committee on Freedom of Association is that it can be used whether or not the country has ratified Conventions 87 and/or 98. Complaints are filed against governments (host governments, in this case).
- **Multilateral Banks (World Bank and Regional Banks)** BWI is part of the International Advisory Group for the World Bank procurement review, due to conclude in 2014. How can BWI use this opportunity to raise concerns about the lack of social and environmental standards in Chinese funded projects? Both the main Chinese funding banks and the China Bank Regulatory Commission have adopted general guidelines. Could BWI open a dialogue with the Chinese funding banks, perhaps through existing contacts in the regional development banks? China Exim is active in regional financing partnerships with the Asian and African Development Banks and the World Bank, and as a consequence may need to review its standards in order to align them further to those of the other multilateral banks. The use of the standards provisions of the IFC, as was done in Uganda with the Italian MNC on a dam project, is a possibility with Chinese investment as well.
- **UN Global Compact and GRI:** The Global Compact has the principles of the 1998 Declaration (including those derived from conventions 87 and 98). The UN Global Compact's procedures called the "integrity measures" are designed to ensure that companies make periodic reports ("communications on progress"), do not misuse the Global Compact logo, and engage in dialogue in the event of a complaint. Failure to perform in these three areas can cause a company to be "de-listed"; taken off of the list of companies supporting the Global Compact. BWI can use the Global Compact to embarrass member-Chinese MNC. The Global Reporting Initiatives (GRI) can also another platform to raise the behaviour of Chinese MNCs.
- **International NGOs:** BWI can work in partnership with environmental and development NGOs campaigning against the negative impacts of Chinese infrastructure projects. BWI can work more consistently with on-line resource centres, such as the Business and Human Rights Centre or other on-line media campaigns.

The "Great Leap Outward" of Chinese construction companies over the last decade has caused a truly seismic shift in the nature of international contracting. Developing an effective global response which results in practical organising gains on the ground will be one of the most significant challenges facing BWI in the next Congress period. There are many potential avenues for BWI to explore and affiliates in some countries are already reporting positive organising achievements. Now is the time to move BWI's focus on China to centre stage and to adopt a holistic strategy at international, regional and national level. If affiliates can anchor their membership in Chinese construction projects, they will become stronger, and BWI in turn will grow as a global advocate for workers' rights in the context of sustainable development.

ANNEX: Company Profiles:

China Railway Group Ltd (CRG) & China Railway Engineering Corporation (CREC)
China Railway Construction Corporation Ltd (CRCC Ltd) & China Railway Construction Corporation (CRCC)

These two companies are the dominant railways constructors in China and overseas, and have participated in Chinese development aid programmes since the 1960s. Both CEs have set up limited companies, listed on the Shanghai and Hong Kong stock markets. While the share of total revenue from international contracts is relatively low compared to other companies, (3-4% in CRG's overall revenue and 4-6% in CRCC), they are the top two international contractors in the world by total revenue, as listed by the Engineering News Record (known as the ENR list). Both companies are currently refocusing their operations overseas.

CRG took part in the Tanzania-Zambia railway construction in the 1960s. By 2011, CRG had undertaken more than 230 overseas projects in 55 countries. In Latin America, CRG was the 6th largest international contractor in Latin America.

CRCC has contracted projects in 60 countries and counts 10,000 employees in its overseas operations. In 2011, it had 283 on-going international projects in 48 countries and it was the 10th largest international contractor in Africa.

The investments, strategies and operations of both companies are highly dependent on the government and the Ministry of Railways. After the financial crisis in 2008, the Ministry of Railways, using the stimulus funding provided by the Chinese government, embarked on an ambitious domestic high-speed rail expansion, together with an increase in international contracts. In 2008, CRG revenues from international contracts grew by 54% and CRCC's by a mega 370%.

After the tragic 2010 Wenzhou high-speed train crash, domestic rail expansion was halted but both companies were able to survive through a continued growth in overseas projects and a move into investments in domestic real estate. New markets in the developed countries include the USA, UK and Germany and in the emerging markets in the Middle East and Brazil.

The Regional Railways

CRG and CRCC are participating in the construction of substantial regional railway networks with Chinese government funding.

- **Africa**

The CRG and CRCC are up-grading individual country's railway networks and joining up the missing links, such as the CRG's Ethiopia-Djibouti rail, the CRCC's Tanzania-Uganda railway and the Chad-Cameroon –Sudan railway. These rail links will also support Chinese investments in the sub-regions.

- **Trans-Asian Railway**

This vast project will link Kunming, Yunnan province in Southern China with Laos, Cambodia and Vietnam in the Mekong River sub-region and involves both CRG and CRCC. CRG is also building railways alongside the Kyaukphvu Pipelines in Myanmar and CRCC is constructing the Myanmar section of the Pan –Asian Railway.

- **China Central Asia Railway Corridor**

Starting in 2010, China has established railway cooperation agreements with the Central Asian states to link the Western Province of Xingjiang with Central Asia and also to provide an entry point into Europe. The agreements include Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Turkey. China is also funding the domestic railway network of Iran and undertaking a railway feasibility study in Afghanistan.

- **Latin America**

Latin America is a relatively new market but with the support of the Ministry of Railways, CRCC has put in tenders for high-speed rail projects in Brazil and is constructing a railway which will "rival" the Panama Canal, by providing a link from the Atlantic to Pacific Oceans.

Natural Resources Development

Both companies are also re-allocating resources to move from contracting to longer-term investments, particularly in relation to oil-for-infrastructure partnerships and the Chinese funded EPZs. For example, CRG now owns 72% of the Luishia Mine in DRC, while at the same time building the mining rail and other infrastructure as part of the China –DRC oil agreement. The CRCC now owns 65% of the Lekki EPZ management company in Nigeria. To support these investments, CRG established the China Railway Financial Group and CRCC established the China Railway Construction International Group Co. Ltd to specialise in investment, holding and strategic partnerships and to support fund management at the group level.

China Communications Construction Corporation Ltd., CCCC & China Communications Construction Group (CCCG)

This company has four main business operations, namely infrastructure construction; infrastructure design; dredging; and port machinery manufacturing. Infrastructure construction, mainly transportation and maritime construction, is the largest business sector. The China Communications Construction Group (CCCG) is a CE which was formed as a merger of the two companies, China Harbour Engineering Co. Ltd (CHEC) and China Road and Bridge Co. Ltd (CRBC). These two companies had been the main international contractors since the 1960's for Chinese harbour and road development aid projects. CCCG launched a subsidiary, the China Communications Construction Corporation Ltd., on the Hong Kong Stock Exchange in 2006 and on the Shanghai Stock Exchange in 2012.

CCCC is the 5th largest construction company by total revenue and the 11th largest company by international contract revenue according to the ENR list. Since 2006, over 20% of its total revenue is generated from international contracting, the highest proportion out of the 7 companies in this study. In 2011, it reported projects and businesses in 80 countries worldwide. It plans to increase international operations to 30-40% of total revenue over 5 years (2012-17).

- Africa

The company has expanded in Africa at a rate of 30% each year since 2008. It built a record 7 new ports in 2011 and 2012. In West Africa, Tonkolili Port in Sierra Leone, Takoradi Port in Ghana, Lekki EPZ Port in Nigeria, Kribi Port in Cameroon, Oyo inland terminal in DRC, all provide facilities for the export of mineral resources to the South Atlantic ocean. In East Africa, Lolabe Port in Sudan and Ghoubet Port in Djibouti provide facilities for the export of mineral resources from Sudan and Ethiopia through the Red Sea. Furthermore, CCCC was the lead contractor in the contractor negotiated agreement with the Kenyan government to build the Mombasa –Nairobi railway. This contract will in effect put pressure on the other East Africa Community countries (Uganda, Rwanda and Burundi) to collaborate with the company in the construction of the northern regional railway network, which is still under inter-government negotiation.

- Asia

Asia is CCCC's main market, accounting for almost half of the total value of its new contracts in 2010. It is the third largest construction company in Asia and is building and acquiring control over strategic ports and maritime routes between Asia and Central Asia, to support Chinese interests in the sub-region; and between the Arabian Sea and the Indian Ocean.

CCCC is currently building ports connected to thermal power plants in Cambodia and Vietnam, and CHEC is building a crude oil terminal and dredging channels as part of the China-Myanmar Crude Oil Pipeline development. CHEC has also acquired 60% of the shares of Gwadar Port in Pakistan, when the Port of Singapore Authority withdrew. It is also building an EPZ there, together with road and railway infrastructure up to the Pakistan-China frontier in Xinjiang Province.

In Sri Lanka, CHEC has built the Hambantota Port Phase 1 and an adjoining EPZ, and will build the Phase 2 South Harbour Hub as a USD1.5 billion BOT (Build Operate Transfer) project. The hub will be owned and operated by another Chinese CE.

- **Central Asia and Europe**

CCCC and its subsidiary CRBC were awarded the work of conducting a feasibility study for the construction of the China-Kyrgyzstan-Uzbekistan Railway, as part of a regional cooperation agreement whereby the Kyrgyzstan iron ore mines at Zhetim –Too and Sandyk were transferred to Chinese ownership, a scheme that was opposed locally. CCCC is also negotiating with Greenland over Arctic mineral reserves, whereby it will construct the port and road facilities and another Chinese company, Sinosteel, will be in charge of the mining operations.

- **Latin America and the Caribbean**

In the Caribbean, Chinese geo-strategic interests are being promoted, particularly with the aim of winning political allies over the issue of Taiwan, through new contracts to build tourist resorts in the Cayman Islands, the Bahamas and Jamaica. CCCC is also carrying out industrial engineering projects, as part of government bilateral trade and technical cooperation agreements with Mexico and Venezuela. In Mexico, it is building the Manzanillo Port Container Terminal and in Venezuela, the Moron petro-chemical complex.

China Metallurgical Corporation Ltd., MCC and China Metallurgical Group Company (CMGC)

The China Metallurgical Group Company (CMGC) specialises in the production and installation of metallurgical equipment and steel structures. It is a CE which was originally under the management of the Ministry of the Metallurgical Industry. In 2008, CMGC, together with the Baosteel Group Corporation, listed the China Metallurgical Corporation Ltd. (MCC) on the Shanghai and Hong Kong stock exchange.

MCC is the largest manufacture of steel structures in China and the largest CE in terms of the number of affordable homes built. Its production volume rose from 200 million tons in 2003 to 700 million tons in 2011. Since 2002, MCC has transferred part of its operations into mining. Revenue from international mining contracts made up 20-30% of new contract value in 2010.

Even though production of steel structures increased dramatically since the 2008 financial crisis, profit margins have dropped because of inefficiencies, over-capacity and lack of regulation. It is reported that MCC had a deficit of RMB 7.2 billion (USD 90 million) by the end of 2012. MCC is increasingly diversifying its operations and entering non-metallurgical businesses.

Extractive Mining in Asia, the Pacific and Latin America

In 2002, MCC took control of the Saindak copper and gold mine in Pakistan and since then, the company has committed USD 10 billion to overseas mining projects. It now owns or leases 8 mining projects in nickel, cobalt copper and iron ore in Papua New Guinea, Afghanistan, Australia and Argentina. Typically, the mining rights are granted by the government for 30 -40 years, as wholly owned or joint venture projects with other Chinese companies.

Litigation and Disputes with MCC

MCC has faced a series of difficulties in relation to its overseas operations. In Afghanistan, the inherent political instability has posed problems. In Australia, production in the Lambert mine was delayed because of rising costs and immigration restrictions on the use of Chinese agency workers. In Papua New Guinea, there have been significant disruptions because of environmental concerns and opposition from local communities.

China State Construction and Engineering Corporation Group (CSCEC)

The China State Construction and Engineering Corporation (CSEC) is the major state-owned construction company for housing and infrastructure construction. It was established in 1957 and was the first CE to engage in development aid projects. It listed the China State Construction Engineering Corporation Ltd. on the Shanghai stock exchange and has subsequently listed a number of other subsidiaries:

- **China State Construction Engineering Corporation Ltd (Shanghai listed)**
- **China Overseas Land and Investment Limited (Hong Kong listed)**
- **China State Construction International Holdings Ltd (Hong Kong Listed)**
- **China Construction (South Pacific) Development Company Pte Ltd (Singapore listed)**

CSCEC was the 3rd largest international contractor in building construction by total revenue in the ENR list in 2010. It has completed over 5000 projects in 116 countries over the last 3 decades. It currently operates in 27 countries and reported RMB 460 billion (USD 57 billion) in international revenues in 2011. International contracts amount to 20% of total revenues.

Main Overseas Markets

Hong Kong is the largest market, including public infrastructure projects, commercial housing and real estate development. Other important markets include Macau and Singapore in Asia, UAE in the Middle East; Algeria, Botswana, Equatorial Guinea and DRC in Africa; and Russia and Kazakhstan in Central Asia.

Business Strategies and Agreements

In the past, CSCEC has made decisions concerning its international investments on market performance criteria, rather than Chinese government strategic priorities. Recently however, CSCEC has taken advantage of Chinese government funding opportunities, such as the oil for infrastructure agreements in Nigeria, and Chinese export credits to finance and build roads in the DRC and Ethiopia. It has also increased its share of EPC, BO, BOT and PPP contracts, taking advantage of the current lack of capital in developed markets in the USA and Europe. It is also entering into strategic collaborations with other Chinese companies in overseas contracting.

CSCEC has also entered into cooperation agreements with key partners. It has a controlling stake in the Global Group Ltd. and a strategic partnership with key suppliers, such as the Lafarge Group and Tishman Speyer in the USA. It has a funding agreement to the value of RMB 100 billion (USD 12.5 billion) with the CDB and a three-party agreement with the Aveng Group and the China Africa Development Fund (CADF) for joint ventures in Africa.

China National Machinery Industry Corporation, (Sinomach)

Sinomach is the largest machinery manufacturing and engineering company in China, producing agricultural and construction machinery and machinery for transport and energy construction as well as for the ship building and mining industries. Sinomach Group is wholly owned by SASC, and comprises over 50 subsidiary operations and employs nearly 100,000 workers worldwide. 7 of its subsidiary companies have been listed on the stock exchange in Shanghai and one in Hong Kong. It was originally formed as a corporation in 1997 comprising the import and export subsidiary units of the former Ministry of Commerce. These companies have been involved in import and export of machines and international contracting since the 1950's.

Sinomach was the 4th largest international machinery manufacturer contracting company in 2010 according to the ENR list. It has the highest proportion of revenue from international contracts, receiving 80% of its revenue from international contracts in 2008 and 75% in 2010. From 2006-2010, its gross profit rose by a mega 574%.

The Chinese government is actively promoting the export of Chinese machinery products in international markets and seeking to improve design quality. Sinomach is expected to benefit from these policies and expand still further.

Overseas contracts

In 2011, Sinomach reported 407 overseas engineering projects with a total contract value of USD 28.3 billion. Recently, the group has begun targeting new markets in Latin America and in developed countries, including Europe and the USA. It is also beginning to invest in power and energy construction, including hydro and thermal power plants and solar and wind farms projects in Asia, Africa, Latin America and Central Asia, as well as in Texas, USA.

CIS countries: Sinomach is participating in the privatisation plan of 180 machinery, power generation and manufacturing companies in Belarus and the construction of the Chinese-Belarusian Industrial Park with a USD 19 billion loan from the China Exim Bank. This industrial park is a 30-year cooperation venture which will give tariff-free access for its products to the CIS market. Sinomach is also in discussions about investing in the Chinese-Ukrainian Industrial park, in Odessa Oblast on the Black Sea. It is also building solar and wind farm projects in Belarus and Ukraine.

Asia/Middle East: Sinomach is involved in the first oil refinery project in Kompong Som to support the EPZs in Cambodia and the hydro power plant in Kelani, Sri Lanka. It is also building thermal power plants in Bangladesh, Thailand, Afghanistan, Iran and Iraq.

Africa: In Africa, Sinomach's subsidiary company CAMCE is investing in projects that will complement and support the railway networks that other Chinese companies are building. As part of the China- ECOWAS Strategic Agreement, which was signed in 2012, CAMCE is the main contractor for the western section of the Trans-Africa Highway Project in Ghana and Sierra Leone and for the Southern African Highway Project in Zambia. It is also involved in an irrigation project in Sudan and an airport project in Chad. CAMCE's total contracts in Africa in 2012 amount to RMB 14 billion (USD 1.75 billion).

Latin America: Sinomach will benefit from the Chinese bilateral cooperation agreements, including railway construction in Argentina, agricultural development in Venezuela and nine hydropower plants as part of the Minas San Francisco project in Ecuador, in collaboration with other Chinese companies.

Business Strategies and Agreements by Sinomach and its Subsidiaries

The following recent cooperation agreements and acquisitions are significant:

- **memorandum of cooperation between Sinoconst and GS E&C (Korea) in 2012;**
- **Acquisition of 60% of Canadian Procon Holdings (Alberta) Inc. by CAMCE in 2012;**
- **Acquisition of the European operations of the MAG Group (a German-USA machine-tool maker) in 2012;**
- **Acquisition of McCormick France SAS in 2011 (agricultural machinery)**

Sinohydro Corporation (Sinohydro)/Power Construction Corporation of China (Power China)

Sinohydro Corporation is the dominant company for the design and construction of hydro-electricity stations. Sinohydro was formed in 2002 as a result of the restructuring of the hydro power and engineering units of the former Ministry of Energy, Ministry of Electricity and Industry. It is wholly owned by SASAC. Sinohydro Group Ltd was listed on the Shanghai Stock Exchange in 2011.

SASAC restructured the power and grid companies further and in 2011, Sinohydro Corporation and HydroChina Corporation merged with 58 provincial grid companies to form the Power Construction Corporation of China (Power China).

Power China is the 16th largest construction design contractor in the ENR list. 30% of its revenues, 40% of its newly signed contracts and 57% of its profits come from international contracts. Power China had 728 projects in 81 countries in 2013. Sinohydro was the 3rd largest contractor in the international power construction market in 2010 according to the ENR list. About 25% of its revenues come from international contracts. The company has constructed more than 2,500 projects in hydro power, thermal power, housing and infrastructure construction in 62 countries.

Sinohydro's international contracts

Chinese banks and companies are currently involved in over 200 large-scale dam construction projects throughout the world. These contracts usually form part of bilateral government cooperation agreements, which include hydro-power generation. For example, in Asia, the China-Laos hydro-power agreement foresees the construction of 7 dams with funding from the China Exim Bank and the CDB. The China- Myanmar hydro-power and oil agreement includes the construction of 56 dams, amongst which 17 will be built by Sinohydro.

In Africa, China has signed an agreement with the ECOWAS West Africa Power Pool; hydro-power construction is also part of the oil for infrastructure agreements between China and DRC.

Social and environmental impact

Sinohydro has been fiercely criticised by civil society groups in project countries and by international environmental campaigners because of the environmental devastation and forced relocation of local communities as a consequence of dam construction; and the lack of transparency and consultation about their social and environmental impact. There has been vocal opposition in many countries, including Ethiopia, Mozambique, Sudan, Laos, Myanmar, Vietnam and Honduras. In some countries, governments have by-passed public procurement procedures to favour Chinese contractors, which has also caused outrage and fear about over-dependency on Chinese investments, as for example in the DRC, Zambia and Ecuador.

As a consequence of international campaigns, Sinohydro adopted its own code of conduct based on the SASAC and CHINCA guidelines.

Partly as a consequence of international concern, from 2010 onwards, Sinohydro has moved into thermal and new energy sectors, as well as housing construction and real estate development. By the end of 2012, non-hydro power accounted for 40% of its total revenues. In addition, both Sinohydro and Power China are increasing the use of integrated investment models (EPC,BT, BOT, TOT and PPP contracts).

The Great Leap Outward:

Chinese Construction Companies in the Global Market and BWI Engagement

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