EMPLOYMENT LAW

China Invests Heavily in Global Infrastructure Projects

By Leah Shepherd
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China is loaning foreign nations billions of dollars for infrastructure projects, but while that investment means reliable jobs for Chinese employees, it also means many host countries are heavily indebted to China.

The Belt and Road Initiative (BRI) is one of the most ambitious infrastructure projects ever, designed to build railways, highways, bridges, ports and power grids to link China to the rest of Asia, and Africa and Europe. At least 125 countries and 29 international organizations have signed cooperation agreements under the BRI, which is scheduled to be finished by 2049, when the People's Republic of China celebrates its 100th anniversary.

Countries are building BRI projects using low-interest loans from China, which means overall debt to China has soared, exceeding 20 percent of gross domestic product in some countries, according to the Council on Foreign Relations. China is expected to loan foreign nations as much as $1.3 trillion by 2027, according to Morgan Stanley.

Far-Flung Reach

China's Belt and Road Initiative includes the following projects:

- Temburong Bridge in Brunei.
- Peljesac Bridge in Croatia.
- Punta Sierra wind farm in Chile.
- Yamal liquefied natural gas project in Russia.
- Isimba hydroelectric power station in Uganda.
- Jakarta-Bandung high-speed railway in Indonesia.
- Abuja-Kaduna railway in Nigeria.
- Colombo Port City and Hambantota Port in Sri Lanka.
- Piraeus Port in Greece.
- Doraleh Multipurpose Port in Djibouti.
- Muara Port in Brunei.
- Gwadar Port in Pakistan.
- Mombasa-Nairobi standard-gauge railway in Kenya.
- Vientiane-Boten railway in Laos.

Debt Trap?

Some BRI critics have complained about debt overload or "debt trap," when one country loans too much money to another country that cannot pay it back.

The initiative "has given rise to concerns about debt dependency by the recipient countries. That has been raised by Pakistan and Malaysia and other countries," said Richard Cooper, an economics professor at Harvard University in Cambridge, Mass.

Sri Lanka, whose government received about $1 billion from China to build a port in Hambantota, couldn't pay back the debt and leased the port back to China for 99 years, starting in 2017.

In Malaysia, Prime Minister Mahathir Mohamad was elected in 2018 after criticizing the previous government's large BRI deals with China. He suspended a railway project until he could renegotiate the terms with China to cut the costs. He also canceled projects to build natural gas pipelines, according to news reports.

"As the Sri Lanka story and the Malaysia story have come out and been reported in the Western press, the countries have become wary ... and looked more closely and deeply at new BRI projects, to take hopefully a better approach on the part of Chinese companies for future projects," said Anil Gupta, business professor at the University of Maryland in College Park, Md., and author of *The Silk Road Rediscovered* (Jossey-Bass, 2014).

Use of Chinese Labor

The BRI has faced some criticism because Chinese companies often bring in Chinese workers to design and complete the foreign construction projects instead of hiring local workers.

"There have been a lot of complaints about the ways in which Chinese labor, Chinese contractors and Chinese businesses have dominated the projects," said Michael Pettis, an economics professor at Peking University Guanghua School of Management in Beijing and author of *Avoiding the Fall: China's Economic Restructuring* (Carnegie Endowment for International Peace, 2013).

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Employing Chinese workers in building-related industries may be a way to solidify political power for China's president, Pettis said. "I don't think any country organizes large-scale foreign investment projects unless it also has political objectives. If developing countries get much-needed infrastructure, however, it will be good for these countries, whether or not it is good for China."

Cooper agreed: "It's a vast political maneuver. My guess is the initial pressure is to avoid unemployment in China in the steel and cement industries. ... There will be a labor-market effect in China. There will be fewer bankruptcies and layoffs."

The total scale of the BRI is yet to be seen.

"Given the difficult economic adjustment China must undergo domestically, its high levels of debt, and the difficulty some countries are already experiencing in repaying Chinese loans, we have to wait and see what the total investment turns out to be," Pettis said.

Leah Shepherd is a freelance writer in Columbia, Md.

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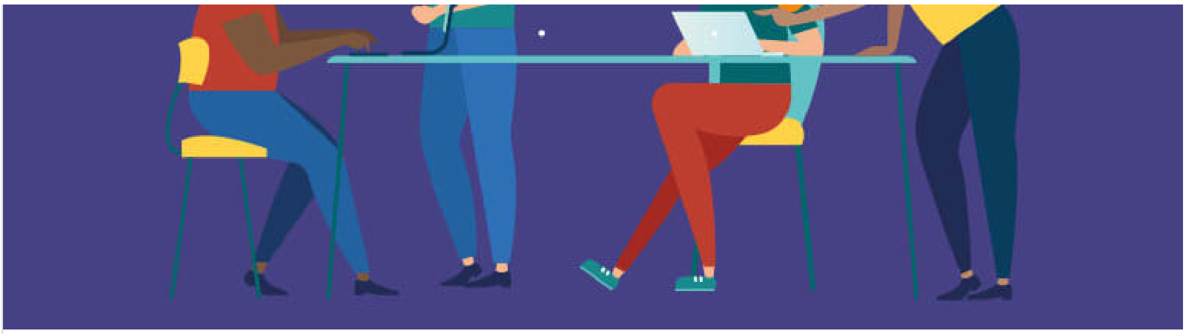

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