



# Belt and Road Initiative in Central Asia

## Desk study

JOB  
CLIMATE-FRIENDLY JOBS  
RIGHTS  
SOCIAL PROTECTION  
EQUALITY  
INCLUSION

A New Social Contract for Recovery and Resilience

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Photo: ILO

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# Executive Summary

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## Recommendations

China is investing heavily in Central Asia as part of its Belt and Road Initiative (BRI). Money is pouring into Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan to fund a wide variety of infrastructure projects. This report asks: What is the effect of the BRI on working people in these countries?

This study looks at the impact of Chinese investments on workers' rights due to the increasing need to analyse the potential implications and challenges of the BRI projects, to facilitate trade union debate in the Central Asian countries and the global labour community.

In particular this study asks, how are human and labour rights being or affected? For example, according to the ITUC Global Rights Index 2020<sup>1</sup> Kazakhstan remains among the world's top 10 worst countries for working people, while there is insufficient comparable data on the labour rights situation in the other three countries, but different reports from human rights communities reveal endemic violations of fundamental freedoms and rights. Furthermore, China itself belongs to group 5 in the ITUC Global Rights Index where countries are defined as having 'no guarantee of rights'. Therefore, is the arrival of Chinese companies and Chinese money into Central Asia posing further risks to working conditions, social partnership in general, freedom of association and the right to collective bargaining?

This report finds that:

- there is a lack of accessible information for trade unions related to Chinese investments at economy and national level.
- the predominant approach of Chinese investors is to meet the minimum standards of local labour legislation, when there is no effective pressure from trade unions or workers.
- the management of Chinese companies appear to be reluctant about dialog with unions and collective bargaining.

- the situation for organising trade unions at Chinese companies varies a lot, depending on country, industry and company.
- each country has gradually set up minimum quotas for recruitment of local workers, because Chinese companies have favoured employing workers from China, even in relatively low-skilled jobs.
- Chinese employers prefer to maintain higher wages for Chinese workers compared to local staff by using a variety of reasons, further complicating ethnic and cultural relations, particularly with impoverished local communities.
- trade unions are in a relatively weak position when negotiating collective agreements for a variety of reasons.

There is great potential for trade unions in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan to improve the social partnership situation at Chinese companies and improve conditions for their workers. To work towards this, this report makes these recommendations to the trade unions:

- Lobby national authorities to include Core Labour Standards clauses in any agreements with Chinese employers.
- Develop step-by-step action plans to start dialogue with management.
- Engage labour inspectorates to monitor compliance with core labour standards at the workplace.
- Establish cooperation among trade unions at sectoral, regional, and local levels.
- Build capacity for unions to organise, recruit, and negotiate - with a focus on Chinese employers.
- Assign human resources and time for organising and recruitment at Chinese multinationals.
- Exchange best practices on organising and recruitment of workers at Chinese enterprises.

The influence of Chinese companies due to the BRI is already massive, and it will only keep growing. It is imperative that trade unions in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan act to implement these recommendations now. Furthermore, the international trade union movement must build its presence in the region to tackle the double challenges of negligence of workers' rights by governments and by global chains built by China.

## Background

The BRI was launched by Xi Jinping, the President of the People's Republic of China (PRC), in Astana<sup>2</sup>, the capital of Kazakhstan, in September 2013.

It is a major initiative to increase China's economic links to Southeast Asia, Central Asia, Russia and Central and Eastern Europe. The BRI reflects the changing status of China, which has emerged as a global economic power and become a dominant player in the international financial system over the past two decades and is willing to exert its soft power.

The BRI could be described as a flexible arrangement with major focus on development projects in the infrastructure, energy, and transportation sectors. As of November 2018, the list of projects includes:

- 203 bridges (roads and railways);
- 199 powerplants
- 41 pipelines

According to the China Global Television Network (CGTN), by May 2020 China had signed 200 cooperation agreements with 138 countries and regions, and 30 international organisations under the BRI framework.

## Goal of the project

This pilot study, conducted in November 2020 with the support of the Friedrich Ebert Foundation, focuses on the impact of the BRI on human and labour rights in four landlocked countries in Central Asia – Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan – that gained independence in the early 1990s after the collapse of the Soviet Union. These countries are at the centre of the 'New Eurasian Landbridge' of the BRI.

China has been taking gradual steps to increase its role in the region since the early 1990s. The PRC has become a key partner for each of the four countries, so it is hard to imagine their future development without cooperation with Beijing. This approach is not, however, specific to Central Asia as China is using similar methods in Africa. But the difference is that of geographical and geopolitical location of the region: it is not only natural resource and energy rich; it is reinvigorated Silk Road to European markets and the Great Game chessboard.

## Methodology

This paper is the result of a desk study conducted in a tight time frame to provide an overview of:

- a) the available information from publicly accessible sources on the state of the BRI in the region as of late 2020.
- b) potential implications and challenges of Chinese investment projects on workers' rights in Central Asia.

For this desk study two main techniques were applied:

1. Analysis of the data available online – published books, research papers, on-line platforms (media, specialised databases), websites of some governmental institutions as well as of companies.
2. Interviews with trade union officials, to understand their attitudes towards Chinese investments, and concerns about employers/management of multinationals from the PRC.

## About the author

Harri Taliga is an expert in labour and industrial relations with a particular focus on the trade union movement in transition countries, including Central and Eastern Europe (CEE) and New Independent States (NIS). He has a trade union background and was the President of the Estonian Trade Union Confederation (EAKL) for a decade.

He has worked with international organisations, government ministries and agencies, social partner associations, research and educational institutions at national, sub-regional and European level since 2011.

He has participated in several missions and activities for the International Labour Organization (ILO), including as a Chief Technical Advisor for the Decent Work Country Programme for Uzbekistan (2014 – 2016).

# Description of the Belt and Road Initiative in the region

All four states covered have several common characteristics. They all are, together with China and Russia, the founding members of the Shanghai Cooperation Organisation – a Eurasian political, economic and security alliance created in June 2001. They all are landlocked countries, while Uzbekistan is double-landlocked. Three of them, except for Uzbekistan, have about 3,300 kilometres of common border with China.

These four Central Asian countries remain relatively poor, although Kazakhstan is the only exception as it is rich in natural resources. According to the World Factbook of CIA their Gross Domestic Product (GDP) per capita (in PPP) was: Kazakhstan (as of 2019) – 11,845 (in 2010 US Dollars, ranking 109 in comparison with other countries of the world), Kyrgyzstan (as of 2019) – 1,127 (in 2010 US Dollars, ranking 210), Tajikistan (as of 2017) – 3,200 (in 2017 US Dollars, ranking 177), Uzbekistan (as of 2017) – 6,900 (in 2017 US Dollars, ranking 139).<sup>3</sup>

The economies of all the countries covered by the pilot study enjoyed GDP real growth in recent years. The CIA estimated growth rates were in 2015 – 2017, 3.2% to 4.6% per annum in Kyrgyzstan, 5.3% to 7.9% per annum in Uzbekistan, 6% to 7.1% in Tajikistan and between 4.38% and 6.13% in Kazakhstan in 2017 – 2019.

They all are developing countries with a large agriculture sector and relatively limited manufacturing, with a low position in global value chains, and outdated connections to other regions.

Central Asian countries, except for Kazakhstan, are challenged by a large unemployed and underemployed population resulting in millions of people migrating to other countries in search of employment and income. At

the same time fundamental freedoms and rights as well as international labour standards are poorly respected: freedom of association is severely limited, child and forced labour exist, negligence of occupational health and safety is widespread.

According to the ITUC Global Rights Index 2020<sup>4</sup> Kazakhstan remains among the world's top 10 worst countries for working people, while the ITUC does not have sufficient comparable data on the labour rights situation in the other three countries. Furthermore, China itself belongs to group 5 in the ITUC Global Rights Index where countries are defined as having 'no guarantee of rights'. Therefore, massive invasion of Chinese companies into Central Asia poses further risks to working conditions, social partnership in general, including freedom of association and the right to collective bargaining.

## Why are Central Asian countries extremely motivated to be involved in the BRI?

The countries in the region need money for development and to extract value from their vast mineral resources. Their economies, except for Kazakhstan, have been unable to generate enough domestic finances for development and they are in critical need of large-scale investments to build up viable market-oriented economies as well as to get involved in international trade networks.

According to the experts, the infrastructure projects are for Central Asian countries not just investments but also a means to join global trade. The governments are expecting that investments, first in the infrastructure projects, will open the landlocked region economically and attract more diversified projects with greater global attention.



The launch of the BRI scaled up China's investments in infrastructure overall and in the region. The initiative envisages implementation of a series of transport infrastructure projects along the Silk Road Economic Belt (SREB) land corridors and the 21<sup>st</sup> Century Maritime Silk Road (MSR) sea-routes.

Most global trade is carried by sea, while rail is the second most important mode of international transport. Investments in rail and road increase competitiveness of both cross-border and domestic transportation in Central Asia. Two of the six BRI corridors pass through the region connecting China respectively to Europe and to Iran and West Asia. One of the routes of the New Eurasian Land-Bridge BRI corridor links China and Western Europe via Kazakhstan–Russia– Belarus– Poland–Germany. In short, these transport corridors are not just for facilitating Chinese exports because for most of the Central Asian economies, China offers the closest port.

The World Bank emphasises the favourable impact of the BRI transport projects on the exports, Foreign Direct Investment (FDI) and GDP of Central Asian countries. Falling shipment time will make the region more competitive and its countries more attractive for foreign investors. This generates higher FDI and exports that should result in improved productivity and higher GDP. Recent World Bank estimates of the impact of the BRI on some countries find that the GDP of both Kyrgyzstan and Tajikistan could rise by 32%, while the GDP of Kazakhstan by 21%.<sup>5</sup> Nevertheless, net gains will be significantly lower when considering the costs of building the infrastructure.<sup>6</sup>

Considering the absence of other countries able to offer investments comparable to those provided by China, one could understand why Central Asian governments do not pay much attention to the accompanying risks, such as getting into a debt trap or conceding part of their sovereignty. This type of scenario has materialised in some other parts of the world already. Thus, the leaderships of the countries of the region advocate for investments from a wider range of sources in the framework of the BRI.

## Why is China interested in the BRI in Central Asia?

There are many reasons behind the BRI. In the context of the current study, it is important to emphasise the following.

1. Central Asian countries are attractive to China because they are natural resource rich while China is the world's biggest consumer of oil and gas. China's economy needs these resources and wants unimpeded access to them. At the same time, the countries covered in the study are close or even direct neighbours to the PRC – as mentioned above, three of them have common border with China.
2. China is trying to expand the markets beyond its borders. In particular, the government is interested in shifting Chinese overcapacity of labour-intensive, low-value-added, polluting manufacturing facilities and technologies abroad, which it has been supporting to retain its employment levels. However, Chinese companies, especially in traditional industries, have limited space for domestic development and are looking for new opportunities abroad.<sup>7</sup>

Despite the official rhetoric about China's role as a generous donor and investor country, M. Laruelle of the Central Asia Program of George Washington University (Washington, DC) concluded "the BRI is first and foremost a response to China's domestic economic woes, serving to postpone the decisive moment when Chinese production will need to be transitioned from a low-cost model ('Made in China') to a value-added production model ('Created by China')."<sup>8</sup>

Evidently the real situation is more diverse – for example, in the energy sector Chinese companies are active in building and/or renovating old-fashioned powerplants which use coal. At the same time, China is exporting its know-how, experience and technology in hydropower and striving for a big role in the fast-growing renewable energy markets in Central Asia as a global leader in production of solar panels, which has an excess of domestic solar equipment manufacturers.<sup>9</sup>

3. The region is characterised by cheap wages, low competition and a willingness by governments to provide tax breaks and other subsidies for foreign investors in strategic industries.
4. The PRC built its first links to the Central Asian economies' decades ago and the BRI is a new, more advanced phase of the cooperation. The data collected and made available by the China Global Investment Tracker<sup>10</sup> of the American Enterprise Institute and the Heritage Foundation suggests that Chinese companies invested almost USD 50 billion in four Central Asian countries in 2005 – 2020<sup>11</sup>: USD 35.58 billion in Kazakhstan, 4.73 billion in Kyrgyzstan, 2.15 billion in Tajikistan, and 5.79 billion in Uzbekistan. According to another source<sup>12</sup> China invested more than USD 70 billion in Kazakhstan; about 80% of its investment in the region.

According to the China Global Investment Tracker the total volume of Chinese investments and contracts within the BRI in 2013 – 2020 was USD 755.17 billion (as of November 20, 2020), of which 297 billion was in the energy sector, 185.34 billion in transport, 73.22 billion in real estate, 57.44 billion in metals, 22.58 billion in utilities and 15.67 billion in chemicals.

To coordinate its outbound FDI, *International Capacity Cooperation* (ICC) emerged as part of China's major international trade and investment policy in 2015: "Through ICC, capacity is channelled abroad to create offshore industrial chains within Beijing's control, but beyond its saturated markets and outside of official account books."<sup>13</sup>

The typology of China's tailored approach to overseas lending and investing, published by S. Horn, C. M. Reinhart, and C. Trebesch in the Working Papers Series of the National Bureau of Economic Research in July 2019, highlights direct loans and FDI in commodity producing industries, transport, and energy as the main instruments, while repayments are often backed by collateral (oil, copper, corporate profits etc).<sup>14</sup>

China started to diversify its investments in Central Asia two or three years ago by shifting to manufacturing compared to the major infrastructure projects during the previous period.<sup>15</sup> The shift has two drivers: first, recipient countries are becoming more interested in projects of 'industrial capacity building' that also provide jobs and exports; and second, Chinese banks

that are lending the money prefer to spread related risks<sup>16</sup> by securing joint funding from either local partners and/or other countries or international financial institutions. The need to hedge the risks derives from underestimated risks in implementation of the projects while the unpredictability of the business environment is increasing mainly in Kyrgyzstan and Tajikistan.

By providing substantial finances for the BRI, while having no real competitors in offering investments and financing in the region, China is designing the conditions of the projects in a way that ensures that Chinese businesses play a leading role in their implementation.

A large share of the funds injected by the PRC into Central Asia never leaves the Chinese system: a loan granted by a Chinese bank to a Central Asian government is reinvested in the Chinese company that got the contract, which brings Chinese equipment and a Chinese workforce to Central Asia to carry out the project.<sup>17</sup> For example, the multi-regional study of the BRI conducted by Building and Wood Worker's International (BWI) refers to the data that more than 60% of the BRI projects, funded by China, are allocated to Chinese companies.<sup>18</sup>

According to the experts, China's strategy in Central Asia is based on three main principles: not to interfere in the countries' internal affairs or in problems in their relationships with each other; to focus on economic cooperation; and to work on improving its reputation.<sup>19</sup> This strategy is assessed as being extremely successful in the region and China has become a convenient partner.

Apart from loans and direct investments, China provided Kyrgyzstan with more than USD 300 million non-refundable aid to build roads and supply potable water to remote regions.<sup>20</sup> Tajikistan received USD 230 million non-refundable aid from the PRC for a road renovation project.<sup>21</sup> One could say if even the gifts from China have been not a kind of Trojan horse in the past, they always tended to come with strings attached.

China is presenting its aid as being free of political conditionality, in contrast to aid from the West and international financial institutions. However, Beijing expects recipient countries—and Central Asian states in particular—to be loyal to the 'One China' policy<sup>22</sup> and to participate in the 'war against three evils: terrorism, extremism, and separatism. Everything else is dealt with in a traditional Eastern way: through unspoken rules.'<sup>23</sup>



Some experts are convinced of China's long-term perspective: 'Beijing invests out of long-term economic and political self-interest. China's leaders fully expect their tens of billions of dollars of Central Asian investment to pay over the coming century.'<sup>24</sup>

**Finally**, countries of the region are of high importance for China's security issues and military cooperation. China had no military presence in the region earlier, but the situation is changing: the first Chinese military base – officially a border guard station for Tajik troops – was built using Chinese funds a few years ago in the south of the country, not far from where Tajikistan borders with Afghanistan and China. The governments of Tajikistan and of the PRC agreed to build seven border posts and training centres along the Tajik-Afghan border in 2016.

China has conducted military exercises involving the armies of Central Asian countries for almost 20 years. In addition, China is today producing and exporting military equipment and training to the countries of Central Asia as well as providing assistance in military technology.

## Colliding geopolitical interests in Central Asia

Analysing the geopolitical situation in the region, T. Umarov of the Carnegie Moscow Center<sup>25</sup> noted the plurality of important players besides China – Russia, the USA, the European Union, India, Japan, South Korea, and Turkey. Central Asia has always tried to maintain a balance between various external players. Nowadays the countries of the region are interested in retaining Russia as a counterbalance to Chinese interests.

Russia can be considered China's main rival in Central Asia as it has remarkable influence in several aspects. Russia serves primarily as a military stabiliser in the region, having at the same time large political and economic influence. Russia is not a real economic competitor for China in the region – because of the structure of its economy Russia is not able to become a major buyer of raw materials from Central Asia countries.

So, the interests of China and Russia do not conflict directly. All the parties involved accept the situation where Russia remains the main security guarantor, while China prioritises economic development.

The United States used to be an important player in the region but abandoned a proactive foreign policy in Central Asia and is today only able to react to events taking place there.

Though the European Union is one of the main investors in the economy of Central Asia, that balance is gradually shifting in China's favour. To strengthen relations with the countries in the region, the EU adopted on 17 June 2019 a new strategy on Central Asia: *The EU and Central Asia: New Opportunities for a Stronger Partnership*, which 'focuses on promoting resilience, prosperity, and regional cooperation in the region.'<sup>26</sup>

To launch a high-level dialogue between the EU and Central Asian countries, the EU Special Representative for Central Asia organised in December 2020 an online Economic Forum, *The EU – Central Asia Dialogue on Partnership for Prosperity*, which brought together high-level representatives of the European Commission, Deputy Prime Ministers and Ministers of Trade and Economy of the Central Asian countries, and almost 200 government and private sector representatives of both the EU and Central Asia.<sup>27</sup>

The United States and EU countries are not able to play the role of an alternative to China in terms of either trade or investment. Nor can Western countries develop a military presence in the region for at least two reasons: first, the local authorities view a NATO military presence with caution and second, such actions would encounter resistance from both Moscow and Beijing.

## What are the risks for recipient countries?

According to the findings of the research on China's overseas lending referred to above, more than two dozen countries in the world owe more than 10% of their GDP to the Chinese government. There are three Central Asian countries in the top 50 most indebted recipients of Chinese direct loans – Kyrgyzstan ranks 5th with 30.5% of GDP, Tajikistan ranks 19th with 16.1%, and Uzbekistan ranks 39th with 7.5% of GDP.<sup>28</sup>

In addition to the likelihood of getting into a debt trap, there are other risks linked to the Chinese investment and construction projects in Central Asia. Crude Accountability, an environmental and human rights NGO based in Virginia USA, which works with communities in the Caspian Sea region outlined a number of them.<sup>29</sup>

In the context of this study it is worth referring to some of them:

- Information about large Chinese projects is either completely closed or lacks the specifics of project lending, the participation of the parties in its implementation and further operation, the payback, and economic and political significance.
- Supporting the established resource economics in the countries of the region (one could describe it as 'predatory aid') threatens the possibility of more sustainable production in Central Asia.
- There is a high probability of financing economically damaging and environmentally dirty projects in the region.
- A 'race to the bottom' that further lowers the social-environmental demands from all investors in the region.
- The rapidly growing presence of China in Central Asia is creating concern and contributing to the growth in anti-Chinese sentiment among the population.

Any situation when outlined risks are not openly discussed in society, there is an absence of public monitoring of Chinese financial institutions and independent socio-economic oversight from media and civil society is lacking can contribute to the degradation of the existing mechanisms for international labour standards. Furthermore, it can undermine socially and environmentally responsible businesses and international financial institutions.

Analysing the security implications of the BRI, R. Ghiazy and Jiayi Zhou concluded that the BRI in fact serves to expand China's strategic political and economic influence among participating states.<sup>30</sup> The Observer Research Foundation, based in New Delhi, India, described the BRI as 'a geostrategic and geopolitical tool', used by the PRC 'to strengthen and expand its own imperialist agenda. ... Through the BRI's debt-trap diplomacy, China has taken control of strategic ports, lucrative mines and arable land in several Central and South Asian countries<sup>31</sup>.'

# Country cases

## Kazakhstan

As mentioned above, Kazakhstan is a leading country in attracting Chinese investment to Central Asia. The total amount of Chinese investments and contracts in Kazakhstan within the framework of the BRI (in 2013 – 2020) was USD 18.69 billion according to the China Global Investment Tracker. More than half of the total amount, USD 9.53 billion, was allocated to the energy sector, while 3.81 billion has been invested in transport, 2.65 billion in chemicals, and 1.91 billion in metals.

Assuming China's dependence on oil and gas imports will continue growing and because the PRC's share is about 24% in oil production and 13% of gas production in Kazakhstan,<sup>32</sup> it is highly likely that Kazakhstan (along with Turkmenistan) will remain an important partner for energy exports from Central Asia to China in the future.

On the other hand, a 480MW cascade of five dams in the Almaty region is supposed to be the largest Chinese hydropower project in Central Asia. The USD 1.5 billion deal was announced in December 2018, but the financing was not agreed with Chinese banks by the end of summer 2020.<sup>33</sup>

The government of Kazakhstan was talking about more than 50 Chinese investment projects (Kazakhstan–China joint ventures in mining, chemicals, and petrochemicals among others) since 2015. Despite repeated requests by international policy experts and environmental activists to make the list public, the government refused to do so for several years, referring to the commercial sensitivity of the projects. Finally, the Kazakhstan Invest JSC, established in 2017 as successor of the National Investment and Export Agency KAZNEX INVEST, provided in September 2019 an overview of 55 joint Kazakh–Chinese projects worth USD 27.6 billion that are being implemented in the country starting from 2015. Of them, 15 projects are complete, 11 are ongoing and 29 are under consideration.<sup>34</sup>

The main focus was on the oil and gas industry where there are many joint ventures with Chinese shareholders. The main actor is the world's 3rd largest oil company, the China National Petroleum Corporation (CNPC), which has assets and interests in more than 30 countries all over the world. CNPC acquired a stake at Kazakhstan's AktobeMunaiGas in 1997 and owns 85.42% of shares in the company. In addition to several oilfield development projects in the country, CNPC is involved in two crude oil pipelines (one of them Kazakhstan – China) as well as a Kazakhstan – China gas pipeline.

AktobeMunaiGas is operating in northern Kazakhstan. The company employs about 6,300 permanent staff, of them 88 are from China (compared to 124 before the outbreak of Covid-19 pandemic in 2020). Reportedly, the trade union has good relationships with the employer, with eight collective agreements signed since 2000. The current one was signed for a 4-year period (2017 – 2020).

One of the subsidiaries of CNPC in Kazakhstan is PetroKazakhstan – a group of companies, owned by CNPC (67%) and the national joint stock company KazMunaiGas (33%). PetroKazakhstan is engaged in the acquisition, exploration, development and production of oil and gas, in particular at Kumkol Resources at Kyzyl-Orda (in the south of the country), as well as in the sale of oil and refined products.

It was contended in the interviews that there could be a kind of silent agreement between investors and authorities as both seem to be interested in maintaining the status quo while considering trade union as an obstacle to profits. Representatives of the authorities are obviously trying to please CNPC as an investor of great significance. It is difficult, if not impossible, to assess or evaluate to what extent and how the authorities are monitoring and supervising the operations of companies where foreign investors have a stake – especially during a pandemic when all controlling activities by labour inspectorates, on environmental issues etc, were suspended.

Reportedly, Chinese investors by and large meet the minimum working conditions set up according to the Labour Code of Kazakhstan. It was argued that foreign investors are satisfied with the labour legislation that imposes guarantees and benefits for workers at much lower levels compared to more developed countries. Written employment contracts seem to be a common practice in Chinese companies although the contracts are made according to the one-size-fits-all approach. Trade unions consider this insufficient as the labour legislation inclines towards employers' needs and thus the minimum standards do not provide enough protection for workers. However, cases were reported when some Chinese companies pay a 70% tariff for work stoppages instead of 50% as required by the law.

The FPRK (the Trade Union Federation of the Republic of Kazakhstan) submitted a list of 204 Chinese companies, operating in Kazakhstan, of which 24 have local trade unions that are member organisations of sectoral federations affiliated to the FPRK. Trade unions are under great pressure in the oil and gas industry where there are many joint ventures with Chinese shareholders. Management of these companies is reluctant, if not hostile, towards trade unions alleging there are no trade unions in China, thus the management is not used to the dialogue with workers representatives and sees no value in social partnership.

The situation seems to be a bit better in the companies established decades ago when trade unions were a reality, despite Chinese investors subsequently acquiring a stake in the company. On the contrary, it is rather complicated to organise a trade union and recruit members in recently established companies with foreign owners.

The presence of trade unions in Chinese oil and gas companies differs a lot depending on the region. A trade union is present in all four Chinese companies in Mangystau province, in 6 of 9 companies in Kyzyl-Orda province, 9 of 15 companies in Aktobe province, but only in 1 of 15 Chinese enterprises in Atyrau province.

There are cases reported when trade union representatives were not allowed to enter the company. Another obstacle seems to be the complicated registration procedure and if authorities refused to register the trade union, the management has an official excuse to avoid any interaction with the union's elected representatives.

In the past, Chinese companies favoured employing workers from China, including in relatively low skilled jobs, i. e. drivers, cooks etc. There were several reasons – an opportunity to avoid applying Kazakhstan's labour legislation, to minimize contacts with local authorities and the local population, to guarantee a highly amenable workforce etc.

The Ministry of Labour and Social Protection of the Population together with the State Prosecutor's Office carried out inspection visits to the companies to check the compliance with legal acts, regulating recruitment of the workforce from abroad, payment of equal wages etc.

The authorities in Kazakhstan, after discussion with social partners, required later that investors must recruit 70% of the workforce from Kazakhstan. The *akimats* – state administrations at province, regional or local level – are responsible for monitoring the situation with employment and for imposing sanctions if applicable regulations are violated. Nevertheless, there seem to be so called closed companies in the oil and gas industry where the majority of the staff come from China. The pretext for not complying with the existing rules is a lack of an appropriately skilled workforce in Kazakhstan. Governing bodies of trade unions have not discussed the issues related to the use of foreign workers – it has been left for tripartite bodies at province level.

Wages remain the major concern for workers. All information on business performance of foreign companies is declared confidential and not provided to trade unions. The tariffs are set up by an employer and supposed to be reconciled (*de facto* accepted) by the trade union. Thereafter this document is added to the collective agreement as a supplement. Trade unions outside of the mainstream were excluded from the collective bargaining process a few years ago.

There are huge wage differences depending on the company and region. Wage levels in Northern Kazakhstan (Aktobe) are only 25 – 30%, in some cases 50%, of the wages in Western Kazakhstan. Workers of the oil extracting companies also complain of lower levels of pay compared to the wages at oil refineries. Allegedly there is no direct link between wages, on one hand, and cost price as well as output, on another. At the same time, it was said the wages did not increase in some companies in 2020 due to decreasing output.

Wages were a significant issue touched upon by Kazakhstan's president K.-J. Tokaev at a meeting with the chairman of the board of directors of CNPC in November 2019. The president required the company's management to increase wages and to align wage levels of local employees and staff recruited from abroad.<sup>35</sup> According to the trade unions, a 30% wage increase was mentioned, but the company only applied it to the basic wage and did not apply it to extra payments which often constitute two thirds of workers' gross wage incomes.

The provision of the Labour Code on annual indexation of wages was repealed some years ago as the government lacked the money to increase wages in the public sector. The employers followed the example of state authorities and deleted relevant clauses from collective agreements. During the negotiations on the tripartite General Agreement for the next three years, all three national trade union centres involved in the process proposed to reinstate the annual indexation in the Labour Code as the consumer price index is growing 5 – 7% every year.

No problems are reported regarding working time, wage arrears and annual leave. Work in the oil and gas industry is based on a rotating crew method using fly-in/fly-out camps. Usually the crew spends 14 days in the camp, at the time of pandemic the rotation period was extended to 28 days.

The majority of individual labour disputes the trade unions are dealing with is related to the reinstatement of unlawfully dismissed workers. The courts forward these claims to the company-level conciliation committee where, despite the presence of the workers representative, the employer's view dominates. Proceedings in the courts usually take several years.

The workers' ability to take collective action against violation of trade union rights or individual labour rights is almost non-existent during the Covid-19 pandemic while public gatherings and meetings are banned. Breach of the ban could result in the arrest for a period of up to 15 days and thus lead to dismissal from employment.

It should be mentioned that following the strategy of diversification of investments, Chinese companies have expanded their activities in agriculture in recent years. For example, of the 22 Chinese companies active in Akmola province 17 are operating in agriculture, as well as 22 of 59 Chinese companies in East-Kazakhstan.<sup>36</sup>

At the same time, the increasing presence of Chinese companies in Kazakhstan leads to growing tensions in society. Kazakhstan faced unexpected protests triggered by amendments to the Land Code adopted in 2014 that were to enter into force in June 2016. Proposed changes would allow foreigners to rent agricultural land for up to 25 years (instead of 10 years previously). The changes were perceived by many as a measure to help Chinese companies control land. There were mass protests against 'selling farmland to foreigners' in 2016 that forced the government to postpone new amended provisions until 2021.<sup>37</sup> Supposedly, a fear of the growing Chinese influence on the economy of the country was the broader reason for the protests.

## Kyrgyzstan

There were about 400 Chinese companies and 170 Chinese–Kyrgyzstan joint ventures operating in Kyrgyzstan in 2019.<sup>38</sup> Chinese investments and contracts in Kyrgyzstan amount to USD 4.34 billion since 2013, of which 2.5 billion has been put into the energy sector, 1.69 billion in transport, and 150 million in metals.<sup>39</sup>

Chinese companies provide one third of total foreign investments in the country, according to the Kyrgyzstan government agency in February 2020.<sup>40</sup> At the same time, it is worth mentioning that Chinese investments into Kyrgyzstan dried up last years. Evidently, foreign companies are worried about the safety of their investments due to the rising political turbulence and escalation of operational challenges.<sup>41</sup> A legislative initiative of 44 members of Kyrgyzstan's parliament, the Supreme Council, as of June 2020 to ban investment contracts (supposed to guarantee investors the rights on use of land and subsoil) in the mining sector<sup>42</sup> is another sign of growing uncertainty.

Although the government refers to only limited and insignificant cases of breaches of contracts by Chinese investors, the attitude of the population can be described as distrust that has led to several protest actions against Chinese companies,<sup>43</sup> including stoppages at their operations. Not surprisingly, Chinese investors abandoned a plan to build a trade and logistics centre for about USD 280 million in the Naryn region<sup>44</sup> in February 2020 due to the worsening business climate.



There is another reason for declining investments too – Kyrgyzstan’s government concern over the debt burden while 45% of Bishkek’s external borrowing (worth USD 1.7 billion) is from China.<sup>45</sup> Further investments planned in quarrying and mining, logistics and transport, and agriculture remain undecided, yet the country expressed a strong interest in emerging as a digital hub in the region by connecting to the fibre-optic lines of China’s Digital Silk Road<sup>46</sup> just a few years ago.

Sino-Pipeline International Company Ltd started constructing Kyrgyzstan’s section of the fourth arm (line D) of the Central Asia – China gas pipeline in 2019. Two oil refineries – Kara Balta (production capacity around 800,000 tons a year) and Tokmok (450,000 tons) – have been built by Chinese companies in the north of the country. Due to the lack of crude oil, neither refinery was operating at full capacity. Kara Balta oil refinery suspended operating when the Covid-19 pandemic arrived. Before the stoppage, the refinery employed around 775 people - 500 local staff, with rest from China.<sup>47</sup>

Reportedly there are 11 companies operating in the mining and quarrying sector in Kyrgyzstan, employing 500 or more people each. Four companies are owned by Chinese investors. Zijin Mining Group, a Chinese multinational, third among the global gold corporations, owns 60% of shares in Altynken LLC, an operator of Taldybulak Levoberezhnyi, the third largest gold mine in Kyrgyzstan. Taldybulak Levoberezhny started commercial production in July 2015 and produced 133,335 ounces of gold in 2019.<sup>48</sup> Kyrgyzstan’s Investment Promotion and Protection Agency signed a framework agreement with Daren Group, Lingbao Gold Group, and Full Gold Mining on construction of a new gold processing plant in June 2019.<sup>49</sup>

Trade unions are present in three of the four Chinese mining companies, uniting about 90% of their workforce according to E. Tajibaev, the chairman of the Mining and Metallurgical Workers Trade Union of Kyrgyzstan. However, it is hard to organise trade unions at the subcontracted companies as they work for relatively short periods (from six to twelve months), especially because Chinese investors prefer to subcontract to businesses from China if possible.

Setting up a trade union at a company with Chinese investors was not reported as a problem. Though the employers are not supportive, they do not hamper union organising. As there is a significant share of qualified staff among the locally recruited workforce,

employees at Chinese companies are familiar with trade unions. Nevertheless, many of them consider a union membership fee a disincentive for joining a trade union.

Though according to the law, a trade union is legally competent and has capability to act once it is founded, companies owned by Chinese investors are not willing to recognise trade union before it is officially registered.

There were several protests by local people at the Chinese-run Orlovka goldmine a few years ago because the company did not follow the Kyrgyzstan’s government requirement to recruit at least 90% of employees locally. Among other demands were claims to pay equal wages and introduce employment contracts in line with the Labour Code of Kyrgyzstan for all local and foreign staff.

One of the pretexts used by the company’s management to justify unequal wages was that employees from China are far from their homes and families, which makes their situation non-comparable with the employment conditions of the local workforce. Trade unions appealed against this to local authorities, to the Labour Inspectorate and to the Ministry of Labour, Employment and Migration.

Chinese employers are not willing to pay either the surcharges (for working a night shift, or in conditions that risk damaging the health of the employees) or the increased wages (in cases of working in high altitude regions or performing rotation-based work at fly-in/fly-out camps) that are required in the Labour Code. One of the excuses for refusing to comply with the legislation is that wage levels of the local workforce are in any case much higher compared to the average wage in the country. Trade unions believe that extras must be paid without exceptions even if this would result in decreasing tariffs.

Investors allege they are accustomed to operating according to Chinese labour legislation that foresees lower standards and guarantees for employees. Another argument they are using is that Chinese workers go along with the orders given by the employer or the arrangements put in place at the company. Chinese investors complain that the local workforce is not willing to work in 12-hours shifts (instead of 8-hours) and does not accept 15-minutes breaks for lunch.

For trade unions the unlawful dismissal of employees remains a challenge. For example, investors often try to get rid of workers who demand compliance with labour legislation. If there is no collective agreement at the company or an existing collective agreement does not foresee the establishment of a conciliation committee with participation of trade union representatives, the time-consuming court is the only option to contest unjustified dismissals.

## Tajikistan

According to the China Global Investment Tracker there was only one Chinese investment in Tajikistan since the BRI was announced – USD 540 million in metals (in 2019). Some local information sources provide USD 2.03 billion as the total amount of Chinese investment in Tajikistan (as of April 2019)<sup>50</sup>, while the PRC's share in the country's external debt exceeds 50%.<sup>51</sup> More than 300 companies with Chinese capital were registered in the country. The majority of these investments are in energy, textiles, mining and quarrying, agriculture and oil refining.

The World Bank estimates that the country has considerable potential for exports of metals and minerals, and most of Tajikistan's territory remains unexplored with most known reserves inadequately exploited.<sup>52</sup> Not surprisingly, mining seems to be the priority industry for Chinese FDI, which is in exploration and production of metals as well as in metallurgical plants for their processing.<sup>53</sup>

Due to the difficulty of paying back the loans and grants, Tajikistan is applying a scheme of 'Investments in exchange for access to the mineral resources' often labelled as "predatory" or "colonialist" because it is locking the country into the role of raw material exporter. Nevertheless, the share of Tajikistan's GDP for the mining and quarrying industry rocketed to 24.8% in 2018, compared to just 1% in 2000.<sup>54</sup>

More than 10 companies are engaged in mining precious metals in Tajikistan, of which the largest is the Tajik–Chinese joint venture Zerafshan Gold Company. It accounts for about 70% of the total gold production in the country and holds mining rights to 300,000 hectares in northern Tajikistan. China's Zijin Mining Group holds 75% of shares in this joint venture, which is developing several deposits (Taror, Dzhilau, Chore). Elsewhere, the Pakrut field is being developed by China Nonferrous Gold Ltd.<sup>55</sup>

TALCO Gold is a joint venture established by the Tajik state aluminium company (TALCO) and China's Tibet Huayu Mining Company. Each partner owns 50% of the shares in the authorized capital, invested USD 200 million to produce 2.2 tons of gold and 16,000 tons of antimony annually.<sup>56</sup> This would make TALCO Gold the second biggest gold company in Tajikistan. According to Reuters, commercial production of gold and antimony was scheduled for March 2020,<sup>57</sup> aiming eventually to produce a tenth of the global output of antimony. That would give Tibet Huayu Mining a 27% share of the global market when combined with its production elsewhere. However, the start of production was delayed by at least three months as Tajikistan closed its borders and suspended issuing work permits for foreigners due to the coronavirus outbreak.<sup>58</sup>

As regards Tajik–Chinese joint ventures, the Chinese partner typically makes the majority capital investment, with the Tajik side organizing land and regulatory approval. Often the Tajik government provides tax benefits or free land for Chinese investments.<sup>59</sup>

All private investments require government approval. According to Tajikistan's government, Chinese companies are selected as partners in the mining and quarrying industry as this is beneficial. At the same time, many observers are of the opinion that investment laws are applied inconsistently.<sup>60</sup> Several examples of tax exemptions granted by the Tajik parliament to Chinese firms which invest in the country were reported in October 2019.

TBEA, an electricity construction and renewable energy company, has been granted generous tax exemptions on equipment and technology being imported to develop two gold mines – Upper Kumarg (Sughd region) and Eastern Duoba (Ayni region).<sup>61</sup> The concessions to develop those mines were granted by the Tajik government until the company returns the investment of USD 331 million (a concessional loan to Eximbank) to build the 400-megawatt power plant in Dushanbe.<sup>62</sup>

Kashgar Xinyi Dadi Mining Investment Company signed a 20-year contract to develop the Yakjilva silver deposit in the remote eastern district of Murghob in June 2019. The contract provides the possibility of an extension if both sides agree. For the first seven years of its activities in Yakjilva, the Chinese company will be exempted from paying taxes on its revenues and on any customs duties for the equipment that it brings into Tajikistan.<sup>63</sup>

Reportedly, mining and quarrying companies owned by Chinese investors stopped their operations due to the Covid-19 pandemic early in 2020. However, part of the workforce has already returned to China before the end of 2019, with the remaining workforce demanding to be returned to their families in China in January 2020. As the Tajik government shut down all travel options – by plane, railway, and car – for cross-border movement of persons, the Chinese workers have not been able to return to Tajikistan.

Trans-Tajik Gas Pipeline Co. Ltd is a joint venture established by CNPC and Tajiktransgas in 2014. It is building Tajikistan's section of the fourth arm (line D) of the Central Asia – China gas pipeline.

Chinese companies or Tajik–Chinese joint ventures are producing almost 100% of cement in Tajikistan, while the production of cement increased tenfold between 2013 and 2018.<sup>64</sup>

As mentioned above, China is interested in exporting its know-how and experience in different fields of the energy sector. The PRC reached an agreement with Tajikistan on a two-stage, USD 550 million project to build 275MW of capacity on the Zarafshan river, which was planned to supply electricity both to Tajikistan and Uzbekistan in early 2020.<sup>65</sup>

One of the three routes of the China–Central Asia–West Asia SREB corridor, which connects the PRC to Iran and West Asia, passes through Tajikistan where transport infrastructure is relatively weak and depends more on roads than railways because of the country's mountainous terrain. Not surprisingly, companies like China Road and Bridge Corporation (a subsidiary of the majority state-owned China Communications Construction Company), Sinohydro Corporation Ltd. (a state-owned hydropower engineering and construction company), and China State Railway Group Co. Ltd are active in rebuilding roads and constructing tunnels in Tajikistan.

According to the data, provided by the Federation of Independent Trade Unions of Tajikistan (FNPT), trade unions are present in about 50 of more than 300 registered companies where Chinese investors have a stake. Thus, one can assume there are at least some enterprises where a kind of social dialogue is in place.

There are about 10 road and/or bridges construction projects financed by international (Asian Development

Bank) or Chinese banks. Chinese, state-owned companies or their subsidiaries (Sinohydro Corporation, China Road and Bridge Corporation etc) have won the vast majority of international tenders. Furthermore, several Tajikistan–China and Tajikistan–Turkey joint ventures are subcontracted for the construction works.

There is no trade union in these companies except the parent/principal company, which employs about 60 – 80 people in white-collar jobs (engineers etc). Chinese companies argue that there is no space for trade unions and collective bargaining as all the conditions regarding implementation of the projects have been defined in the contracts signed between the two governments and the companies are not allowed to take any initiative without the permission of the Chinese government. Thus, there has been no collective bargaining in the road construction sector since 2018. Trade unions have appealed to the ministries for support for organising at Chinese companies, but without success so far.

Reportedly, Chinese employers are not union-friendly and, if possible, prefer to avoid negotiating with workers' representatives. Some of the Chinese managers argue there is neither a labour code nor trade unions in China, and they would like to run the companies in Tajikistan as they are used to doing at home. To change the investors' attitude, the FNPT appealed to the Ministry of Foreign Affairs of Tajikistan asking it to influence Chinese companies via its embassy of the PRC in Dushanbe.

One of the measures taken was the translation of the Tajikistan Labour Code into Chinese to help companies apply local labour legislation in their operations. The non-compliance with labour law has been a worrying issue for trade unions. Investors did not respect the legal provisions regarding employment protection guarantees as well as payment of sickness and maternity benefits and providing annual leave etc. To improve investors' compliance with labour legislation, representatives of the trade unions' industry federations and of the confederation are visiting companies of Chinese investors to clarify workers' and unions' legal rights.

The new *Investments Act* of Tajikistan was adopted in 2016. Chapter 4 has the title, *Requirements to the investors and contains 3 articles: Investor's obligations; Labour relations with Tajikistan's citizens; Investor's rights, and obligations regarding employment of foreign workforce*. The content is rather broad and does not define specific provisions, i. e. possible thresholds for recruiting workers from abroad.

It was stated in the interviews that Tajikistan's government 70% of the workforce at the companies of foreign investors to be recruited locally, with no systemic and massive violation of this clause reported in the last few years.

According to the investment contracts signed by Tajikistan's government since 2018, at least 80% of the staff to implement these projects must be recruited locally. Reportedly, the actual figure in the road construction sector was 82% last year and 86% as of November 2020.

Explaining different wage levels for Chinese and local staff that existed earlier, the managers reportedly referred to the fact that wages for local employees used to be twice as high as the national minimum wage. After the intervention of the Ministry of Finance the issue was solved. Delays in paying wages have been reported in the past, but it is not a systemic issue yet.

## Uzbekistan

According to the China Global Investment Tracker, Chinese investments and contracts in Uzbekistan in 2013 - 2020 amounted to USD 2.24 billion in total, made up of USD 720 million in real estate, USD 560 million in transport, USD 440 million in chemicals, and USD 340 million in energy. Sources in Uzbekistan claim that the Chinese FDI amounted to USD 3.9 billion on the last three years<sup>66</sup> and the government is aiming to magnify annual investments from the PRC up to USD 5 billion by 2025.<sup>67</sup>

There were 1,652 enterprises with Chinese investments in Uzbekistan (16% of the total) as of early 2020. Of them, 531 were established in 2019, more than 120 companies have 100% Chinese equity.<sup>68</sup> According to the Federation of Trade Unions of Uzbekistan (FPU), trade unions are present at only 15 Chinese enterprises.

To attract FDI, Uzbekistan established the Foreign Investment Authority and exempted residents of Free Economic Zones<sup>69</sup> from all types of taxes for a period of 10 years if the investment exceeds USD 10 million, for 7 years if USD 5 – 10 million will be invested, for 5 years for investments of USD 3 – 5 million, and finally, for 3 years for USD 0.3 – 3 million. To work more closely with potential Chinese investors the government of Uzbekistan decided in December 2019 to open the office of the Uzbek Ministry of Investments and Foreign Trade in China.<sup>70</sup>

Uzbekistan, like many other countries, started cooperation with China selling so-called 'strategic raw materials' (natural gas, copper, uranium, cotton fibre, mineral fertilizers). Another focus has been on the transportation of gas. Although the share of Uzbekistan's own hydrocarbon resources in exports is not very remarkable, the country is playing an important role in the transit of gas from Turkmenistan to China. In addition to the existing gas pipeline through Kazakhstan, there are plans to build a new 210km long section of the gas pipeline from Turkmenistan to China – arm D.

Focus has also shifted to connectivity and energy issues. For example, China Railway Tunnel Group improved the Andijan–Pap–Angren–Tashkent rail segment (one of the SREB routes) by building the 19 km long Kamchik tunnel and electrified rail tracks in 2013 – 2016. A regular train service between Hebei province (neighbouring Beijing) and Tashkent was launched in October 2020, assuming the departure of at least 12 trains a week from Hebei.<sup>71</sup>

Beijing's growing investment in projects of industry, transport, telecommunications, pharmacy, agriculture, and water management is a distinctive feature of the Uzbek–China economic partnership. For Uzbekistan, these new trends are part of its de-colonization agenda, aimed at shifting its economy from being based on exporting resources, to exporting value-added products.

Chinese companies are participating in the creation of joint high-tech industrial parks in Uzbekistan. At the end of August 2019, the governments of the two countries signed an agreement on the creation of a joint investment fund with an authorized capital of USD 1 billion, aimed at high-tech projects at enterprises in the chemical and petrochemical industries and Uzbekistan's oil and gas sector production facilities.

Telecom is becoming an important sector of bilateral cooperation. Uzbekistan signed USD 1 billion agreement with the state-owned CITIC Group subsidiary and with Huawei in April 2019<sup>72</sup> to launch development of digital infrastructure for Uzbekistan governmental agencies and to transform the surveillance capabilities of local law enforcement. Uzbekistan was provided a USD 150 million loan to purchase Huawei technology to upgrade existing cellular networks in 2019 as well.



The list of prospective Uzbekistan–China cooperation projects includes the construction of power and wind energy plants in Navoi, Samarkand, and Bukhara (USD 720 million), hydrocarbon excavation (USD 600 million), further development of the Uzbekistan–Kyrgyzstan–China corridor, construction of railroads, the creation of logistical centres on the Andijan–Osh–Irkeshdam–Kasgar route and construction of the Kamchik Automobile Tunnel (2 x 6,5 km).<sup>73</sup>

As regards the connectivity projects, Uzbekistan is not interested in being merely a transit territory for manufactured Chinese goods but is willing to become an industrial and transportation hub for other Central Asian countries and Afghanistan.

Investment from the PRC is much more popular in Uzbekistan compared to neighbouring Kazakhstan and Kyrgyzstan – probably because Uzbekistan engaged in doing active business with China relatively recently when, in September 2016, the new leadership of the country initiated economic reforms. According to polls by the Central Asia Barometer<sup>74</sup> 65% of respondents in Uzbekistan ‘strongly supported’ Chinese investment in the country’s energy and infrastructure development in 2019. Comparable figures in Kazakhstan and Kyrgyzstan were 7 and 9%, respectively. In 2020 in Uzbekistan the share of strong supporters dropped to 48%. At the same time there was a significant rise – from 7 to 25% – of Uzbek respondents who are ‘very concerned’ that Chinese development projects could lead to an increase of country’s foreign debt.

As regards the state of social partnership at Chinese enterprises in Uzbekistan, the situation seems controversial to some extent. Despite the quite impressive number of Chinese companies operating in Uzbekistan, just about 1% of them is organised – even though the new *Trade Unions Act*, which came into force in March 2020, simplified the registration of workplace level trade unions. At the same time, it was reported that there has been no hostility by Chinese employers towards trade unions and collective agreement have been signed if there is a trade union established at the company.

The Federation of Trade Unions of Uzbekistan (FPU) (did not receive any information from its affiliated organisations regarding industrial conflicts and individual labour disputes at Chinese companies in the last three years. Reportedly, Chinese investors comply with the requirements of Uzbekistan’s labour legislation, while the wage difference between foreign and local staff do exist but are not considered a specific issue to address.

The FPU did not discuss issues related to Chinese investors as branch/sectoral trade unions are in direct contact with the employers at company level when discussing working conditions. Not surprisingly, trade unions do not consider Chinese investors and the BRI as a special challenge that could lead to some negative consequence. This is most likely because of the official policy to attract FDI to create jobs and boost the economy.



# Conclusions

All countries in Central Asia are implementing measures to **attract more FDI** while their reliance on China could be described as “investments because of despair”, at least in some cases.

There is a **lack of publicly accessible information** related to Chinese investments, both at the level of the economy in general and at the company level. To get any details on a particular investment project or company, usually a special request must be submitted to the relevant authorities who will decide what kind of information will be provided and to what extent. At the enterprise level the trade unions do not have access to data on the employer’s business performance as all information is confidential.

Employers of foreign companies try to run their businesses in Central Asia as they are used to at home. When there is no effective pressure from trade unions or workers, the **predominant approach of foreign investors seems to be to meet the minimum standards of local labour legislation** only.

The management of Chinese companies appear to be **reluctant about social partnership** and prefers not to engage in dialogue with trade unions – especially at recently established enterprises.

The situation regarding **organising trade unions at Chinese companies varies a lot**, depending on country, industry and company.

Countries have gradually set up **minimum quotas regarding recruitment of local workers** – around 70 – 90% depending on the country and the industry – which are not always complied with.

Evidently employers would **prefer to maintain higher wages for Chinese workers** compared to local staff by using a variety of reasons– e.g. the wage level of the local workforce is twice as high as national minimum wage, Chinese staff are far away from their homes and families while local staff enjoy a normal family life etc.

**Trade unions are in a relatively weak position when negotiating collective agreements** because (a) wages/tariffs are not a subject to collective bargaining while fixed by the employer solely; (b) trade unions do not have the information required for making justified wage claims; (c) wage policies set up by different subsidiaries of one investor lack transparency that leads to incompatible and unjustified wage levels; (d) collective agreements repeat the provisions of legal acts regarding surcharges and extra compensation (e.g. for overtime, night work etc) while not providing any additional cash benefits; (e) it seems to be extremely important for trade unions to grant some in-kind benefits for their members in collective agreements; (f) trade unions are oriented to avoid industrial conflicts.

Trade unions **seem not to be concerned regarding the broader impact of Chinese investments** for two reasons at least: (a) their major focus is on employment conditions, compliance with labour legislation, collective bargaining, and jobs; (b) they prefer not to contradict to the government’s policy.

As this point, there **seems to be little evidence of economic profitability of Chinese investment** in the region, but the PRC may evaluate their sustainability by considering different aspects and criteria, such as access to natural resources, jobs, military/security advantages, and political cooperation etc.

# Recommendations

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Some ideas to be considered by trade unions to improve the social partnership situation at Chinese multinationals:

**Lobby national authorities** to include Core Labour Standards clauses in loan and/or grant agreements to ensure that Chinese employers engage in dialogue and promote social partnership.

**Develop step-by-step action plans** to start communication and dialogue with management.

**Find ways to engage labour inspectorates** in monitoring compliance with core labour standards and national labour legislation at the workplace.

**Establish cooperation** among trade unions at sectoral, regional, and local levels.

**Build capacity for unions** to organise, recruit, and negotiate (with a focus on Chinese employers).

**Assign human resources and time** for organising and recruitment at Chinese multinationals.

**Exchange best practices** on organising and recruitment of workers at Chinese enterprises.

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South Caucasus and Central Asia: The Belt and Road Initiative. Uzbekistan Country Case Study. 2020

# Annex 2: List of interviews

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## Kazakhstan

**Gulnara Zhumageldieva**, deputy chairperson of the Trade Union Federation of the Republic of Kazakhstan (FPRK)

**Janjaryk Kuzembaev**, chairman of the Trade Union at AktobeMunaiGas (Aktobe)

**Bakytjan Mukasheva**, trade union's chairperson at the PetroKazakhstan Kumkol Resources (Kyzyl-Orda)

**Baurjan Musin**, deputy chairman of the KazMetall trade union

**Larisa Kharkova**, leader of the Independent Trade Union Confederation of the Republic of Kazakhstan (KNPRK), (de facto dissolved by authorities in 2016 while the Confederation was refused permission to re-register according to amendments of the Trade Union Act, adopted in 2014)

**Kushpan Koshegulov**, chairman of the Independent Oil and Gas Industry Workers' Trade Union

## Kyrgyzstan

**Gulmira Kasymalieva**, head of the social and economic department of the Federation of Trade Unions of Kyrgyzstan (FPKg)

**Eldar Tajibaev**, chairman of the Mining and Metallurgical Workers' Trade Union of Kyrgyzstan

## Tajikistan

**Jamshed Yunusov**, Federation of Independent Trade Unions of Tajikistan (FNPT)

**Nisso Boboeva**, chairperson of the Transport and Road Workers' Trade Union of Tajikistan

## Uzbekistan

**Makhmud Isaev**, head of the social and economic department of the Federation of Trade Unions of Uzbekistan (FPU)

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