Chinese Labour Migration into Vietnam’s Engineering, Procurement and Construction Sectors

By Nguyen Van Chinh (Guest Writer)*

EXECUTIVE SUMMARY

• The profile of new Chinese immigrants into Vietnam from the 1990s onwards has become more diverse than that of those who had arrived from the turn of the 20th century. Propelled by China’s “go-out strategy”, Chinese investment, economic aid, trade and cultural expansion into Vietnam have increased Chinese labour migration into the country.

• In particular, the increasing number of Chinese-managed projects in Vietnam’s engineering, procurement and construction (EPC) sectors have contributed to the increasing inflow of Chinese contract labour migration. Chinese state-owned companies are partners in many such major EPC development projects.

• Dependence on Chinese investments, economic aid, and EPC contracts in the country’s key national defence and security sectors have resulted in the Vietnam government’s slow and passive reaction to new Chinese migration into the country.

• There are four broad categories of new migrants: (i) contract labourers brought into Vietnam by Chinese contractors and enterprises;

* Nguyen Van Chinh is Senior Lecturer in Social Anthropology and Vice-Director of Center for Asian and Pacific Studies at Vietnam National University; email: vanchinh1028@gmail.com.
(ii) professionals, business people and students who are studying at educational institutions or staff at Chinese representative offices; (iii) independent migrants who assume the risks of making their way to Vietnam to engage in business; and (iv) legal and illegal cross-border migrants.

- Vietnam needs a coherent national immigration policy that takes into consideration its social and economic development interests to better benefit from foreign workers and to avoid social problems. In addition, the management of labour migration should be institutionalised with clear objectives and mandates. Other policy issues to consider include the revision of governmental ordinances on foreign labour management, and the need to establish a MOU between China and Vietnam on employment issues.

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INTRODUCTION

Two decades after the Sino-Vietnamese war in 1979, the two countries reopened their borders to each other. Bilateral economic relations have since rapidly developed, along with increased migration flows. These economic and social interactions are expected to continue unabated despite the on-going South China Sea impasse. This ISEAS Perspective looks at some of the complexities of new Chinese migration into Vietnam and the local responses since the resumption of Vietnam-China ties in 1991. It argues that the profile of new Chinese immigrants from the 1990s onwards have become more diverse than that of those who had arrived from the turn of the 20th century. In addition, their arrival is closely tied to the increasing inflows of Chinese investments, economic aid, trade and cultural expansion, which have been propelled by the Chinese government’s “go-out strategy”.

CHINA’S ECONOMIC ROLE IN VIETNAM

Trade between the two countries increased from US$669 million in 1996 to more than US$41 billion in 2012 (VECITA 2012; Thương mai Viet Trung Bulletin 2012). At the same time, Vietnam’s trade deficit with China grew from US$188 million in 2001 to US$16.3 billion in 2012. The trade deficit ratio was 14.8 per cent in 2001, and by 2010 it had increased to over 220 per cent (Nguyễn Duy Nghĩa 2010; Song Mới 2012).

Trade relations between the two countries have seen Vietnam become a ready market for Chinese imported goods. There are several reasons for this. Firstly, the majority of Chinese goods are crucial to Vietnamese industries. While the Chinese market will not be affected if China stops exports to Vietnam – the latter comprises only one percent of China’s total foreign trade – it would spell big trouble for Vietnam as its trade with China comprises 28 per cent of its total foreign trade (Le Dang Doanh, 2014). Secondly, as the two countries produce similar products for export, Vietnamese-made products will find it harder to compete with China-made goods because of price. Finally, domestic industries have not been able to meet the increasing local consumption demands in Vietnam. Therefore, some industries source for goods from China in light of the geographical proximity between the two countries. Moreover, the cost savings gained from importing lower quality but cheaper Chinese equipment and technology help to mitigate the financial constraints of small and medium factories in Vietnam.

China is also a major provider of concessional loans and it has won major construction projects in the Vietnamese engineering, procurement and construction sectors (EPC). There is no clear data on economic cooperation with China vis-à-vis EPC contracts because information on foreign economic aid is regarded as strictly
confidential by both governments, leaving the exact value of Chinese aid to Vietnam unknown. A study by Le Hong Hiep (2013) reported that Chinese engineering companies, by the end of 2009, were involved in projects worth US$15.4 billion, making Vietnam their largest EPC market in Southeast Asia.

The increase in the number—and value—of EPC contracts won by Chinese contractors is one of the most important factors driving the increasing flow of Chinese contract labour migration into Vietnam. To realize these EPC projects, Chinese contractors bring in not only Chinese technicians and managers, but also equipment, technology, materials and manual workers. Chinese state-owned companies such as Shanghai Electric Group Co Ltd. (SEC), Wuhan Kadi Power Chemicals Co Ltd. China, China Dongfang Electric Co (DEC), China Huanqiu Group, China Aluminium Intl. Engineering Company, Wuhan Engineering Co (WEC), ZTE Corporation Shanghai, etc., are the major partners contributing to this trend in Vietnam’s EPC sector.

In addition, the so-called “economic aid” to Vietnam is closely tied to the award of Sino-Vietnamese EPC projects. An examination of the flow and type of Chinese aid to Vietnam for the last 20 years found that the bulk of China’s foreign aid has been in the form of concessional loans and preferential buyer’s credit rather than gratis, non-refundable or interest-free aid. In particular, this flow of concessional loans from China functions as an important channel to promote its foreign trade and investments with Vietnam. Administered by the China EXIM Bank, conditions for these concessional loans and preferential buyer’s credit from the Chinese government include the exclusive use of Chinese contractors, technology, equipment, and services (China Eximbank, 2012). Undoubtedly, these conditions have enabled Chinese contractors to win EPC projects and have contributed to the dominance of Chinese engineering companies in Vietnam. With such support, Chinese companies are able to offer lower prices. In addition to this, it is not uncommon for Chinese contractors to offer lower prices at the start of the project to save costs by persuading project owners to alter the contract’s original terms and conditions, or ignore these terms and conditions upon the awarding of the contract.

Reports issued by the Ministry of Industries and Commerce of Vietnam revealed that many EPC contracts won by Chinese contractors are upstream projects in sectors allied to national defence and security such as those in energy and mining. As much as 90 per cent of Vietnam’s thermal power plants have been built by Chinese contractors (Nhat Minh 2012; Pham Huyen 2010). Vietnam’s dependence on Chinese contractors in these sectors have generated serious concerns — among them the poor quality of projects from Chinese companies, the perennial trade deficit with China, and conflict of interests over Vietnam’s national security especially in relation to energy security. In light of Vietnam’s dependence on China on several fronts, it is understandable why the Vietnam government has reacted slowly and passively to the issue of new Chinese migration into the country.
TYPES OF NEW CHINESE MIGRATION INTO VIETNAM

New Chinese migration into Vietnam can be broadly categorized into four types. These are general categories and are not always clearly defined. The first are *contract labourers* brought into Vietnam by Chinese contractors and enterprises. The second are *professionals, business people and students* who are studying at educational institutions or staff at Chinese representative offices in Vietnam. The third are *independent migrants* who assume the risks of making their way to Vietnam to engage in small or medium trading, or engage in business in various sectors such as services, street vending, restaurants and traditional herbal medicine. The final type is the *cross-border circulation* along the borderlands. Cross-border circulation can be further categorized into organized and unorganized or legal and illegal circulation. While these four types are helpful in identifying the specific groups of immigrants, it is important to see them not as separate movements but as a larger and interrelated human flow from China to Southeast Asia.

The majority of Chinese manual workers heading for the Mekong region engage in so-called ‘dirty, dangerous and demanding’ jobs (Walsh 2009). Aside from Chinese workers previously recruited by Taiwanese companies, most of them have been brought in by Chinese contractors from the 2000s onward. This form of labour migration is relatively new to Vietnam. The presence of Chinese immigrant workers in broader Southeast Asia reveals the growing economic cooperation and integration between China and the region as well as the Chinese government’s policy to send workers abroad to generate foreign exchange (Skeldon 1996; Walsh 2009).

An unpublished MOLISA report (2010) indicates that the number of Chinese workers in Vietnam increased more than three times from 21,217 persons in 2005 to 75,000 in 2010. These figures are, however, just an estimate. Our investigation into actual work sites shows that most Chinese workers are not registered and thus not included in reports. Our survey of Chinese workers and their legal status at nine major construction sites contracted by Chinese companies across the country are presented in Table 1.

Chinese manual workers are mainly employed in major Sino-Vietnamese construction projects managed by Chinese companies. Chinese contractors interviewed reported that most of their workers were employed under short-term contracts from three months to one year or longer, depending on the projects. A number of Chinese workers whom we spoke to, however, have overstayed by one or more years. Some workers in Hai Phong Thermo-Power Plant No.1 have stayed in Vietnam over five years and have worked at various projects across the country. Chinese employers usually move their workers from one worksite to another after three to six months in order to save on transaction costs. For instance, Chalieco Company (Chinalco Corporation) was contracted to build an aluminum processing factory in Tân Rai Bauxite Mining of Lâm Đồng. The Chinese contractor brought in 700 workers when
the project began in 2008. The number of workers was then doubled to 1,400 persons in 2009 and decreased to 922 in late 2011. Most of the labourers working in Tân Rai were moved to Nhân Cơ aluminum factory in Dak Nong Province between 2011 and 2012 to do the same tasks. Such shifting of workers ensures the availability of labour for Chinese contractors and saves the latter from reporting to the local authorities of the presence of foreign workers.

Table 1: Chinese labourers working at some major worksites in Vietnam 2011

<table>
<thead>
<tr>
<th>Construction sites</th>
<th>Number of Chinese Workers</th>
<th>Workers Legally Registered</th>
<th>Share of Chinese Workers to Total Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hai Phong Thermo-power Plants (Hai Phong City)</td>
<td>4,000</td>
<td>300 (7%)</td>
<td>n.a</td>
</tr>
<tr>
<td>Quang Ninh Thermo-power Plants (Quang Nam)</td>
<td>4,200</td>
<td>1,195 (28%)</td>
<td>95%</td>
</tr>
<tr>
<td>Ninh Binh Industries Complex (Ninh Binh Prov.)</td>
<td>2,400</td>
<td>714 (29%)</td>
<td>15%</td>
</tr>
<tr>
<td>Bauxite Mining Nhan Co (Daknong Province)</td>
<td>1,091</td>
<td>215 (19%)</td>
<td>82%</td>
</tr>
<tr>
<td>Bauxite Mining Tan Rai (Lam Dong Province)</td>
<td>1,400</td>
<td>255 (18%)</td>
<td>n.a</td>
</tr>
<tr>
<td>Nong Son Coal &amp; Electricity (Quang Nam Prov.)</td>
<td>500</td>
<td>100 (20%)</td>
<td>n.a</td>
</tr>
<tr>
<td>Ca Mau Complex of Gas, Electricity &amp; Nitrogen</td>
<td>1,700</td>
<td>654 (38%)</td>
<td>n.a</td>
</tr>
<tr>
<td>Nghi Son Cement Factory (Thanh Hoa Province)</td>
<td>326</td>
<td>93 (28%)</td>
<td>n.a</td>
</tr>
<tr>
<td>Song Bung Hydro Power Plant (Quang Nam)</td>
<td>296</td>
<td>50 (17%)</td>
<td>n.a</td>
</tr>
</tbody>
</table>

Source: Figures in this table are provided by local authorities and from field research conducted in 2011.

The wages and work conditions of Chinese workers in Vietnam vary depending on the types of job and employer. As discussed earlier, most of the EPC projects managed by Chinese contractors were negotiated and awarded at the government-to-government level with pre-determined conditions tied to concessional loans. As a result, Vietnamese investors are not in a position to influence worker salaries.
Vietnam’s laws on minimum wage and personal income tax (PIT) are also not adhered to by Chinese employers. The average wage of Chinese workers in Vietnam is between US$2 and US$3 per hour. Compared to the US$3.1 per hour they could earn in Mainland China (World Salaries, 2005), their wages in Vietnam are comparatively low. Nonetheless, Chinese workers prefer to work in Vietnam because part of their salary is transferred directly to their bank accounts in China and they can save more working in Vietnam than at home.

Chinese workers usually work longer than the eight hours stipulated by Vietnam labour laws. Overtime work without days off are also fairly commonplace for construction workers. Although their jobs are tough, Chinese workers rarely complain about their working conditions. In fact, Vietnamese workers describe their Chinese counterparts as hard working, disciplined, and strong. Although there are rumours circulating about violence or ill treatment of workers by Chinese overseers/managers of these Chinese-managed construction sites, we did not hear of such complaints in our interviews with the workers.

Workers are required to stay in dormitories located in the worksites. There are, however, also some exceptions. In Hai Phong Thermo-Power Plants (My Son Commune, Thuy Nguyen District), we met many workers who, after having worked there for a number of years, rent local houses and stay outside worksites. We also found Chinese workers living outside of company-provided dormitories marrying local women. Local villagers refer to the houses where Chinese workers stay as “slum” or “new Chinese village.”

From the Chinese contractors’ point of views, although the demand for manual labour at Vietnam’s construction sites is high, local workers can meet only about 30 per cent of the total amount of available work. They complain that local workers are not well trained, lack skills and labour discipline, and have difficulty understanding instructions from Chinese engineers. To communicate with Vietnamese workers, these contractors have to hire interpreters, resulting in a reduction in workers’ salaries. Meanwhile, Vietnamese procedures for work permits are flexible when it comes to temporary jobs, and foreign contractors often ignore local regulations in order to meet the construction schedule (interviews with Director of Hoàn Cầu China Company in Hải Phòng, 15 September 2010).

Cross-border mobility has increased since the border gates were reopened after 1990. The human flow into Vietnam may consist of the following: (i) ethnic populations who live in the borderlands; (ii) traders; (iii) farmers; (iv) marriage immigrants; (v) labour immigrants; and (vi) tourists. At the Hekou-Lao Cai border gate, the frequency of daily entries and exits was reported to hover around 10,000 passes, of which 70 per cent are Vietnamese (Theera Muchpiam et al., 2010:165). At the border gate in Dongxing-Mong Cai, the number of cross-border passes was 1,777,912 on average, of which 1,310,844 involved movement from China to Vietnam and 168,743 (or 13 per cent) involved the reverse flow from Vietnam into China (Mong Cai People
Committee, 2011). It has been reported in the Chinese media that large numbers of unauthorized immigrant workers from Vietnam seek employment in China as porters, as salespeople in small shops, or as farm workers, who overstay without permission (Xinhua 2010).

Crossing the border is a simple procedure in which border passes can be used instead of passports at the checkpoints. Aside from formal business, the Chinese also cross the border to Vietnam for informal trade. During our fieldwork, we observed that 90 per cent of the kiosks in Mong Cai Trade Center were rented to Chinese traders, most of whom cross over to Vietnam in the morning and return home to China in the afternoon. Interviews with local people who live around the border gates reveal that cross-border human mobility benefitted both Vietnam and China, especially for the local residents on both sides of the border.

Cross-border farming is also popular among the Chinese immigrants in Vietnam. Chinese immigrants lease land to plant cash crops and maintain aquaculture farms in Vietnam, and then bring the produce to markets in China. It is difficult to obtain statistical data on seasonal migration from China to Vietnam, but the mainstream media note that Chinese traditional small-scale cross-border cultivation can be found in many places in Vietnam. Along the coastal area of Vietnam, there are also aquaculture farms run by Chinese owners under the names of their Vietnamese wives or relatives.

**Table 2. The human influx from China mainland to Vietnam, 1991 - 2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total foreign visitors (thousand participations)</th>
<th>Chinese (thousand participations)</th>
<th>Share of total foreign visitors (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>1,351,3</td>
<td>62,2</td>
<td>4.6</td>
</tr>
<tr>
<td>2000</td>
<td>2,140,1</td>
<td>49,2</td>
<td>2.1</td>
</tr>
<tr>
<td>2002</td>
<td>2,628,2</td>
<td>723,4</td>
<td>27.5</td>
</tr>
<tr>
<td>2004</td>
<td>2,927,9</td>
<td>778,4</td>
<td>26.5</td>
</tr>
<tr>
<td>2006</td>
<td>3,583,5</td>
<td>516,3</td>
<td>14.4</td>
</tr>
<tr>
<td>2008</td>
<td>4,235,8</td>
<td>643,3</td>
<td>15.1</td>
</tr>
<tr>
<td>2010</td>
<td>5,049,9</td>
<td>905,4</td>
<td>17.9</td>
</tr>
</tbody>
</table>

*Source: General Statistical Office (GSO), 2011*
Chinese immigrants offering traditional Chinese medicine and healing services are also very popular in Vietnam. Statistics provided by the Ministry of Health indicate that from 2005 to 2011, the government licensed a total of 168 Chinese clinics for operation in Vietnam. Chinese clinics are now present in 17 provinces and cities. Most of them are concentrated in Hanoi (52 clinics), Ho Chi Minh City (32 clinics), Cần Thọ (19 clinics) and Đà Nẵng (13 clinics). Among the 684 Chinese staff working at 168 Chinese clinics, we found 158 doctors who graduated from Guangxi Institute of Chinese Traditional Medicine and the College of Vietnam Traditional Medicine (Ministry of Health, 2011).

A key question is whether the new Chinese immigrants are sojourners or settlers, and how they develop their settlement orientation. Our interviews with Chinese independent immigrants suggest that they do not desire to settle in Vietnam as their ancestors in the earlier centuries did, but only to seek out opportunities for business or employment. With the open policy of migration in China, new Chinese immigrants to Vietnam prefer to retain their Chinese passports. This includes Chinese immigrants who stay overseas for a long period of time. New Chinese immigrants in Vietnam may express a desire to prolong their stay if the conditions are favourable, but they will also consider moving to other countries if there are better possibilities.

POLICY RECOMMENDATIONS

A National Policy on Labour Migration

Vietnam is on the road towards regional and world labour market integration whereby labour cooperation will be increasingly crucial. The country therefore needs a coherent national immigration policy that takes into consideration—and is consistent with—social and economic development needs and interests. To better benefit from foreign workers in Vietnam and to avoid social problems, this national policy should account for the development of human resource, economic competitiveness, demographic transition, and industrial and social development. It is thus important to obtain an accurate estimate of labour and vocational demand from different sectors. A coordinating body within the Ministry of Labour and Social Affairs can be created to monitor labour demand and supply for both short and long term workers in various sectors and the skill levels needed. A centre for foreign labour management, as proposed recently by the Ministry, which aims to obtain information on the current situation and the dynamics of labour migration, is necessary but not sufficient for a national strategy on labour migration to be based on.
Clearer Objectives and Better Co-ordination in Managing Labour Migration

The management of labour migration should be institutionalised with clear objectives and mandates. It should be based on the national development plan and governmental ordinances on management of foreign labour and other relevant policies instead of decentralizing it to provincial departments of labour and enterprises as is the current practice. The current procedures of registration and recruitment of foreign workers need to be simplified, integrated, and made easier for workers and employers alike to register and renew work permits. Besides support service, information in the language of immigrant workers should be made available in order that they may access social and legal services.

Revision of Governmental Ordinances on Foreign Labour Management

Various stakeholders note that the current Governmental Ordinances on Foreign Labour Management, although having been revised three times (Chính phủ Việt Nam 2003; 2005; 2008), tend to be formal and hard to apply (Báo Đồng Nai, 2010). Some specific articles should be reconsidered. For instance, those foreign workers who come to work in Vietnam for less than three months do not have to apply for a work permit while enterprises that recruit foreign workers should report directly to local authorities as such regulations can be used to avoid transparency.

Establishing an MOU between China and Vietnam

Chinese migration into Vietnam is linked closely to China’s investments, trade, and economic aid. The immigrants arriving are not only motivated by employment and business opportunities, they are also encouraged and facilitated by the Chinese government vis-à-vis its establishment of a migration guarantee fund that gives loans to potential immigrants to help pay for their migration overseas (Pieke, Frank & Tabitha Speelman 2013). It may be necessary to work towards a Memorandum of Understanding (MOU) between the two countries on employment issues as well as to establish a legal channel of recruitment for immigrant workers to ensure bilateral and inter-state cooperation on labour migration management. There is currently no such mechanism to ensure the legal status and interests of migrant workers.
CONCLUSION

New Chinese migration into Vietnam is not an isolated phenomenon but part of a broader and recent emigration movement in China. This phenomenon has several characteristics. Chinese contract labour and migrants to Vietnam exhibit high levels of mobility making it difficult for local authorities to monitor or regulate. Most workers brought into the country by Chinese contractors are not registered as required by law. They are motivated primarily by employment opportunities rather than the desire for permanent settlement. Their increasing presence raises critical questions such as whether or not Vietnamese benefit from development projects and why Vietnam needs foreign workers when the local unemployment rate is high? In addition, the large number of foreign workers in national high-importance projects also raises concern over national security.

The main route of Chinese migrants into Vietnam is through the border gates with China. Tourist visas are preferred as they can stay for a period of one to three months even if their intention is to seek employment and business opportunities, rather than traveling as tourists. Chinese migrants often overstay their visa validity without applying for work permit or licenses. Their subsequent illegal status makes it harder for them to integrate into society.

Finally, new Chinese migration into the Mekong region in general is driven by China’s collective policy of exporting labour, offering foreign investment, economic aid, and the strategy of going global (or zouchuqu) embarked by the Chinese Communist Party in the early 2000s. Nevertheless, the impact of China’s external economic policy and the consequences of this policy remain understudied.
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