



Compounding Vulnerabilities: Chinese Workers in Indonesia

China Labor Watch

Email: clw@chinalaborwatch.org

Website: chinalaborwatch.org

Tel: +1 (212) 244-4049

127 West 30th Street 9th

Floor #960 New York City, NY



TABLE OF CONTENTS

About CLW _____	3
Foreword _____	4
1. Introduction: Indonesia, Nickel, and the BRI _____	8
2. Methodologies _____	12
3. Definitions _____	14
4. Findings _____	17
4.1 Deception and Institutionalized Secrecy _____	18
4.2 Passport Confiscation _____	22
4.3 Other Means of Control: Surveillance, Intimidations, and Wage Manipulation _____	23
4.4 Mediating Factor: Contract Relationship _____	26
4.5 Mediating Factor: The External Environment _____	28
5. Conclusion _____	31
Appendices _____	33
Appendix 1: Author’s Note on Local Impacts _____	33
Appendix 2: Key Companies _____	37
Tsingshan’s Industrial Plants _____	38
Delong’s Industrial Parks _____	44

ABOUT CLW

China Labor Watch (CLW) works towards increasing transparency of supply chains and factory labor conditions in China, advocates for workers' rights, and supports the Chinese labor movement.

Founded in 2000, China Labor Watch is an independent not-for-profit 501(c)(3) organization. Over the past 20 years, CLW has collaborated with the media, human right and labor organizations to conduct in-depth research and assessments of factories in China that produce toys, bikes, shoes, furniture, clothing, and electronics for some of the largest multinational brand companies. CLW's New York office publishes reports from these investigations, educates the international community on supply chain labor issues, and pressures corporations to improve conditions for workers.

FOREWORD

In the past twenty some years China Labor Watch (CLW) has been the unfailing provider of detailed reports on working conditions about domestic rural migrant workers inside China. As China grew to become the world's factory of labor-intensive consumer goods, the clothes and shoes we wear, the toys our children play with are increasingly made by Chinese exploited labor. These reports have piqued the conscience of the wealthier consumers that there is a dark side to globalized free market capitalism.

This new report on Indonesia's nickel mining marks a new departure from CLW's earlier reports. The geographical location, the type of production, the type of labor and the level of exploitation are different. The geographical sites are not inside China, but in other countries. The manual labor used is not utilized for manufacturing, but mostly for the construction of mega infrastructure construction and extractive mining industries in China's Belt and Road (BRI) initiative projects. The focus of the earlier reports documented the exploitative management practices of mostly Asian investors (mainly from Taiwan, Hong Kong, Korean) who served as the middle-men agents in the global supply chain. The difference between this report and the previous ones is that the new chief perpetrators are the Chinese bureaucracies of various levels, Chinese state corporations, Chinese state-owned enterprises, Chinese private subcontractors and sub-subcontractors. They are the ones who run the (BRI) projects in countries mostly poorer and less developed than China. It is now the Chinese who are exploiting their own kind. It is no longer poor China inviting foreigners to come to exploit its compatriots.

With China's rise, China is no longer the world's biggest receiver of FDI (foreign direct investment). Since Xi Jinping came to power and launched BRI with much fanfare, China has become a major FDI investor in some 140 countries. Different from labor-intensive industries, BRI's capital-intensive industries have different labor requirements. They need both highly technological and management skilled labor, but also heavy manual labor. But instead of using the oftentimes cheaper host country labor, China prefers to bring in a large number of Chinese manual laborers to work on the projects. As the number of BRI joint venture projects around the world increases, it has become common knowledge that when negotiating with their investor countries, one condition is that Chinese companies would be allowed to hire their own workers. This arrangement has repercussions on the host countries. It deters the poorer partner countries from alleviating their unemployment problem, from opportunities to upgrade local technical skill and from expanding their subcontracting businesses that are trumped by Chinese subcontractors in the tendering process.

Although most BRI projects are joint ventures the power relationship is not equal. Chinese companies are usually the senior partners. They demand that Chinese workers should come under Chinese management, while the host companies manage their own. Each is not to interfere with the other. Since Chinese guest workers and host country workers sometimes because of the nature of the particular tasks, are assigned to work side by side, strict protocols are in place at the workplace to prevent social interaction that might sprout class solidarity. Physical living segregation is devised to ensure Chinese workers are isolated from local workers and local communities. Chinese living quarters are usually enclosed compounds. In cases where Chinese workers are subjected to fierce mistreatment, compound gates are locked and guarded by armed security guards for fear that the workers might try to escape. Escapees who get caught will suffer physical violence or/and solitary confinement.

The workers have no recourse because host countries' labor laws do not apply to the Chinese enclaves. Chinese management is supposed to abide by Chinese labor laws. But who is there to enforce them? No one. In this sense, Chinese enclaves are modern-day Chinese foreign concessions of the Qing and Republican periods when China was pressured to grant concessions to Western imperial powers. Under this institutional arrangement even if a host country, such as Indonesia, has independent trade unions, they have no means to help protect Chinese workers even when they witness horrific work conditions inside the Chinese compounds. All these mechanisms of control on guest workers are described in great detail in this report. The depth of the exploitative practices unequivocally violates ILO C029, Convention on Forced Labor. In other words, Chinese guest workers laboring in BRI projects are subject to conditions much worse than Chinese domestic rural migrants.

Hopefully, this report will open up a Pandora box of China's much touted Belt and Road projects.

A handwritten signature in black ink that reads "Anita Chan". The signature is written in a cursive, flowing style.

Anita Chan

Australian National University

EXECUTIVE SUMMARY

This report documents the findings of CLW’s investigation in China’s Belt and Road nickel production projects in Indonesia. It aims to amplify Chinese overseas workers’ voices through diving into their lived experiences in some of the largest nickel production industrial projects in Indonesia backed under ill-regulated Chinese capital. Nickel is a key material in the production of stainless steel and batteries, and a strategically important resource for Indonesia to boost its domestic economy. Following the global impetus for a clean energy transition, Indonesia and Chinese capital are pivoting to investing in the EV supply chain. Specifically, in Indonesia, where the world’s largest nickel reserve sits, Chinese-run companies have been moving in, extracting nickel, conducting nickel smelting, and building downstream production facilities at a rapid thanks to Indonesia's business-friendly foreign investment policies.

More broadly, China’s transnational investments have led to regional economic development, and increased employment opportunities for both Chinese laborers and local populations and supply an essential raw material to renewable energy. However, concerns over environmental, social, and human rights issues have also followed Chinese capital abroad.

While these investments in the nickel-related supply chains brought job opportunities to the local community, they also brought social and environmental problems that have severely undermined the wellbeing and livelihood of local residents. Meanwhile, in these projects, substandard safety practices have caused a series of worksite accidents and deaths, leading to intermittent labor backlash and protests seen today.¹ Of the two groups of workers, local and Chinese, Chinese short-term guest workers, experience more egregious abuses. Their voices for help have overshadowed the supposedly “clean” energy transition effort.

The report thus aims to connect workers’ experiences with Chinese companies’ managerial practices and discusses the impact of external environments—such as the recent COVID-19 pandemic—pose to workers’ conditions.

CLW’s on-site research and correspondence with Chinese workers from 2021 to 2023 has found various egregious labor malpractices which were systematic and widespread:

1. Passport confiscation
2. Poor contracting practices
3. Withholding payment of wages
4. Workplace injuries and poor occupational safety
5. Absence of Indonesian work permit
6. Restriction of movement
7. Physical violence against the breaching of workplace rules and regulations.

¹ Adinda, Permata . “Between Nickel and a Hard Place: Plight of Indonesian and Chinese Workers behind Electric Vehicle Boom.” Project Multatuli, 27 May 2023, .<https://projectmultatuli.org/en/between-nickel-and-a-hard-place-plight-of-indonesian-and-chinese-workers-behind-electric-vehicle-boom/>.

All these issues are considered indicators of forced labor under international conventions. And the COVID-19 pandemic has led to an increased intensity to abuses such as the restriction of movement and wage arrears. However, some of these issues—such as the restriction of movement, the lack of work permit, and illegal contracting practices—vary before and after the pandemic or by employers. The report highlights how these practices systematically disempower workers, erode their rights and freedom, and transfer companies' business risks to the bearing of individual workers.

Here, CLW stresses that since all the industrial parks in this report are regarded as state-level economic initiatives—frequently referred to as Belt and Road Initiative projects by Chinese state media sources and as a part of Indonesia's national economic strategy (such as the National Strategic Projects)—the Chinese and Indonesian officials should hold irrefutable responsibility for the labor malpractices detailed in this report.

The report aims to incentivize the international civil society and governments to increase awareness of the labor issues involved in globalized industrial chains, now that forced labor has penetrated the global market. CLW recommends that both governments cease violating labor standards stipulated by International Labour Organisation (ILO), the United Nations, and other relevant international bodies.

1. INTRODUCTION: INDONESIA, NICKEL, AND THE BRI

Indonesia and China's economic partnership runs deep. The Belt and Road Initiative (BRI), China's national policy guiding the Party-state's economic connections with countries all over the world, was proposed for the first time ever by President Xi Jinping during his state visit to Indonesia in 2013.² It was readily embraced by Indonesian President Joko "Jokowi" Widodo.³ According to China's state media, Indonesia is China's second largest investment destination among the Association of Southeast Asian Nations' (ASEAN) member countries as of 2022, with a total investment reaching 8.19 billion USD.⁴ China has also been Indonesia's largest trade partner for a decade.⁵

This long-running economic partnership is rooted in both countries' national interests. Rather than a concrete policy, China's BRI is more of an "initiative": it is China's global strategy to build industrial, cultural, political, social, and financial ties with its neighboring countries to address the Party-state's national concerns over the challenges underlying its domestic economic structure,⁶ national security,⁷ and global stance.⁸ Thus far, the policy initiative has covered most countries in the globe.⁹ The financial and industrial ties it initiated with resource-rich developing countries such as the Democratic Republic of Congo and Indonesia also helped China to solidify its dominance in the global supply chains in important mineral resources.¹⁰ Indonesia, in particular, is estimated to possess around 24 percent of the world's known nickel ore reserves, a key material for steel and battery production.

² Xiao Qian, 2019. "Belt and Road benefits Indonesia, the world". *The Jakarta Post*.

<https://www.thejakartapost.com/academia/2019/04/05/belt-and-road-benefits-indonesia-the-world.html>.

³ Eco-Business. "Unraveling the Belt and Road Puzzle in Indonesia." *Eco-Business*, 10 July 2023, www.eco-business.com/opinion/unravelling-the-belt-and-road-puzzle-in-indonesia/.

⁴ The Foreign Ministry of the Republic of China. "双边关系." *The Foreign Ministry of the Republic of China*, July 2023, www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/yz_676205/1206_677244/sbgx_677248/.

⁵ China News. "中国银行内外联动助力中印尼双边本币结算." *China News*, 17 Oct. 2023, www.chinanews.com.cn/cj/2023/10-17/10095399.shtml.

⁶ Lindley, Daniel. "Assessing China's Motives: How the Belt and Road Initiative Threatens US Interests." *Air University (AU)*, 1 Aug. 2022, www.airuniversity.af.edu/JIPA/Display/Article/3111114/assessing-chinas-motives-how-the-belt-and-road-initiative-threatens-us-interests/.

⁷ "Securing the Belt and Road Initiative China's Evolving Military Engagement along the Silk Roads." Edited by Nadège Rolland. Choice Reviews Online, *The National Bureau of Asian Research*, Sept. 2019.

⁸ Gong, Xue. "The Belt & Road Initiative and China's Influence in Southeast Asia." *The Pacific Review*, vol. 32, no. 4, 14 Nov. 2018, pp. 1–31, <https://doi.org/10.1080/09512748.2018.1513950>. ; Callahan, William A. "China's Belt and Road Initiative and the New Eurasian Order." *Norwegian Institute for International Affairs (NUPI)*, 2016.

https://www.jstor.org/stable/pdf/resrep07951.pdf?refreqid=excelsior%3A63c054b5a8e81785c435ab876fe52c2e&ab_segments=&origin=&acceptTC=1.

⁹ The National Bureau of Statistics of the People's Republic of China. "一带一路"建设成果丰硕 推动全面对外开放格局形成——党的十八大以来经济社会发展成就系列报告之十七." *The National Bureau of Statistics*, 9 Oct. 2022, www.stats.gov.cn/xgkj/jd/sjjd2020/202210/t20221009_1889044.html.

¹⁰ Yang, Zeyi. "How China Hopes to Secure Its Supply Chain for Critical Minerals." *MIT Technology Review*, 13 Sept. 2023, www.technologyreview.com/2023/09/13/1079377/china-clean-tech-supply-chain/. ; Castillo, Rodrigo, and Caitlin Purdy.

As of 2021, Chinese companies have invested over US\$30 billion in the Indonesian nickel supply chain,¹¹ making Indonesia one of the largest flagship participants of the BRI in Southeast Asia. Bhima Yudhistira Adhinegara, director at the Center of Economic and Law Studies in Indonesia, said that China controls over 50 percent of Indonesia's total national nickel production.¹²

For Indonesia, China's investment brings much-needed economic growth and infrastructure development.¹³ Under Indonesian President Joko Widodo's business-friendly reforms¹⁴ and restrictions on raw nickel ore exports,¹⁵ Indonesia leverages the country's rich nickel reserve in the global market and signed a slew of investment deals. According to an ASEAN report, in the year of 2020 and 2021, Indonesia garnered 18.6 and 20.1 billion USD in foreign direct investment (FDI), respectively.¹⁶ Indonesia's FDI amounts to an annual average of \$16 billion USD since 2016¹⁷—an amount second to the ASEAN financial hub Singapore.¹⁸ And in the year of 2016, Indonesia's FDI totaled 4.54 billion USD.¹⁹

Chinese investments have developed an integrated steel industry in Indonesia, with multiple mega industrial plants built in the country's resource-rich periphery, Sulawesi Island. One notable example is Indonesian Morowali Industrial Plant (IMIP), Asia's largest nickel processing site covering more than 3,000 hectares which employs more than 80,000 people in its integrated nickel processing and steel production lines.²⁰ In recent years, the global push for clean energy has led to a surge in demand for

"China's Role in Supplying Critical Minerals for the Global Energy Transition: What Could the Future Hold?" *The Brookings Institute*, July 2022.

¹¹ "Indonesia's Nickel Industrial Strategy," *CSIS*, December 8, 2021, <https://www.csis.org/analysis/indonesias-nickel-industrial-strategy>.

¹² Timmerman, Antonia. "The Dirty Road to Clean Energy: How China's Electric Vehicle Boom Is Ravaging the Environment." *Rest of World*, 28 Nov. 2022, restofworld.org/2022/indonesia-china-ev-nickel/.

¹³ "Indonesia's Nickel Industrial Strategy," *CSIS*, December 8, 2021, <https://www.csis.org/analysis/indonesias-nickel-industrial-strategy>.

¹⁴ Faridz, Devianti. "Indonesia Courts Chinese Investors for EV Production Ecosystem." *Voice of America*, 5 Aug. 2023, www.voanews.com/a/indonesia-courts-chinese-investors-for-ev-production-ecosystem-/7212395.html.; McCallum, William. "Unlocking Foreign Investment the Key to Driving Widodo's Economic Ambitions." *Asialink*, 3 Dec. 2019, asialink.unimelb.edu.au/asialink-dialogues-and-applied-research/commentary-and-analysis/unlocking-foreign-investment-the-key-to-driving-widodos-economic-ambitions.; IBP, Journalist. "President Joko Widodo Working on Golden Visa Policy to Attract Foreign Investors | RISK & OPP." *Indonesia Business Post*, 30 May 2023, indonesiabusinesspost.com/risks-opportunities/president-joko-widodo-working-on-golden-visa-policy-to-attract-foreign-investors/.

¹⁵ Indonesia. *Law No. 4/2009 on Mineral and Coal Mining*. 12 Jan. 2009.

¹⁶ Guild, James. "How Indonesia Manages the Risks of Foreign Investment." *The Diplomat*, 19 July 2023, thediplomat.com/2023/07/how-indonesia-manages-the-risks-of-foreign-investment/.

¹⁷ Indonesia. *Law No. 4/2009 on Mineral and Coal Mining*. 12 Jan. 2009.

¹⁸ The ASEAN Secretariat. *Pandemic Recovery and Investment Facilitation*. 2022.

¹⁹ Macrotrends. "Indonesia Foreign Direct Investment 1970-2023." [www.macrotrends.net](https://www.macrotrends.net/countries/IDN/indonesia/foreign-direct-investment#:~:text=Data%20are%20in%20current%20U.S), www.macrotrends.net/countries/IDN/indonesia/foreign-direct-investment#:~:text=Data%20are%20in%20current%20U.S.

²⁰ Xinhua News. "Chinese-Invested Industrial Parks Inject New Vitality into Indonesia's Economic Growth." *Xinhua News*, 15 Nov. 2022, home.xinhua-news.com/gdsdetailxhsmobile/11628828-.

electric vehicles and an increased need for nickel. Riding this train, the development of the domestic EV industry has become one of Indonesia's national priorities.²¹

As the world's leading car battery manufacturer²² and Indonesia's long-standing partner, China was one of the first to enter this field. As state-affiliated media platform Global Times states, China hopes to "enhance practical cooperation" with its ASEAN partners on the "new three" – EVs, lithium batteries and solar panels – to develop regional EV industry and integrate the region to the global EV supply chains.²³ Indonesia is no doubt a pivotal part of this vision. This is notable in Chinese companies' recent ventures. In 2018, Chinese battery firms GEM Co Ltd. and Contemporary Amperex Technology Ltd (CATL) signed a deal to set up a facility in IMIP to produce battery-grade nickel. Same year, Ningbo Lygend Mining Co Ltd, a Chinese nickel giant, partnered with an Indonesian company to begin construction of a plant in Obi Island, focusing on producing battery-grade nickel.²⁴

You might wonder: how are workers treated in such a strategically and economically important industry? As this report and others detail, while Chinese investments brought Indonesia positive economic growth, various negative impacts followed.²⁵ For example, various reports from news media and nonprofit organizations have exposed labor abuses, negative ecological impacts,²⁶ and labor dissents following Chinese companies.²⁷ Nickel mining has also been linked to deforestation and

²¹ Indonesian Central Government. "PERPRES No. 55 Tahun 2019 Tentang Percepatan Program Kendaraan Bermotor Listrik Berbasis Baterai (Battery Electric Vehicle) Untuk Transportasi Jalan [JDIH BPK RI]." *Indonesian Central Government*, 2019.

²² Chanda, Namrata Sen. "Chinese EV Battery Makers: Dominating the West." *Asia Fund Managers*, 11 Sept. 2023, asiafundmanagers.com/us/chinese-ev-battery-makers-dominating-the-west/.

²³ Shen, Weiduo. "China-ASEAN NEV Industry Cluster Takes Shape due to Stronger Ties, Favorable Policies - Global Times." *Global Times*, 18 Sept. 2023, www.globaltimes.cn/page/202309/1298399.shtml#:~:text=In%20the%2022new.

²⁴ NS Energy. "Obi HPAL Nickel-Cobalt Project, North Maluku Province, Indonesia." *NS Energy*, www.nsenergybusiness.com/projects/obi-hpal-nickel-cobalt-project/; Ribeiro, Henrique, et al. "Rising EV-Grade Nickel Demand Fuels Interest in Risky HPAL Process." *S&P Global*, 3 Mar. 2021, www.spglobal.com/commodityinsights/en/market-insights/blogs/metals/030321-nickel-hpal-technology-ev-batteries-emissions-environment-mining.

²⁵ See, for example, Negara, Siwage Dharma, and Leo Suryadinata. *Trends in Southeast Asia: Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects*. The ISEAS – Yusof Ishak Institute, 2018. https://www.iseas.edu.sg/wp-content/uploads/pdfs/TRS11_18.pdf.

²⁶ Liu, Yudong (Nathan). "Webinar Summary: A Spatial Environmental Assessment of Select Belt and Road Initiative Projects in Indonesia | Global Development Policy Center." *Boston University Global Development Policy Center*, www.bu.edu/gdp/2022/04/29/webinar-summary-a-spatial-environmental-assessment-of-select-belt-and-road-initiative-projects-in-indonesia/; Hadi Pramono, Albertus, et al. "China's Belt and Road Initiative in Indonesia: Mapping and Mitigating Environmental and Social Risks." *Boston University Global Development Policy Center*, July 2022.

²⁷ See, for example, 联合早报. "印尼数万工人今天罢工抗议调高燃油价格 | 早报." *联合早报*, 6 Sep. 2022, www.zaobao.com.sg/news/sea/story20220906-1310104; Rushdi, Muhammad, et al. "Fast and Furious for Future." *Rosa-Luxemburg-Stiftung*, www.rosalux.de/en/publication/id/44154/fast-and-furious-for-future; Hadi Pramono, Albertus, et al. "China's Belt and Road Initiative in Indonesia: Mapping and Mitigating Environmental and Social Risks." *Boston University Global Development Policy Center*, July 2022.; Business and Human Rights Center. "Indonesia: Nickel Miners Linked to Deforestation & Displacement of Villages; Incl. Company Responses." *Business & Human Rights Resource Centre*, 30 Oct. 2023, www.business-humanrights.org/en/latest-news/indonesia-nickel-miners-linked-to-deforestation-displacement-of-villages-incl-company-responses/.

the eviction of indigenous populations.²⁸ Chinese companies face push back from the Indonesian civil society on the troubling rise of death tolls among workers doing a dirty, hazardous job²⁹ and the negative environmental footprint in Indonesia's poorly monitored remote nickel extraction scene.³⁰ Just recently, on December 24, 2023, a fatal explosion at IMIP resulted in 19 workers' deaths and dozens injured, leading to hundreds of Indonesian workers gathering outside the plant to protest.³¹

This report zooms in on Chinese workers' conditions. As the report will detail, Chinese companies brought to Indonesia a mode of labor practice that is both unsustainable and unjust, undermining thousands of workers' basic human rights and needs. Workers experience prolonged and systematic maltreatment including wage withholding, illegal contracting practices, confiscation of passports, and restriction of movement – all indicators of forced labor,³² and heightens employers' control over workers. These practices infringe on workers' basic human and labor rights, erase agency, and transform the work environment into one of high stress and surveillance. This report further discusses tactics Chinese companies adopt to maintain their power and stifle workers' public display of discontent and insulate themselves from legal liability of such labor malpractices, and ways in which these practices are embedded in a larger Chinese labor context. CLW's investigation is supported by our unique capacity to network and engage with individual Chinese overseas guest workers. Our research methods is shown in the following section.

²⁸ Barahamin , Andre . “Global Race for Electric Car Components Is Threatening Indigenous Peoples in Indonesia.” *Earth Journalism Network*, 26 Nov. 2021, earthjournalism.net/stories/global-race-for-electric-car-components-is-threatening-indigenous-peoples-in-indonesia..

²⁹ Amindoni, Ayomi . “As EVs Surge, so Does Nickel Mining's Death Toll.” *Rest of World*, 27 July 2023, restofworld.org/2023/indonesia-nickel-mining-deaths/.; Business and Human Rights Centre. “Indonesia: Unsafe Working Conditions at Chinese-Owned Nickel Smelters Led to 76 Injuries and 57 Deaths from 2015 to 2020, CSO Report Shows.” Business & Human Rights Resource Centre, 11 Apr. 2023, www.business-humanrights.org/en/latest-news/indonesia-unsafe-working-conditions-at-chinese-owned-nickel-smelters-led-to-76-injuries-and-57-deaths-from-2015-to-2020-cso-report-shows/.

³⁰ Woro Yuniar, Resty , and Su-Lin Tan. “Indonesia's Plans with China's Tsingshan Face Heat to Uphold Green Standards.” *South China Morning Post*, 5 Apr. 2021, www.scmp.com/week-asia/economics/article/3128294/indonesias-plans-chinas-tsingshan-face-pressure-uphold-green.

³¹ China Labor Watch. “Hundreds of Workers Protest at Chinese-Funded Nickel Plant in Indonesia Following Deadly Explosion.” *China Labor Watch*, 28 Dec. 2023, chinalaborwatch.org/hundreds-of-workers-protest-at-chinese-funded-nickel-plant-in-indonesia-following-deadly-explosion/.

³² International Labour Organization. 2012. ILO indicators of Forced Labor. Geneva: *International Labour Organization*.

2. METHODOLOGIES

CLW has implemented the following research methodologies to gather evidence for this report: direct contact and information gathering through social media and other channels, interviewing, literature reviews of legal, policy, or news reports, and the distribution of a questionnaire. This research primarily focused on materials in Mandarin Chinese and English. For many years, CLW has joined workers' group chats, created group chats via social platforms such as WeChat, Telegram, Signal, and WhatsApp. CLW and its partners have collected work-related information from close to 400 workers and conducted over 50 in-depth interviews—interviews lasting from 30 minutes to two hours— from early 2021 to 2023.

Two of these three years, 2021 and 2022, happened to coincide with the period during which the COVID-19 pandemic was devastating the world. Most of interviews conducted then were also able to capture the conditions under these workers suffered. Because of China's pandemic policy in not allowing people to enter China, guest workers were not able to return when their contracts expired. Management took advantage of the opportunity and subjected to compounded exploitation. When they had no one to turn to for help, they were eager to talk to CLW in the hope that NGO could deliver them out of misery.

In 2023, CLW conducted follow-up investigations through direct contact with workers to construct a fuller picture of workers conditions. The challenge then is to protect the identities of the workers who were willing to be interviewed. Thus all of the workers cited in this report are given aliases, and certain identifiable information such as location, and name mentioned in their quotes are redacted or replaced with similar or equivalent information.

Although CLW was finally able to interview so many workers, CLW had faced two main challenges. One was the solicitation of workers' consent to be interviewed. The other was the safeguarding of security and anonymity of interviewees. Moreover, many workers refused to speak to CLW due to concerns for their safety; many companies had put in place procedures barring workers from sharing information negative to their image, and many workers have been punished for speaking to outsiders about their situation. The challenge of access increased 2022, when the COVID-19 pandemic restrictions imposed by China were lifted. During the pandemic workers' biggest concern was being stranded in a foreign country due to factors completely outside their control. But once China's border control barring its overseas citizens were lifted, workers' complaints subsided as they were less willing to talk to "outsiders." This, coupled with Chinese companies' increased measures to silence workers, have led to increased challenge in access.

The document analyzed is composed of official documents and sources from governments of China and Indonesia. These were supplemented by academic, think tank, and NGO articles that analyze BRI's impact, newspaper articles, and workers' testimonies. Although the Chinese government has an official BRI website,³³ it does not include an official list of BRI projects or many statistics. On the Indonesian side, the amount of official BRI information that is publicly available is low.

The data compiled from the document analysis and interviews with workers has been analyzed using qualitative and quantitative means. This research uses legal definitions to standardize the interpretations of modern slavery, human trafficking, forced labor, labor rights, and other human rights. This enables the research findings to be contextualized within the framework of international law.

³³ “中国一带一路网 [China One Belt One Road Website],” *the People's Republic of China*, <https://www.yidaiyilu.gov.cn/>.

3. DEFINITIONS

The U.S. Department of State issued guidelines detailing different forms of the trafficking of persons. In these guidelines, forced labor is considered a form of human trafficking that “...encompasses the range of activities involved when a person uses force, fraud, or coercion to exploit the labor or services of another person.”³⁴ According to ILO, many of the experiences described by workers in the sections above, when taken together, qualify as forced labor.³⁵

In this section, we match our findings with different aspects of ILO’s definitions of forced labor. It should be emphasized that the appearance of a single characteristic matching the definition does not necessarily by itself mean that forced labor is present; rather, the ILO offers a list of different attributes as a heuristic guideline for identifying *patterns* of abuse. The key theme of all of these patterns is the imposition of control and systematic encroachment of victims’ free will.

In April 2022, China signed and ratified the Forced Labour Convention, 1930 (No. 29) and the Abolition of Forced Labour Convention, 1957 (No. 105),³⁶ acknowledging these international guidelines. However, the forced labor conditions in BRI, as CLW exposed, call into question the Chinese government’s adherence to these international conventions.

Abuse of vulnerability

The ILO defines the abuse of vulnerability as employers taking advantage of workers’ vulnerable positions, e.g., their having few livelihood opportunities, their lack of knowledge of the local language or law, their religious affiliation, etc., to exercise control or to exploit them.³⁷ Chinese workers are a population of a particular form of vulnerability. In China, the *hukou* household registration system restricts migrant workers’ mobility and job opportunities; overseas, Chinese guest workers’ vulnerability intensifies due to language and cultural barriers, lack of legal knowledge, and more. As the report details, these vulnerabilities are often neglected or, worse, abused by employers.

Deception

Another measure of forced labor according to the ILO is employers’ failure to deliver what was agreed with the workers, be that promise verbal or written. Victims of forced labor are often recruited through promises of well-paid jobs and good conditions, only to find out the reality otherwise. Worse, in some

³⁴ U.S. State Department. “About Human Trafficking.” *United States Department of State*, www.state.gov/humantrafficking-about-human-trafficking/#understanding.

³⁵ International Labour Organization. 2012. ILO indicators of Forced Labor. Geneva: *International Labour Organization*.

³⁶ International Labour Organization. 2022. ILO welcomes China’s move towards the ratification of two forced labour Conventions.

https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_842739/lang--en/index.htm.

³⁷ International Labour Organization. 2012. ILO indicators of Forced Labor. Geneva: International Labour Organization.

cases, workers are given contracts with deceptive terms or in a language they cannot understand. In such cases, workers were not given the opportunity of informed consent.

Restriction of movement

The ILO describes restriction of movement as a strong indicator of forced labor. Although some restrictions of workers movement can be reasonable for management or workers' protection purposes, the prevention of workers' free entrance and exit of their workplace – especially outside of their work hours – constitutes a form of illegitimate control.

Isolation

According to the ILO, victims of forced labor are often isolated in remote locations or denied contact with the outside world.³⁸ Depending on nature of the work, it is sometimes inevitable that workers would be posted to remote locations. Employers' measures barring workers from contacting the outside world is key to crossing the line between inevitable feature of work and exploitation.

Physical and sexual violence

Forced laborers can be subjected to physical or sexual violence for various reasons including but not limited to its use as a control or disciplinary measure. As a physical manifestation of control, violence is a strong indicator of forced labor.

Intimidation and threats

According to the ILO, "Victims of forced labor may suffer intimidation and threats when they complain about their conditions or wish to quit their jobs. In addition to threats of physical violence, other common threats used against workers include reporting to the immigration authorities, loss of wages or access to housing or land, sacking of family members, further worsening of working conditions, and withdrawal of 'privileges' such as the right to leave the workplace."³⁹ Intimidation and threats create a workplace of heightened control and psychological coercion and, especially combined with other forms of abuse, infringe workers' agency to work or act as they will.

Retention of identity documents

Retention of important identity documents and other personal possessions is an important indicator of forced labor. When workers are unable to access these personal items on demand, they may feel that they cannot leave the job without risking significant losses.⁴⁰ For overseas Chinese migrant workers, the lack of identity documents means that their movement and return to home fall in the hands of their employers. This has been proven extremely problematic to many.

Withholding of wages

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

Workers may feel obliged to stay with an abusive employer while they wait for owed wages. When employers deliberately and systematically withhold workers' wages or engage in wage theft practices, it points to a deliberate and systematic imposition of control and points to forced labor.

Debt bondage

Forced laborers might be trapped in an employment relationship to pay off incurred or inherited debt, which can arise from loans or wage advances to cover recruitment fees, transportation, or other costs. Debt bondage binds workers to their workplace and their employer-debtor and reinforces a critical imbalance of power within the employment relationship.

Abusive working and living conditions

In a forced labor situation, "...work may be performed under conditions that are degrading (humiliating or dirty) or hazardous (difficult or dangerous without adequate protective gear), and in severe breach of labor law. Forced laborers may also be subjected to substandard living conditions and made to live in overcrowded and unhealthy conditions without any privacy."⁴¹ Workers enduring abusive conditions that reasonable persons with agency are likely to refuse is an indicator of possible coercion that keeps workers from leaving their workplace.

Excessive overtime

Workers under forced labor conditions might be obliged to work excessively long hours and days. Working extensive hours could be an indicator of possible coercion, too.

All of the forced labor indicators above also serve as means through which the employers, or in this sense, traffickers, extract labor out of the workers through imposition of control and coercion, threatening the victims'—in this sense, workers'—fundamental rights of freedom and agency.

⁴¹ Ibid

4. FINDINGS

Some egregious cases of workplace deaths have been covered by the media in recent years. In 2017, Joko Hama Ngadi, a worker at SMI, was crushed to death by a bulldozer.⁴² In 2018, Shan Kha, a Chinese worker at IMIP, died after falling into a vat of slag—a waste product of smelting—heated up to 1,400 °C.⁴³ From July 2021 to June 2022, we have identified ten Chinese workers’ deaths—seven of whom worked for Virtue Dragon. In December 2022, two Indonesian workers died in a Chinese-run nickel smelting facility, triggering a protest. A clash occurred during the protest, causing two additional deaths.⁴⁴ In December 2023, an explosion led to the deaths of 19 and dozens injured,⁴⁵ leading to hundreds of Indonesian workers gathering outside the plant to protest for better protections.⁴⁶ Although these examples are anecdotal, their repeated occurrence points to a systematic and institutionalized pattern of poor labor practice and chilling disregard of workers’ safety and lives.

Further, in our investigation, CLW and its partners interviewed over 50 workers and contacted more than 200 workers in the span of 2021 to 2023. We identified various forms of deception during the hiring process, business practices that systematically disempower workers including subcontracting practices, systematized wage manipulations, illegal

“Do not treat your Indonesian workers the way you do Chinese workers,” according to an informant, an Indonesian official said in a speech in a Chinese-run Industrial plant, in front of an audience.

contracting practices, passport detention, long working hours, poor workplace safety measures, bad living conditions, infringement of the right to assembly, mandated overtime, and intimidation and physical abuse. All these issues violate international labor standards and systematically disempower workers, leaving them feeling powerless and unwilling or unable to leave or raise issues. These issues workers experience also point to forced labor, per ILO’s definitions. Workers generally – with some exceptions – work nine-to-ten-hour workdays, six days a week or more, are mandated to work overtime, and are not guaranteed holidays off. These are general work conditions that Chinese

⁴² Sangadji, Arianto, et al. *Road to Ruin: Challenging the Sustainability of Nickel-Based Production for Electric Vehicle Batteries*. Rosa Luxemburg Stiftung, https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nickel_Study_FINAL.pdf.

⁴³ Kribo, Irsal El. “Delapan Hari, Dua Pekerja Di Kawasan PT IMIP Meninggal Dunia Karena Kecelakaan Kerja - Voice Sulawesi.” *Delapan Hari, Dua Pekerja Di Kawasan PT IMIP Meninggal Dunia Karena Kecelakaan Kerja - Voice Sulawesi*, 13 Aug. 2023, www.voicesulawesi.com.

⁴⁴ “Two Workers Killed after Clashes at Indonesian Nickel Smelter.” *Al Jazeera*, 16 Jan. 2023, www.aljazeera.com/economy/2023/1/16/two-workers-killed-after-clashes-at-indonesian-nickel-smelter.

⁴⁵ China Labor Watch. “Hundreds of Workers Protest at Chinese-Funded Nickel Plant in Indonesia Following Deadly Explosion.” *China Labor Watch*, 28 Dec. 2023, chinalaborwatch.org/hundreds-of-workers-protest-at-chinese-funded-nickel-plant-in-indonesia-following-deadly-explosion/.

⁴⁶ Sood, Amy, and Riza Salman. “Inside Indonesia’s Chinese-Funded Nickel Smelters, Where Lives Are ‘at Stake.’” *South China Morning Post*, 6 Jan. 2024, www.scmp.com/week-asia/economics/article/3247493/indonesias-chinese-funded-nickel-smelters-lives-put-stake-

migrant workers—in technical or manual positions alike—have treated as default given that they are standard practices in the Chinese labor market. The prevalence of these issues, however, does not mean that they are normal or just. Rather, it reflects a systemic problem in China’s labor market. Workers do not go to better employers or unionize or go to court to fight for their rights because neither are open and available options. In fact, research shows that legal and other formal means could be inaccessible or largely ineffective in resolving labor disputes,⁴⁷ and the authorities’ repression on independent journalism and labor and other forms of social activism – especially in recent years – also means that civil society is hardly a viable channel to have workers’ voices heard. To make a living, workers must endure abuse.

For overseas Chinese workers, certain issues are particularly salient in the overseas employment context and render them especially vulnerable. The following are the most problematic practices we found during our investigations.

4.1 Deception and Institutionalized Secrecy

In business, secrecy—or the control of information—is a powerful tool to uphold business interests and maintain competitive advantage. Companies engage in a series of practices—such as patents—to maintain secrecy. In the field of labor and recruitment, Chinese companies engage in a series of institutional practices that increase workers’ vulnerability and systematically prevent workers from comprehensive knowledge about the nature of their employment relationship and work conditions. These practices, ultimately, put these companies behind the curtain of secrecy and grant them extra space to maneuver around the legal and social aspects of labor.

Deceptive practices are common in different stages of the hiring process. In our investigation, some workers described to us situations where they entered their employment under deceptive conditions:

First, contracting practices such as the obfuscation of employer’s registered name (but, for instance, using phrases such as “Party A” (甲方) throughout the contract instead) or other key elements that render it legally binding, drafting contracts in a language that workers could not understand, or oral agreement or a complete lack of contracts are not a rare occurrence. These poor contracting practices make it difficult for workers to hold their employers legally accountable when issues arise.

⁴⁷ Halegua, Aaron and Halegua, Aaron, Getting Paid: Processing the Labor Disputes of China's Migrant Workers (2008). *Berkeley Journal of International Law (BJIL)*, Vol. 26, No. 1, 2008, Available at SSRN: <https://ssrn.com/abstract=1133731>.; Chan, Peter CH, Are Chinese Courts Pro-Labor or Pro-Employer? (May 11, 2022). *University of Pennsylvania Journal of International Law*, Vol. 43, No. 2, 2022, Available at SSRN: <https://ssrn.com/abstract=4106473>.; Clarke, D. C. (1996). Power and Politics in the Chinese Court System: The Enforcement of Civil Judgments. *Columbia Journal of Asian Law*, 10(1). <https://doi.org/10.7916/cjal.v10i1.3152>.; Hu, Jieren, and Daniel Martin. “Labor Dispute Resolution and Migrant Workers’ Legal Rights Protection in China.” *Chinese Journal of International Review*, vol. 02, no. 01, June 2020, pp. 1–24, <https://doi.org/10.1142/s2630531320500043>.; Xie, Pengxin, et al. “How Did Chinese Migrant Workers Fare in Labour Dispute Mediation? Differentiated Legal Protection and the Moderating Role of the Nature of Dispute.” *Journal of Industrial Relations*, vol. 59, no. 5, 18 July 2017, pp. 611–630, <https://doi.org/10.1177/0022185617716730>.



Image of motorcycles parked in front of one of the industrial plants' gates.

These bad contracting practices are prevalent among third party contractors or labor brokers, especially for positions with high concentrations of migrant workers in the construction, service, and manufacturing sector. In China, the labor market for migrant workers – or workers borne in rural regions who migrate to the country's more economically developed regions for work⁴⁸ – is characterized by informal employment practices tied by interpersonal networks. Chinese migrant workers are

often introduced to job opportunities by their family and friends, their previous bosses, other personal networks, or on- or off-line recruitment ads. This informal employment practice is especially prevalent in the construction sector characterized by volatility and precarity of labor.

Because of the oftentimes informal employment relationships between employers and migrant workers, employers are often emboldened to transfer legal and business risks to individual workers – the most vulnerable party in this food chain. Once issues such as the involvement of malicious parties or cash fluidity issues arise, workers can find themselves missing paychecks and encounter barriers defending their rights through legal means. According to national and regional statistics, significant portions of the migrant worker population never signed a contract with their employers, and wage arrears is a common and recurring problem.⁴⁹ Indeed, large numbers of complaints about wage arrears emerge towards the end of the year annually. A large amount concentrated in the construction industry, so much so that the Chinese Ministry of Human Resources and Social Security issued *the Interim Measures for the Administration of Special Accounts for Migrant Workers' Wages*

⁴⁸ Note: The migrant worker population is less-educated, often pushed out of rural regions because of the lack of economic opportunities present in China's rural region. Due to China's *hukou* household registration record system, migrant workers lack legal and social protections in urban areas, making migrant workers in China a particularly vulnerable class of labor.

⁴⁹ Chongqing Municipal Bureau of Statistics. "农民工认可生存现状 存在问题不容忽视." *Chongqing Municipal Bureau of Statistics*, 29 May 2019, tjj.cq.gov.cn/zwgk_233/fdzdgknr/tjxx/sjjd_55469/202002/t20200219_5273757_wap.html.; Xinhua News. "《劳动合同法》还应加大执行力度." *Xinhua News*, 28 Mar. 2016, www.xinhuanet.com/politics/2016-03/28/c_128839281.htm.; Shaanxi Provincial Government Data Center. "2019 年陕西农民工监测报告." *Shaanxi Provincial Government Data Center*, 2 Mar. 2020, www.shaanxi.cn/jjxj/dcbg/RfeEfy.htm.

in *Civil Construction* in 2021,⁵⁰ regulating the industry. The effect of this measure remains to be seen, while the informal pattern of employment in the construction industry has been replicated abroad.

This informal model of employment relationship is especially problematic for overseas migrant workers. In China, workers can leave their work premises any time if they find their conditions unsatisfactory – given that they are willing to forgo outstanding wages. Overseas, because of factors such as unfamiliarity with the local social conditions, language barriers, and the practice of passport confiscation, workers' transportation, change of employers, and return to China are often controlled by their current employers. These factors, combined with the lack of legal protection brought by the customary informal employment relationships endemic to the Chinese construction sector, make overseas Chinese construction workers especially vulnerable to abuse. In fact, the most egregious wage arrears, dangerous work conditions, poor safety measures, and wage theft practices CLW recorded during our investigation concentrated in the construction sector. On workers' end, entrusting their interpersonal connections and view such informal arrangements as a standard practice.

Workers in other lines of work are not exempt from deceptive contracting malpractices. In Indonesia, Chinese workers generally occupy technical positions in the production lines at large Chinese-run industrial plants such as Indonesia Morowali Industrial Plant (IMIP) and Virtue Dragon Nickel Industry (VDNI). In the production lines, it is also a standard practice to recruit workers through third-party subcontractors and labor service companies. Yet issues such as oral contracts or the complete omission of contracts and egregious wage arrears without means to pursue justice are less common outside the construction scene.

Additionally, the majority of the workers investigated only signed their contracts after their arrival in Indonesia, making it hard for them to give up on the job and leave due to the airfare and potential recruitment fees involved.

Second, deception in job advertisements is common. In our investigation, it appears that nickel processing plants are often short staffed, and worker turnover rate seems high. Recent follow-up conversations with workers previously working abroad in Indonesia found that they rarely decide to go to Indonesia to work again, especially for those who worked there during the COVID pandemic. All of these factors point to an unstable workforce that has to be replaced periodically. Therefore, to attract applicants, recruiters could be motivated to exaggerate the working and living conditions in Indonesia. Many workers find themselves deceived after arriving at their workplace.

⁵⁰ Central Government of the People's Republic of China. “人力资源社会保障部等十部门关于印发《工程建设领域农民工工资专用账户管理暂行办法》的通知_国务院部门文件_中国政府网.” *Central Government of the People's Republic of China*, 7 July 2021, www.gov.cn/zhengce/zhengceku/2021-07/15/content_5625083.htm.



福利待遇

- 1、以上生产线岗位，转正后享受岗位工资15%左右的绩效工资；
- 2、社保和住房公积金按江苏省盐城市响水县标准执行缴存，免费缴纳境外险；
- 3、免费提供食宿及生活必需用品；
- 4、印尼员工每半年回国带薪休假一次；
- 5、来往机票及签证费用由公司承担；
- 6、免费提供正规出国劳务培训。

Public-Facing Wechat Account of Jiangsu Virtue Dragon Recruitment Online

As an incidental example, in a job advertisement (see above), VDNI promised a welfare package that includes "...paid leaves every six months" while, at the time (May 2021), a large number of workers were stranded and unable to return to China.⁵¹

Contract malpractices can compile with deception in job ads, since third-party subcontractors and labor recruiters that engage in much of the contracting malpractices are also less compelled by company image and public reception, and are more inclined to engage in malpractices of all forms. As an anecdotal example, Mr. Pang, a construction worker, worked for a private boss without signing a labor contract. Pang said in an interview with CLW: "All Tsingtuo (a subsidiary of Jiangsu Delong, a Chinese industry giant that has been operating VDNI until recent months) workers feel cheated by labor brokers. All the advertisements are written according to the Tsingshan's standards, but when I arrived, the conditions were completely different. Four [workers] per room? That's a joke. I live in a room of ten!" And although CLW cannot ascertain precise statistics in the proportion of workers recruited by outsourced companies, conversations and interviews with workers reveal that workers signed with third-party outsourced companies make up a significant number.

The deceptive and secretive nature of Chinese companies' operations also presents other elements of information management. Internally, deceptive hiring practices detailed above, and lack of information transparency directly led to workers' lack of knowledge in the nature of both their employment and the goings-on in their workplace beyond their immediate or accessible facilities. During CLW's investigation, workers often possess very shallow, partial, or even misguided understanding of their employers and their legal status (or the lack thereof) in Indonesia. Worse, information about serious injuries, deaths, or other issues are often unavailable to workers unless

⁵¹ Shenlong Labor Brokerage . "印尼 VDNI 公司 5 月招聘." *Shenlong Delong Recruitment Online*, 6 May 2021, mp.weixin.qq.com/s/4XG93X2dXdlhjjyvsHYo6A.

through in-person experiences, witness, or hearsay – instead of through the industrial plants’ public statements or internal communications.

Workers’ Quote

Mr. Bian: “They (the company) have a crisis response procedure. Whenever someone gets seriously hurt or dies, the first thing they do, they have the line leaders, basically the supervisors in each unit, each facility, check everyone’s phone. It’s not taking care of the hurt or anything, they take everyone’s phone to check for photos, or videos or everything. No messages [allowed either].”

CLW: “Have you heard of people dying [in the industrial plant] recently? Not much news is out lately.”

Mr. Bian: “Yes, it definitely happens. There was one a couple of months ago. [...] The company probably settled some payment with the family or whatever, I don’t know any details. They won’t let us share [information with the outside world] but people talk.”

Externally, many companies have implemented measures to restrict workers’ contact with the outside world, especially with the media and NGOs. This could be tied to companies’ harsh appraisal—or wage theft—practices, which will be further discussed in section 4.3. As an incidental example, in 2022, a construction worker reported having been fined CNY10,000 (around USD 1,400) for spreading information that was deemed harmful to his company. This incident was publicized in the factory plant, and in our follow-up with a different worker, Mr. Bian, in 2023, he referenced the incident as an example of the company’s information control procedures. According to him, tactics like this have increased in intensity since late 2022 to early 2023, following bad press and increased public awareness on the negative environmental and social impact of the Chinese-run nickel processing plants in Indonesia. Workers routinely experience training regarding outside contacts, using internal appraisals to warn workers against disclosing information to the outside world.

4.2 Passport Confiscation

If practices described above are ways through which companies recruit fresh blood into a highly unstable workforce, reduce cost, dodge liability, and avoid bad press, passport confiscation is an active measure devised to control and manage the workforce.

In our investigation, all workers’ passports are confiscated by their employers for reasons such as “unified management” or “standard practice.” This practice is so prevalent that most workers CLW contacted treated it as standard practice for working overseas. Some only found it problematic when their employers refused to return their passports when they wanted to go back to China—a situation most common and problematic during the COVID-19 pandemic. As most workers do not possess the language, cultural, and legal proficiency within local society, working in Indonesia without personal identification documents can be a potentially paralyzing situation; workers need their companies’ approval in order to leave their position or to schedule a return back home. Chinese employers appear to generally include transportation costs into the package when recruiting labor from China.

Under normal circumstances, most workers will be able to go home as scheduled – if not with some delays. The stories can look very different if the conditions change. During the COVID-19 pandemic, Chinese employers in Indonesia encountered unexpected operational risks including barriers recruiting new workers from China due to pandemic restrictions, significantly inflated airfares for incoming and returning workers, and pressure to meet project delivery deadlines regardless. Many chose to pass these risks to individual workers through implementing measures to keep them working and prevent them from going home. Under this condition, the practice of passport confiscation became a convenient means to strand workers in Indonesia. And as CLW detailed in a 2022 report, this practice was rampant during the COVID-19 pandemic.⁵²

These abuses can reach shocking levels. In interviews done by CLW, the *Wall Street Journal*, and other media, Zhang Qiang and another four workers from Henan said that they found work on VDNI's ferronickel project in Indonesia via an intermediary. When they arrived in Indonesia, their passports were taken away as soon as they got off the plane. They then found that their salary had been changed from CNY 15,000 (around US\$2,200) per month to a monthly subsidy of just CNY 1,000 (about US\$150). According to CLW and media interviews with these workers, when they wanted to leave, the agency asked them to pay CNY50,000 (about US\$7,400) each to get their passports back.⁵³

Passport confiscation happens across employers – large or small – of different locations. In a sense, it constitutes a unique form of control measure against workers and is a gateway to allow for other forms of maltreatment.

4.3 Other Means of Control: Surveillance, Intimidations, and Wage Manipulation

Fear appears to penetrate many workers' experiences. In workers' testimonies, many seemed deflated about their conditions, and only pleaded to get out of their situation instead of negotiating for higher standards. The reasons can be manifold. As discussed, overseas Chinese workers are especially vulnerable to exploitation due to the confluence of issues endemic in the Chinese labor market and factors unique to the overseas environment. Various forms of labor surveillance and control imposed by the employers further heightens this vulnerability.

In our investigation, some workers expressed fear about their employers' connections with the (Indonesian and Chinese) authorities. Indeed, some industrial parks such as IMIP and VDNI have

⁵² "Trapped: The Belt and Road Initiative and Its Chinese Workers." *China Labor Watch*, 22 Nov. 2022, chinalaborwatch.org/trapped-the-belt-and-road-initiative-and-its-chinese-workers/.

⁵³ Liza Lin, Yifan Wang, & Jon Emont. (2021). "Chinese Workers Say They Are Lured Abroad and Exploited for Belt and Road Jobs." *The Wall Street Journal*. Emont, Jon, et al. "Chinese Workers Say They Are Lured Abroad and Exploited for Belt and Road Jobs." *Wall Street Journal*, 27 Oct. 2021, www.wsj.com/articles/chinese-workers-say-they-are-lured-abroad-and-exploited-for-belt-and-road-jobs-11635348143.

signed collaboration agreements with the local or national police.⁵⁴ And according to workers' testimonies and photos and videos of the scenes, personnel wearing military or police uniforms had been dispatched to suppress a number of workers' protests. Several workers also reported witnessing or having been beaten by their factory plant's security force or "the bodyguards" of their employers. Accordingly, workers sense that the security forces present in the industrial plants serve more as a surveillance force against workers' transgression than a force of protection.

This sense of surveillance creates an air of distrust and disempowerment among the workers. Facing restrictive and arbitrary rules and regulations, as well as witnessing, experiencing, and hearing stories of death and violence, seeing guards in military uniforms – some carrying rifles while patrolling the area – keep workers' heads down. The Indonesian officials' involvement also creates another layer of hesitation, aside from not possessing their legal documents, to report abuse to the local authority.

In addition to the security forces monitoring their workplace, many Chinese workers also experience restrictions of movement outside of working hours. Conditions vary across industrial plants, locations, or even employers – in mega industrial plants with integrated production lines like IMIP, more than a dozen companies could be found operating facilities in different parts of the supply chain from ore extraction to downstream battery and steel production. Each facility can contract from one to more than a dozen subcontractors or third-party labor recruiters. Some workers' movements are under tight control, while others might be able to exit their workplace freely after work. Additionally, some factory plants – such as IMIP and Indonesia Weda Bay Industrial Plant (IWIP) engage in closed-loop management – a condition in which virtually all aspects of workers' lives including food, living, work, basic supplies, healthcare, and personal safety and freedom occur in the same industrial plant, granting employers disproportionate control over workers' work and lives. This becomes pertinent when workers' work sites are in particularly remote areas. In our investigation, we were informed that workers in specific industrial plants needed to request a shuttle with probable cause to travel to the nearest city. Under this style of management, companies' rules and regulations can become virtually all-encompassing.

Workers' visa status is another important issue: In order to work overseas, an individual has to gain their employers' sponsorship and payment for their work permit and the process involved in applying for this legal work status. Companies unable or unwilling to go through this legal process can recruit Chinese workers to work in Indonesia on a visitor status – to essentially work as illegal migrants. From 2021 to 2022, CLW found that many overseas workers arrived in their destination countries on tourist or business visas. Compared with work visas, the application processes for business and tourist visas incur lower costs and gives the employers more power over workers. Working illegally—that is, if the workers have the knowledge of their illegal status—can reinforce workers' reluctance to seek

⁵⁴ “印尼国家警察护航“一带一路”重点项目 [Indonesia's national police guarded the “Belt and Road” key projects],” *china.com.cn*, March 14, 2022, http://ydyi.china.com.cn/2022-03/14/content_78106470.htm ; China News. “印尼国家警察护航“一带一路”重点项目_新闻中心_中国网.” *China News*, 12 Mar. 2022, news.china.com.cn/2022-03/12/content_78103808.htm.

assistance from local authorities and excludes them from the protection of destination countries' labor laws and other relevant regulations.

In 2023, CLW's conversations with some workers revealed that Chinese companies have begun offering Chinese workers valid visas to work in Indonesia following reporting throughout 2022 and early 2023.⁵⁵ This formalization of the overseas employment process, however, is selective. More details will be provided in section 4.4.

Workers' Anecdote

Mr. Yang, a worker at IMIP, said management would gather its workers every morning to present various company regulations along with the penalties for those who violate such rules. Usually, the company will close the morning 's "apple" with encouraging slogans. For him, this daily routine acts as a barely disguised threat to workers, prompting them to obey and comply with militaristic regulations.

Many workers are also subject to wage manipulation tactics, either through wage withholding practices or harsh appraisal systems based on the companies' or the factory plants' rules and regulations. In the former cases, companies withhold a certain portion of workers' wages awaiting settlement, usually their terms are due or when they are scheduled to return home—a practice that ensures companies' cash flow and to increase the management's control in the employment relationship. In fact, according to CLW's investigation, some employers leverage workers' withheld wages to demand compliance from workers on the grounds of extending contract periods, controlling negative press, and suppressing dissents. An informant told us that some employers treat wage withholding as a “management

tool.”

Wage Withholding can be easily tied to harsh appraisal, as employers can deduct fines from workers' withheld wages. In the worst cases, workers encounter fines every step of the way for different violations of workplace rules and regulations, with some reportedly fined for having bad postures at work or resting shirtless in their own dorm rooms. And as mentioned previously, contacting the outside world to spread “negative information” about the company can also be a cause for fines. Lacking independent channels to voice dissents and counting on their employers for their hard-earn paychecks, workers can

@所有人 各位领导、同事，大家早上好！请大家做好本部门/车间/班组的舆论正确导向宣传，不转发、不乱发网上所流传的关于莫洛瓦力园区的一些不实照片或者视频，不被网上的恶意宣传所引导，特别是抖音、Whatapp、Tiktok、Instagram等社交媒体，请大家做好正面宣传和引导。👏👏

Image shows a chat message sent in a IMIP chat group warning members of the chat group against spreading “untrue” photos and videos about IMIP online.

⁵⁵ Cheung, Rachel. “Workers Keep Dying at This Chinese Nickel Mining Company in Indonesia.” *VICE*, 7 Feb. 2023, www.vice.com/en/article/3ad3n8/china-nickel-smelting-factory-indonesia-gunbuster-belt-and-road.; Castillo, Rodrigo, et al. “Indonesia's Electric Vehicle Batteries Dream Has a Dirty Nickel Problem.” *Brookings Institute*, 21 Sept. 2022, www.brookings.edu/articles/indonesias-electric-vehicle-batteries-dream-has-a-dirty-nickel-problem/.; “Two Workers Killed after Clashes at Indonesian Nickel Smelter.” *Al Jazeera*, 16 Jan. 2023, www.aljazeera.com/economy/2023/1/16/two-workers-killed-after-clashes-at-indonesian-nickel-smelter.

only keep their heads down – even when they face recurring abuses.

Security forces, restriction of movement, and legal status, wage manipulation, and tactics of deception and institutional secrecy detailed in section 4.1 work in tandem to create an environment of heightened stress and silence, quelling workers' actions and their will to fight for their rights or to seek help. In fact, most workers who CLW have direct contact with adopt an attitude of passive acceptance. Just as a worker said in an interview:

“What can you do? It is what it is. This is just what working [as a worker] for us Chinese is like,” he sighed.

4.4 Mediating Factor: Contract Relationship

In our investigation, some described to CLW a harrowing image of high-stressed, overworked, and underpaid work experience in which workers can work up to 12 hours a day with at most an inconsistent one-day weekend off; others, although relatively rarely, reported a legally defined regular 8-hour workday, six days a week arrangement. This inconsistency itself is intriguing: what ultimately determines workers' conditions? It turns out that an important factor shaping workers' overall experience in Indonesia is their direct employers and the positions they are in. The employers, again, have the ultimate say in how workers are treated.

As mentioned above, migrant workers in the construction sector are especially vulnerable to wage arrears and other forms of abuse because of the prevailing model of informal employment relationship in the industry. Large construction companies are successful in their bid on a given construction project often delegate labor recruitment and the actual construction process to a number of smaller subcontractors to reduce their operational risks. Some of these subcontractors, according to workers' testimonies, are essentially shell companies registered by experienced individuals who possess the social network to sign projects from large construction companies and bring in a group of migrant workers to work on the contracted projects. And on the other end, workers in a job hunt might not possess the necessary knowledge and energy to properly

Workers' Quote

Mr. Lan: I worked at an Electricity plant. [...] My workdays there (from 2021 to 2022) was pretty normal, around eight hours per day. My boss was pretty good, my wages are clear as normal, they [his employer] never skipped payment or anything. Work is ok, we had pay slips (payroll), I don't have anything particular to complain about. But for me, for my time in Indonesia, it's really about what I saw around me that's kind of chilling.

screen their prospective employers.

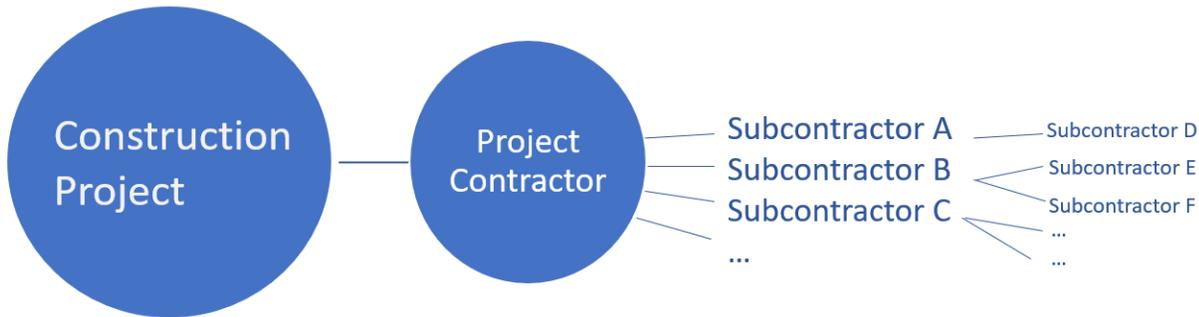


Diagram 1. Contracting relationship

Although the diagram shows a relatively linear contracting relationship, in reality, many more companies can be involved in any given construction project. However, the logic is maintained.

This subcontracting practice has proven problematic. Depending on the nature of the business contract signed between contractors, workers' employers might face risks involved in paying overheads including labor, transportation, and other overhead costs out of pocket before they receive project payment in part or in full. If any issues or disputes arise in any links in this chain of relationship—for example, if the project contractor finds the construction quality to be substandard, or if an upper-tier subcontractor finds itself in liquidity issues and postpone payment—or if foul play is involved, workers might not be paid in part or at all for works done. In our investigation, at least one month wage withholding appears to be of a standard practice status among construction contractors. Some workers were promised a “one month deposit then monthly” (押一付一) wage payment scheme – or an arrangement in which one month of workers' wage is withheld by the employer while the rest are paid on a monthly basis – in the recruitment process, only to be struck by a much harsher wage withholding arrangement later on.

For workers in the production lines, outsourcing is generally a less egregious issue. In this context, outsourcing generally means companies that operate a given facility outsource its hiring process to third party labor recruiters or its subsidiaries. Workers might pay a hefty recruitment fee out of pocket – generally from 5,000 RMB (around 686 USD) to 10,000 RMB (around 1,372 USD) – to be introduced to a work opportunity abroad. Once in Indonesia, there are cases in which workers were asked to sign an employment agreement with a subsidiary of the company they were expected to work for – a potential tactic companies use to dodge legal liability. There are also reports of mandated overtime, appraisals, poor safety training and protective measures, and wage arrears. Despite these, wage arrears and other serious labor abuses appear to occur to a less egregious degree compared to construction.

The core of the practice of outsourcing and subcontracting is the transfer of risks involved in normal business and project operations—such as cash flow, cost, legal liability, corporate social responsibility and corporate image, project management, and possible postponement in timeline—to the most vulnerable party involved—individual workers. For the project contractors or manufacturing company,

risk transference often means outsourcing portions of project completion, manufacturing, and/or labor to other companies, which bear the majority of the legal risks; for outsourced units and subcontractors, the pressure project timeline, cash flow, and other issues can easily be put on the back of individual workers by pushing them to work harder for longer hours and withholding their wages to ease the cash flow pressure and stop them from leaving before all deadlines are reached. In this sense, passport confiscation, restriction of movement, and other means of control are also means for Chinese companies to control labor – yet another operational risk – at the expense of the workers.

The wide-spread practice of outsourcing and subcontracting also has another labor rights consequence: working under different bosses and on separate payrolls, workers are segregated into units and groups by virtue of the employment structure. This renders the formation of solidarity among a large number of workers improbable. As a worker, Mr. Liang, said in an interview in 2022, “People are hired by different companies, and we generally don’t interact with each other. Your issue is not mine, and if everyone’s on strike and then we get paid, then we stop, and you can carry on.”

The conversation with Liang occurred after a protest broke out in PT Gunbuster Nickel Indonesia (PT GNI) after long-standing tension between Chinese workers and their employers. The protest was followed by a strike among Chinese workers. However, the strike was proven ineffective, as no formal organizing occurred, and workers ceased striking one group after another based on their negotiation with their own direct employers.

Incidentally, on separate accounts, a few workers described that management personnel would show up in Chinese workers’ gatherings at times of Indonesian workers’ protests or strikes, and use Chinese nationalistic rhetoric to pin Indonesian workers’ actions as a Chinese-Indonesian conflict. Accordingly, in some instances, Chinese workers are goaded to “protect themselves and their fellow Chinese” against local workers with arms.

4.5 Mediating Factor: The External Environment

The factors above create an environment of increased employer control and reduced workers’ agency. Companies’ recruitment and management procedures often function under an institutional logic of secrecy, preventing workers from full knowledge of the nature of their employment, stifling workers’ voices, and isolating them from the outside world. Tactics such as passport detention, wage withholding and harsh appraisals, and restrictions of movement systematically disempower workers and increase their existing vulnerability as working foreign nationals. In a sense, workers’ increased vulnerability is largely a direct product of Chinese companies’ policies and actions.

As it turns out, as these factors systematically increase employers’ power, the external environment can determine the extent to which employers decide to use this power. In the past couple of years, the COVID-19 pandemic presents a significant event that drastically heightened workers’ vulnerability. On the workers’ end, China’s stringent pandemic restrictions led to a sharp drop or even, at times, suspensions of international flights and a series of COVID-test- and quarantine-related

hoops they needed to jump through just to return home; on the employers' end, the pandemic lockdown led to an acute labor shortage, increased pressure on project and production deadlines, and increased labor costs due to a skyrocketing in workers' transportation fares. However, the pandemic also legitimized the imposition of many drastic and restrictive measures.

All these issues led to humanitarian disasters for the Chinese workers stranded abroad, as detailed in our 2021 and 2022 reports.⁵⁶ Employers engaged in a variety of practices such as the refusal or postpone of workers' repatriation after reaching contract terms, full industrial plant or facility lockdowns, refusal to cover workers' airfares, refusal to offer medical treatment for work injuries, and project or production suspensions without compensation. During this period, a large number of complaints were received, and horrific conditions were reported – with more than one extreme case involving workers' suicides.

The suffering that occurred during the COVID-19 pandemic is far from unavoidable. In a sense, the COVID-19 pandemic and the China's restrictive travel and testing policies⁵⁷ are factors out of employers' control; The transfer of pandemic-related business risks – such as the inflated airfares and challenges in project or manufacturing order delivery – to individual workers, however, is an active choice. And it is Chinese companies' actions under times of crisis and tragedy that reflects their callous disregard against workers' very lives. Such nonchalance, indeed, has intensified suffering and contributed to casualties. Although conditions improved after China's official easing of pandemic restriction policies, the abuse of Chinese workers is far from over – so long as Chinese companies are not held accountable for the systematic tactics used to increase managerial power and erase workers' voices.

On a larger scale, the Chinese government bears irrefutable responsibility for its lack of an independent national accountability mechanism to actively monitor and hold accountable companies' actions in accordance with relevant national and international standards. As mentioned, labor rights abuse is extremely prevalent – or even of a default status – in the Chinese labor market. Overseas Chinese workers' struggle is an extension of such labor rights issues rooted in Chinese companies' standard labor practices endemic in the Chinese labor market. In a way, individual companies can risk their competitive advantages if they raise labor standards in their facilities. Labor rights abuse in China is thus a systemic issue. And despite relevant national laws—such as the Chinese Labor Law and the Chinese Constitution—expressly defined workers' protected rights,⁵⁸ the authority has exhibited a clear and unmistakable pattern of passivity or even inaction in safeguarding such rights – both

⁵⁶ China Labor Watch. "Silent Victims of Labor Trafficking: China's Belt and Road Workers Stranded Overseas amid Covid-19 Pandemic." *China Labor Watch*, 30 Apr. 2021, chinalaborwatch.org/silent-victims-of-labor-trafficking-chinas-belt-and-road-workers-stranded.; China Labor Watch. "Silent Victims of Labor Trafficking: China's Belt and Road Workers Stranded Overseas amid Covid-19 Pandemic." *China Labor Watch*, 30 Apr. 2021, chinalaborwatch.org/silent-victims-of-labor-trafficking-chinas-belt-and-road-workers-stranded

⁵⁷ Planet Payment. "The Ongoing Effects of China's "Five-One" Policy." *Planet Payment*, www.planetpayment.com/en/about-us/knowledge-hub/travel-and-tourism-blog/china-five-one-policy/#:~:text=The%20CAAC.

⁵⁸ China Labor Law of 1994; The Constitution of the People's Republic of China.

overseas and domestically. Labor rights are a subset of human rights. And the Chinese government has presented an unsettling indifference to Chinese workers' – and people's – voices and struggles.

It is the cheap and efficient labor that ultimately fostered China's national development over the past decade and crystalized China's role as a global manufacturing hub. In this sense, both China and Chinese companies are beneficiaries of millions of workers' back-breaking, monotonous, and hazardous labor. Yet individual workers are often the sole bearers of the short-term risks and long-term health and social consequences of such hard labor. And it is the Chinese government's passivity and inaction that continues to foster an environment that permits the prevalent labor rights abuse among Chinese companies. Reaping the benefit of workers' labor, the Chinese authorities should take on the responsibility to protect workers' rights.

5. CONCLUSION

According to international conventions—such as the International Covenant on Civil and Political Rights (ICCPR)⁵⁹ and the Forced Labor Convention⁶⁰, treaties that China signed and ratified, as well as Chinese national laws, Chinese workers have the right to: the opportunity to earn a living through work which can be freely chosen or accepted,⁶¹ remuneration⁶² including public holidays,⁶³ safe and healthy working conditions,⁶⁴ equal opportunity,⁶⁵ rest, leisure and reasonable limitations of working hours,⁶⁶ form and join the trade union of their choice⁶⁷ and to take part in meetings and activities of trade unions and of any other associations established in accordance with law.⁶⁸ These are basic and inalienable rights that China pledged to protect for its working population.

In reality, Chinese companies have exerted concerted effort in repressing the afore-mentioned fundamental labor rights within China with little to no consequences, as extensively reported by media, and civil society organizations like CLW.⁶⁹ Long hours, poor work conditions, poor safety protection, lack of rest days, and mandatory overtime are standard practices in the Chinese labor market, especially in the manufacturing sector. While laborers suffer, China has reaped the benefit of cheap and efficient labor to become the world's second largest economy over the past decades. It is fair to say that China's rise after its official participation into global trade is built upon glaring human

⁵⁹ UN Treaty Body Database, Ratification Status for Indonesia, available at: https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=80&Lang=EN.

⁶⁰ Ratifications of C029 - Forced Labour Convention, 1930 (No. 29), available at: https://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312174 (accessed January 3, 2022).

⁶¹ UN General Assembly, International Covenant on Economic, Social and Cultural Rights (ICESCR), 16 December 1966, *United Nations*, Treaty Series, vol. 993, p. 3, Article 6; *Chinese Labor Law*, Article 3.

⁶² *Ibid*, Article 7(a); *Chinese Labor Law*, Article 3.

⁶³ *Ibid*, Article 7(d); *Chinese Labor Law*, Article 3.

⁶⁴ *Ibid*, Article 7(b); *Chinese Labor Law*, Article 3.

⁶⁵ *Ibid*, Article 7(c); *Chinese Labor Law*, Article 3.

⁶⁶ *Ibid*, Article 7(d); *Chinese Labor Law*, Article 3.

⁶⁷ *Ibid*, Article 8(a), (b), (c); *Chinese Labor Law*, Article 3.

⁶⁸ UN General Assembly, *International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (ICRMW)*, 18 December 1990, A/RES/45/158,, Article 26(a), (b); *Chinese Labor Law*, Article 7.

⁶⁹ Ruckus, Ralf. "Chinese Workers Are Facing Escalating Repression." *Jacobin*, 8 Apr. 2023, jacobin.com/2023/04/china-workers-labor-movement-left-state-repression.; Franceschini, Ivan, and Elisa Nesossi. "State Repression of Chinese Labor NGOs: A Chilling Effect?" *The China Journal*, vol. 80, July 2018, pp. 111–129, <https://doi.org/10.1086/696986>.; Hung, Ho-fung. "Repressing Labor, Empowering China." *Phenomenal World*, 2 July 2021, www.phenomenalworld.org/analysis/repressing-labor-empowering-china/.; Kuo, Kaiser. "Labor Unrest and How China Balances Repression and Responsiveness." *The China Project*, 30 Sept. 2021, thechinaproject.com/2021/09/30/labor-unrest-and-how-china-balances-repression-and-responsiveness/.

costs. China's "miraculous"⁷⁰ national development rests upon its people's sweat and tears. And it is workers who have to bear the health consequences of this systemic and institutionalized abuse.⁷¹

Now, as Chinese investments are expanding overseas, Chinese companies are replicating this model of labor abuse abroad. Overseas Chinese companies not only systematically abuse Chinese workers, but locals.⁷² Additionally, working hard labor in a foreign country in hazardous conditions and often removed and isolated from towns and cities under a unique condition of foreign employment, as discussed, Chinese workers are even more dependent on their employers. Yet, Chinese companies have not only failed to safeguard workers' rights, but actively neglect or even engage in systematic practices and exert sustained efforts to take advantage of their vulnerability and sabotage their rights and agency. Undergirding the unabashed practices that effectively pass the risks involved in operating a business to individual workers is a chilling disregard of workers' baseline labor rights and dignity.

Chinese companies' labor practices overseas are not sustained only by greed. It is also sustained by a systematic failure in establishing and implementing effective national and international monitoring and accountability mechanisms. In a sense, China and countries like Indonesia's brazen disregard of its own and foreign nationals' rights fundamentally structured and legitimized companies' labor abuses. By allowing companies to exploit and transfer normal business risks to workers, China and Indonesia tacitly endorse the sacrifice of human dignity, agency, and lives to feed into the grandiose national development and industrial interest.

The question to the international civil society is whether human rights is an acceptable cost to development, and how tolerant we should be to the systematic, widespread, and sustained contamination of the global supply chains and consumer market with forced and trafficked labor.

By inaction, the global society's vote is a full greenlight to such abuse.

⁷⁰ Lin, Justin. "The China Miracle: How OECD Country Policies Contributed? China's Miracle: What External Factors Contribute?" 2004.; Li, Zhou, et al. "The China Miracle: Development Strategy and Economic Reform." *JSTOR*, 27 Apr. 2022, www.jstor.org/stable/j.ctv1fj84hd.

⁷¹ Su, Ya, et al. "Health-Related Quality of Life in Chinese Workers: A Systematic Review and Meta-Analysis." *Global Health Research and Policy*, vol. 6, no. 1, 13 Aug. 2021, <https://doi.org/10.1186/s41256-021-00209-z>; Zhi, Kuiyun, et al. "China's Challenge in Promoting Older Migrants' Health and Wellbeing: A Productive Ageing Perspective." *BMJ*, vol. 375, 24 Nov. 2021, www.bmj.com/content/375/bmj.n2874, <https://doi.org/10.1136/bmj.n2874>; Shao, Cenyi, et al. "Income-Related Health Inequality of Migrant Workers in China and Its Decomposition: An Analysis Based on the 2012 China Labor-Force Dynamics Survey Data." *Journal of the Chinese Medical Association*, vol. 79, no. 10, Oct. 2016, pp. 531–537, <https://doi.org/10.1016/j.jcma.2016.02.009>.

⁷² ---. "Report Reveals Human Rights Violations and Environmental Abuses in Nickel Supply Chains in the Philippines and Indonesia | INSIDER." *Indonesia Business Post*, 22 May 2023, indonesiabusinesspost.com/insider/report-reveals-human-rights-violations-and-en

APPENDICES

Appendix 1: Author's Note on Local Impacts

Despite the organization's focus lies in Chinese workers, CLW staff engage in field trips and regularly converse with local partners to gain a holistic view of the local impacts to Chinese investments. This note is written based on the observations and thoughts made along the way, especially during the most recent field trip.

Indonesia is blessed with a multitude of natural resources. Sulawesi Island is a tantamount example of the tropical nation's natural exuberance. Sulawesi island is a large, remote island located far from Jakarta and its peripheries. Much of the island is covered by forests grown on rich soil. Red soil containing nickel can be found exposed to air without any digging. A variety of fish are easily attainable, feeding generations of villagers residing near the shoreline. Tropical fruits are plentiful.

Facing an escalating industrial interests and swift entrance of foreign companies wishing to take advantage of Sulawesi's rich natural resources—thanks to the Indonesian government's welcoming policies, the island is ill-prepared for the fast tinkering of industrial development. As workers from Indonesia's other islands flood in to fill industry's gorging appetite for labor, the island found itself falling behind on infrastructure. The industry actors built select infrastructures such as roads, power plants, airports, and seaports, but these are not enough for the needs of the growing population.

One of the most pressing problems is housing. Chinese workers generally live in designated dormitories within the industrial plants, but Indonesian workers need places to live. This is why temporary housing structures made out of easily accessible materials such as wood, concrete, and even shipping containers were built around industrial plants in Sulawesi. Under the year-round tropical heat of a constant 30°C+ (86°F+), it is not difficult to imagine the searing heat, poor ventilations, and water leakage workers might be enduring—especially during the monsoon seasons.



Image shows a relatively sturdy looking dormitory built outside of IMIP.

Without basic waste disposal infrastructures, garbage accumulates everywhere—by the street, off the hillsides, and in seawater. Some locals sort and pick up the usable or sellable items—tires, pipes, and other industrial materials, for example—out of the piles of trash, leaving the rest behind. Near



Garbage pile seen by the street near an industrial plant.

the shorelines of Sulawesi, especially near the industrial plants, seawater can be seen polluted by the waste produced by industrial and residential activities. Water appears murky to the naked eye, lightweight trash floats atop the muddied seawater, an unpleasant whiff of something of a mix of pollutant and rot carried by the wind also betrays the beautiful sealine contoured by tropical flora.



Newcomers like us can only make out so much of the story from mere observations. The locals, on the other hand, tell stories. With the bustling industrial activities over the past mere decades, the island is changing before the locals' eyes at an unprecedented speed.

Local receptions of the Chinese are mixed. For some, foreign investments—most notably Chinese—brought the island much appreciated development. For a short span of two decades, they saw the rise of basic infrastructure and standard of living. The hard-to-traverse winding dirt paths were quickly transformed into flat concrete roads; villages are transformed into towns; villagers used to living a stagnant life are now students and workers who work to secure a better future. The foreign

investors brought along infrastructure and connections that streamlined the process of exchanging the island's resources for money, development, and a brighter future. For them, the newcomers

represent a welcome improvement to their lives, one with the sparkle and bustle of modern life that seem to have been denied to them for far too long.

Others are less enthusiastic about the disturbance and fundamental transformation of their ways of life. During our field trip, we spoke with a local environmental organization and partner. They told a story as such. According to them, many locals lived a simpler life enjoying mostly everything for free—when they were hungry, the baseline used to be that they could fish and gather local fruits for fuel. Fresh water is abundant and free. Fishing didn't require special skills. Local fish were so abundant that locals only needed to access shallow sea water with some simple bait for some sizable catch—anything smaller than a palm size isn't worth the effort.

But lots of things have changed rapidly since they were children.



Images show industrial plants emitting waste into open air.

Industrial activities bringing negative environmental impact did not begin with nickel. In the past, coal mining has caused a near total devastation in certain regions of Indonesia. On an island, locals saw their island home completely shaved off its natural vegetation, and after the foreign coal mining company left the island, they left after them large craters and deep abandoned mining sites. The craters have since been filled with rainwater and became lakes, but locals knew that their home was no more. On Sulawesi Island, we were told that the same trend is happening—Chinese companies are on the track to destroy the island's forest land, shave down mountains, and leave the locals with the aftermath. They said that companies like IMIP and IWIP were responsible for evicting local fishing villages and destroying their traditional ways of life. The image of them drinking free water, picking fruits, and fishing for easy fish is no more. Instead, because of unregulated industrial activities, sea waters have become murky. And that, accompanied by the massive power plants virtually heating up the local sea waters, fish have left the shallow ocean where fishing folks used to have easy access to. Locals also worry that the toxic materials are building up in the fish and produce they consume. Further, things that used to be free and available in abundance—such as drinking water—now cost money. In the case of water, finding the fresh water on the island no longer drinkable, locals have

resorted to clean water shipped from elsewhere. The drawback, however, is that water, a basic need, now costs money—around IRD5,000 per gallon. That quickly adds up to a family.



Image of a path leading to an industrial plant sandwiched by local built simple structures.

Despite the locals' traditional ways of life disappearing, industry activities have not brought them as many opportunities as some might assume. The Chinese generally restrict their recruitment of locals to those under the age of 40 or 45 and with a high school diploma—an educational requirement which, for a lot of villagers, appear hard to attain. In many fishing villages, only a handful of families would send their children to school. This leads to companies like IMIP recruiting much of their local workforce from other islands. Many locals instead shifted to other lines of work for a living—service and small businesses, for example. Locals build simple structures—oftentimes using shipping containers, wood, and other industrial scraps to set up stores around the industrial park. What they sell varied from fresh produce, food and drinks, clothing, to safety equipment and other necessities. During our trip, we saw these vendors virtually lined the ways to different industrial parks. In a sense, the industrial parks have led to a new form of local economic exchange that is both reliant on and fostered by these industrial players. Industrial activities support these locals' living, but also created the conditions wherein they needed to rely on the industrial activities to survive.

We were also told that older people are especially impacted by the swift and drastic changes brought by industry. To afford food and clean water that used to come in for free, some resorted to collecting trash with any value—old tire, metal, and cardboard boxes, for example, to make a living.

Industrial activities might have disturbed traditional forms of relationships too. We were told that locals used to be more willing to share food and other necessities with their neighbors. Now, this is less so because they can sell and make a profit out of anything they have in excess. As newcomers come and go, locals sense that they are more alienated from not only the newcomers but from their neighbors who, in a sense, also double as their competitors.

Perhaps much of the changes that local experienced—in the traditional ways of life and relationships with others—as detailed above can be understood as a result of what seems to be the natural progression of regional development rooted in a fundamentally capitalistic economic structure. And perhaps all these changes are unavoidable, so long as Indonesia intends to bridge its developmental gap with the developed world—a goal which, as we saw in our trip, was welcome by many. As a matter of fact, many of these social changes brought by industrial development have occurred long ago in the Western world as the tidal waves of industrialization hit them in the eighteenth and nineteenth centuries, bringing sweeping and fundamental changes to western societies. In Sulawesi Island, all these changes are so evolutionary and so current that while some feel energized by the new opportunities and the new life they perceive, others are beginning to feel nostalgic to a simpler way of life that still appears to be within an arm’s reach.

There is an argument that these changes are neither inevitable nor preferrable, as many preservationist thinkers will suggest. Yet given that industrial development is already a fact in Indonesia, perhaps the discussion should be directed to whether developmental activities are taking place in a just, equal, and transparent manner—a question which is out of scope in the context of this report. What’s within scope, on the other hand, is Chinese companies’ environmental and social practices. Taking advantage of Indonesia’s natural resources and pressing developmental need, Chinese companies enter Indonesia to engage in industry activities. Yet such activities, as discussed above, are oftentimes conducted without considerations of labor rights and the local environment. And it is these poorly regulated industrial activities such as open emission of industrial waste and poor labor conduct that intensified the shock locals experience. A sustainable model of development of Indonesia’s less developed regions requires nations like China and industrial interests like Chinese companies to take into account Indonesian people’s current and future needs, rather than focusing on industrial and national interests. Until people’s rights and needs are put front and center, labor and environmental rights will continued to be sacrificed in the name of national development.

Appendix 2: Key Companies

This report’s focus is primarily on three ferronickel projects, namely, Tsingshan’s two industrial parks and Virtue Dragon’s three industrial parks.

Tsingshan's Industrial Plants



One of IMIP's entrances.

Morowali Industrial Park was jointly developed by Bintang Delapan Group, an Indonesian mining company, following the latter's invitation from Tsingshan Industrial Group—a Chinese-owned industry giant and the world's biggest steel maker—in 2009. In October 2013, witnessed by Chinese President Xi Jinping and then Indonesian President Susilo Bambang Yudhoyono, a cooperation agreement to establish the industrial park was signed by the heads of the two privately owned companies, Shanghai Decent—the parent group that sits under the Tsingshan Industrial Board—and Bintang Delapan, with the former being IMIP's majority shareholder.⁷³ According to a report in 2020, Tsingshan practically controls the park's management, nickel-processing facilities, and their derivative industries by controlling voting shares of various projects in IMIP.⁷⁴

Tsingshan was founded in Wenzhou, a city in China's Zhejiang Province. The industrial group, directed by the Tsingshan Industrial Board of Directors (青山实业董事局), consists of five subsidiaries: Tsingshan Holding Group (青山控股集团), Shanghai Decent Investment Group (上海鼎信投资集团), Eternal Tsingshan Group (永青集团), Qingtuo Group (青拓集团), and Eternal Tsingshan Holding Group (永青控股). Sitting under these five groups are over 300 subsidiaries. A fortune Global 500 company, Tsingshan also established another industrial park in Weda Bay (Indonesia Weda Bay Industrial Park, or IWIP), an electric battery component manufacturer and mineral processor.

⁷³ Ginting, Pius, and Ellen Moore. "Indonesia Morowali Industrial Park (IMIP)." *The People's Map of Global China*, 24 Nov. 2021,

<https://thepeoplesmap.net/project/indonesia-morowali-industrial-park-imip/>.

⁷⁴ Sangadji, Arianto, et al. *Road to Ruin: Challenging the Sustainability of Nickel-Based Production for Electric Vehicle Batteries*. Rosa Luxemburg Stiftung,

https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nickel_Study_FINAL.pdf.

built in the industrial park, focusing on mining, energy, nickel smelting, stainless steel production, battery parts manufacturing, and other downstream processing.

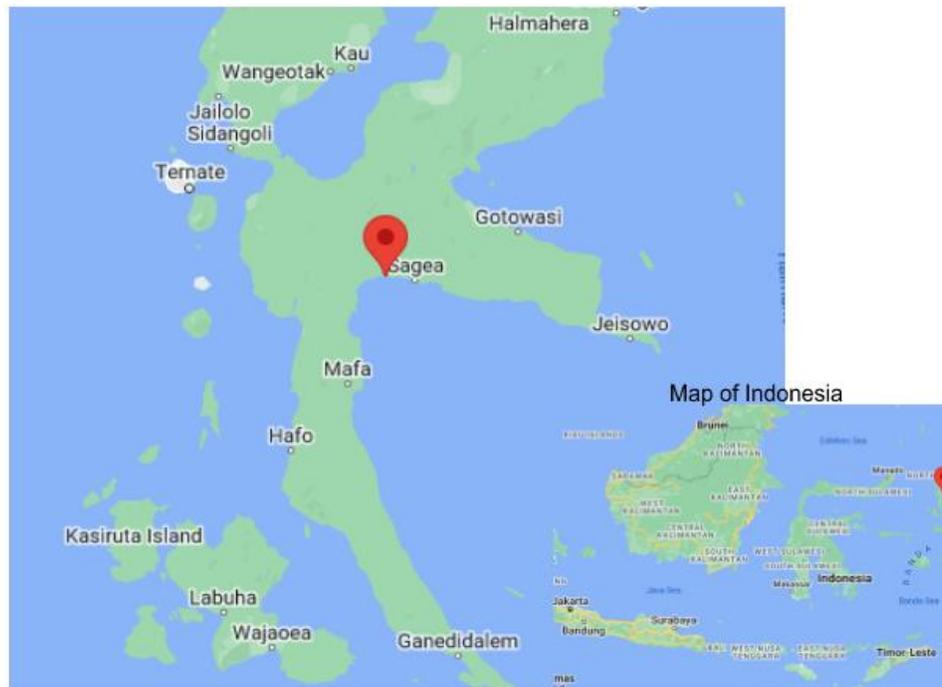


Image 2: Weda Bay Industrial Park's location

Tsingshan's second venture, Indonesia Weda Bay Industrial Park (PT IWIP), is located in Weda District, Central Halmahera Island, North Maluku Province. Because of its remote location, access to this industrial plant is extremely limited and workers are mostly isolated from the rest of the Indonesian society. Personnel of the industrial park almost exclusively rely on their companies for transportation into and out of the industrial plant. A US\$11 billion joint venture between Tsingshan and two other private Chinese companies, Huayou Group and Zhenshi Group, IWIP was built in 2018. Tsingshan was the majority shareholder. The industrial plant has a planned land usage of 1,000 hectares, providing space for tenants of ferronickel smelters, ferrochrome smelters, stainless steel plant, coke plant, carbon steel plant, and hydrometallurgical plant.⁸⁰ A number of local and international nickel mining companies operate in IMIP, including PT Weda Bay Nickel, owned by Indonesian state-owned company PT Antam Tbk and Strand Minerals, whose shareholders are Tsingshan and French mining group Eramet.⁸¹

The operation and construction of both industrial plants are overseen by Tsingshan, as the company appears to outsource its security operations and construction projects to security companies and the Indonesian police and various construction companies, respectively.

⁸⁰ EJAtlas - Global Atlas of Environmental Justice. "Environmental Justice Atlas." *EJAtlas - Global Atlas of Environmental Justice*, <https://ejatlas.org/print/indonesia-weda-bay-industrial-park-iwip-north-maluku-indonesia>.

⁸¹ Eramet. "Weda Bay Nickel: The Emergence of a Leading Producer of Nickel Ferroalloys | Eramet." *Www.eramet.com*, www.eramet.com/en/group/subsidiaries/weda-bay-nickel.

Table 1. Industrial plants of Tsingshan's majority share in Indonesia

Name	Stakeholders	Location	Total Investment	Annual Capacity
Indonesia Morowali Industrial Park (PT IMIP)	Tsingshan Industrial Group, Bintang Delapan Group	Bahodopi, Morowali district, central Sulawesi Province	US\$9.5 billion	–
Indonesia Weda Bay Industrial Park (PT IWIP)	Tsingshan Industrial Group, Huayou Group, Zhenshi Group	Weda District, Central Hamrahela Island, North Maluku Province	US\$11 billion	–

Despite IMIP's and IWIP's private ownership, its operation is inextricably connected with Chinese state capital and layers of support from both the Indonesian and Chinese governments. In Indonesia, it was granted the status of a PSN due to its perceived and actual role in generating regional and national economic growth,^{82, 83, 84} enjoying significant levels of policy support. Aside from loosening industrial permit and immigration requirements, another notable measure is the governmental protection surrounding said mega-projects. The Commander of the Indonesian National Army Marshal Hady Tjahjanto plans to establish a military base close to IMIP; the Indonesian National Police have also deployed a special operation unit in the vicinity.⁸⁵ The regional police force also jointly created a security force surveilling the IMIP factory plant area.⁸⁶ The National Police has signed

⁸² Nugroho, Hendro. "National Strategic Project as Regional Public Goods in Indonesia." *www.djkn.kemenkeu.go.id*, 9 July 2020,

<https://www.djkn.kemenkeu.go.id/artikel/baca/13173/National-Strategic-Project-as-Regional-Public-Goods-in-Indonesia.html>.

⁸³ Komite Percepatan Penyediaan Infrastruktur Prioritas. "National Strategic Projects." *KPPPI*, <https://kppip.go.id/en/national-strategic-projects/>.

⁸⁴ PNB Immigration Law Firm. "National Strategic Projects Work Permits during Covid-19 in Indonesia." *PNB Immigration Law Firm*, 1 Feb. 2021,

<https://www.pnbimmigrationlawfirm.com/work-permits-national-strategic-projects-indonesia/>.

⁸⁵ Zula, Adsdar. "3 Matra TNI Akan Ditempatkan Di Morowali Back up Keamanan Kawasan IMIP | 3 TNI Forces Will Be Placed in Morowali Back up IMIP Regional Security *SINDOnews.com*, 13 Feb. 2019,

<https://daerah.sindonews.com/berita/1378436/174/3-matra-tni-akan-ditempatkan-di-morowali-back-up-keamanan-kawasan-imip>.; Tsingshan Group. "Indonesian Commander-In-Chief of Armed Forces, National Police Chief and Labor Minister Paid AVisit to IMIP | TSINGSHAN HOLDING GROUP." *Www.tssgroup.com.cn*, 16 Feb. 2019,

<https://www.tssgroup.com.cn/en/indonesian-commander-in-chief-of-armed-forces-national-police-chief-and-labor-minister-paid-avisit-to-imip/>.; Redaksi. "PT IWIP Support Dibangunnya Mako Brimob Di Kabupaten Halmahera Tengah." *Harian Halmahera*, 11 Sept. 2020, harianhalmahera.com/halteng/pt-iwip-support-dibangunnya-mako-brimob-di-kabupaten-halmahera-tengah/.

⁸⁶ IWIP. "Penandatanganan MoU Kapolda Malut Dan PT IWIP Signing of the MoU of North Maluku Regional Police Chief and PT IWIP." *PT Indonesia Weda Bay Industrial Park*, 25 Feb. 2020,

<https://www.pnbimmigrationlawfirm.com/work-permits-national-strategic-projects-indonesia/>.

an agreement with IWIP too, creating a joint security force in the industrial plant.⁸⁷ On the Chinese side, since the project's initiation, it has received investments from Chinese policy banks including China Development Bank, the Export-Import Bank of China, and other state-owned banks. The industrial park has also been repeatedly appraised as a pearl along China's Belt and Road Initiative.⁸⁸

Despite its massive scale and the high volume of investment, IMIP and IWIP face concern and criticism from various humanitarian, environmental, and labor watchdogs, with the majority of reports focusing on the former.⁸⁹ Some of the more egregious abuses have also received media coverage.⁹⁰ For example, a report by the Rosa Luxemburg Foundation, a Berlin-based nonprofit organization, points out that despite IMIP's major economic benefit to Morowali Regency, it has also brought environmental destruction including the degradation of forest landscapes, loss of biodiversity, and the degradation of riparian and marine ecologies due to heavy metal pollution, which has affected local's lives especially for the rural population in the lowlands.^{91, 92} According to other reports, air pollution has led to acute respiratory infections (ARIs) becoming a common issue among locals.⁹³ The locals also claim that workers brought from outside the island, including Chinese workers, are illegally employed and receive unjustly higher wages.⁹⁴ Some allege that the park's management engages in racially discriminatory conduct.⁹⁵ Conflicts between the local population and workers have been reported, and the Indonesian officials' employment of the police force in

<https://iwip.co.id/2020/02/25/penandatanganan-mou-kapolda-malut-dan-pt-iwip/>

⁸⁸ 境外产业园区信息服务平台. “中国贸促会境外产业园区信息服务平台.” 中国国际贸易促进委员会|China Council for the Promotion of International Trade, oip.ccpit.org/ent/parks-introduces/71.

⁸⁹ IndustriAll. “Urgent Need to Stop Mine Accidents at Indonesia Morowali Industrial Park.” *IndustriALL*, 8 Mar. 2022, <https://www.industriall-union.org/urgent-need-to-stop-mine-accidents-at-indonesia-morowali-industrial-park> ; EJOLT. “Indonesia Morowali Industrial Park (IMIP), Central Sulawesi, Indonesia | EJAtlas.” *Environmental Justice Atlas*, 7 Apr. 2022, <https://ejatlas.org/conflict/indonesia-morowali-industrial-park-imip1/?translate=en#>.

⁹⁰ Hong Kong Trade Development Council. “中国印尼综合产业园区青山园区 | HKTDC Belt and Road Portal.” *Beltandroad.hktdc.com/sc/sme-corner/industrial-park/pt-indonesian-morowali-industrial-park*.

⁹¹ Sangadji, Arianto, et al. “Road to Ruin: Challenging the Sustainability of Nickel-Based Production for Electric Vehicle Batteries.” Rosa Luxemburg Foundation, 1 Nov. 2019, apo.org.au/node/274711.

⁹² P. Ginting, M. Taufik, and K. Ephen, “Hentikan Kebijakan Produk Nikel Murah, Penggunaan PLTU Batubara, Batalkan Rencana Buang Limbah ke Laut dan Tingkatkan Kesejahteraan Buruh,” *YTM*, Mar. 06, 2020. <http://ytm.or.id/biaya-anti-dumping-ekspor-produk-nikel-ke-uni-eropa-saatnya-hentikan-kebijakan-produk-nikel-murah-tingkatkan-kesejahteraan-buruh-stop-penggunaan-pltu-batubara-dan-batalkan-rencana-buang-limbah-ke/>.

⁹³ A. Sangadji, M. F. Ngoyo, and P. Ginting, “Road to Ruin: Challenging the Sustainability of Nickel-based Production for Electric Vehicle Batteries,” Rosa-Luxemburg-Stiftung, Apr. 2019.

https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nickel_Study_FINAL.pdf. ; L. Yoto, “Sukses Industrial Morowali,” Mar. 2020.

⁹⁴ Muammar Fikrie. 2018. “Hantu antiTiongkok di Sulawesi”. *Beritagar*, 29 Jan. [online].

<https://beritagar.id/artikel/laporankhas/hantu-anti-tiongkok-di-sulawesi>.; Sangadji, Arianto, et al. *Road to Ruin: Challenging the Sustainability of Nickel-Based Production for Electric Vehicle Batteries*. Rosa Luxemburg Stiftung, https://www.rosalux.de/fileadmin/rls_uploads/pdfs/engl/Nickel_Study_FINAL.pdf.

⁹⁵ Fikrie, “Hantu anti-Tiongkok di Sulawesi”

protection of the industrial plant further aggravated locals' dissent.⁹⁶ Locals have organized protests and demonstrations condemning the plant and local government's actions.⁹⁷ Various publicized labor malpractices⁹⁸ have also led to local organized actions. In a recent case, the United Labour and People's Alliance engaged in mediation meetings with government and plant stakeholders, and the dismissal of workers' pleas led to a three-day strike between the 22nd and 25th of August 2020.⁹⁹

For IWIP, since its inauguration in 2018, its land acquisition and industrial activities have been connected with the forceful eviction of indigenous peoples, a concerted effort cosigned by the Indonesian government. A report¹⁰⁰ indicates that around 21 percent of the company's mining area is within protected forest land. Destroying many villagers' agricultural livelihood, IWIP has yet to compensate many of these villagers for their loss. More specifically, PT Weda Bay Nickel (WBN), a nickel mining company majority owned by Strand Minerals, which in turn is company owned by Tsingshan and French mining group Eramet, was connected to the forced eviction of indigenous peoples in the vast Ake Jira forest located in Central and East Halmahera. A number of advocacy groups formed an international coalition to oppose the project.¹⁰¹¹⁰² Dozens of protests by locals, students, and civil society organizations over IWIP's industrial conduct over social, environmental,

⁹⁶ S. Y. Tham, C.-C. Kuik, M. Zhang, and C.-B. Ngeow, "Belt and Road Initiative," The Chile Pacific Foundation, 2021. <https://funpacifico.cl/wp-content/uploads/2021/08/ESTUDIO-BELT-AND-ROAD-COMPLETO-FINAL-1.pdf>

⁹⁷ L. Yoto, "Sukses Industrial Morowali," Mar. 2020.; "Rakyat Morowali Teriak Krisis Listrik, Separah Apa?," Rakyat Harus Tau, Dec. 09, 2021. <https://rakyatharustau.com/berita/2021120917972/rakyat-morowali-teriak-krisis-listrik-separah-apa>

⁹⁸ Swanvri and A. Al'Ayubbi Pelu, "Chinese Capital Footprint in Indonesia: Dirty Energy and Its Contradictions," in *Chinese Investments in Asia: A Labour Perspective*, Hong Kong: Asia Monitor Resource Centre, 2020.; S. Y. Tham, C.-C. Kuik, M. Zhang, and C.-B. Ngeow, "Belt and Road Initiative," The Chile Pacific Foundation, 2021. <https://funpacifico.cl/wp-content/uploads/2021/08/ESTUDIO-BELT-AND-ROAD-COMPLETO-FINAL-1.pdf>; IndustriALL, "Urgent need to stop mine accidents at Indonesia Morowali Industrial Park," IndustriALL, Mar. 08, 2022. <https://www.industriall-union.org/urgent-need-to-stop-mine-accidents-at-indonesia-morowali-industrial-park>

⁹⁹ IndustriALL, "Urgent need to stop mine accidents at Indonesia Morowali Industrial Park," IndustriALL, Mar. 08, 2022. <https://www.industriall-union.org/urgent-need-to-stop-mine-accidents-at-indonesia-morowali-industrial-park>

¹⁰⁰ Timmerman, Antonia. "The Dirty Road to Clean Energy: How China's Electric Vehicle Boom Is Ravaging the Environment." *Rest of World*, 28 Nov. 2022, restofworld.org/2022/indonesia-china-ev-nickel/.

¹⁰¹ Saturi, Sapariah. "Orang Tobelo Dalam Khawatir Perusahaan Tambang Rusak Hutan Ake Jira." *Mongabay.co.id*, 19 Oct. 2019,

<https://www.mongabay.co.id/2019/10/19/orang-tobelo-dalam-khawatir-perusahaan-tambang-rusak-hutan-ake-jira/>

¹⁰² EJAtlas - Global Atlas of Environmental Justice. "Environmental Justice Atlas." *EJAtlas - Global Atlas of Environmental Justice*,

<https://ejatlas.org/print/indonesia-weda-bay-industrial-park-iwip-north-maluku-indonesia>; Barahamin, Andre. "Global Race for Electric Car Components Is Threatening Indigenous Peoples in Indonesia." *Earth Journalism Network*, 26 Nov. 2021,

<https://earthjournalism.net/stories/global-race-for-electric-car-components-is-threatening-indigenous-peoples-in-indonesia>.

and labor concerns have been reported over the past few years too.^{103, 104} Notably, IWIP's nickel mining and processing activities have also been connected with negative health impacts among the local communities, local biodiversity, and pollution.

Media reports uncovered a slew of organized labor actions protesting the company's mistreatment.¹⁰⁵ However, the previously mentioned security forces were also reported to be utilized to break up strikes in IWIP.¹⁰⁶ Notably, a new headquarter for the Mobile Brigade special operations unit of the Indonesian police located in Weda Bay was constructed with IWIP's help.¹⁰⁷

Delong's Industrial Parks



¹⁰³ "Tsingshan's Indonesia Morowali Industrial Park: Build, and They Will Come," HSBC China, 2019.

<https://www.business.hsbc.com.cn/en-gb/belt-and-road/story-5>; "Indonesia's Morowali industrial site employs 43,000 people, but only 5,000 workers are from China," AFP Indonesia, Feb. 10, 2020. <https://factcheck.afp.com/indonesias-morowali-industrial-site-employs-43000-people-only-5000-workers-are-china>; Tsingshan Group, "积极践行习近平主席讲话精神 青山承诺不再新建境外煤电项目," Tsingshan Group, Sep. 22, 2021. <https://www.tssgroup.com.cn/积极践行习近平主席讲话精神-青山承诺不再新建境外煤电项目/>; "Sulawesi Mining power station," Global Energy Monitor, Dec. 2021.

https://www.gem.wiki/Sulawesi_Mining_power_station.

¹⁰⁴ 印尼鹰视野. "印尼哈马黑拉维达贝工业园区 5 月 1 日发生骚乱." 印尼鹰视野, 2 May 2020,

https://www.indoeagle.com/post/wedabay_iwip_1may.

¹⁰⁵ See for example, Foundation, Thomson Reuters. "Police Arrest 8 after Violent Protests at Indonesia's New Nickel Hub." *News.trust.org*, 3 May 2020,

<https://news.trust.org/item/20200503064735-2w7or>.

¹⁰⁶ Sangadji, "Kontradiksi-kontradiksi Dibalik Bonanza Bijih Laterit", p.53.

¹⁰⁷ Kompas Cyber Media. "Jaga Stabilitas Keamanan, PT IWIP Terlibat Dalam Pembangunan Mako Brimob Malut."

Kilaskorporasi.kompas.com, 4 May 2021,

<https://kilaskorporasi.kompas.com/kawasan-industri-weda-bay/read/2021/05/04/141121278/jaga-stabilitas-keamanan-pt-iwip-terlibat-dalam-pembangunan-mako-brimob>.

Image 3: PT. Virtue Dragon Nickel Industry's location

PT. Virtue Dragon Nickel Industry (VDNI) was established in 2015 as a joint venture between Delong Nickel Co. LTD, a private Chinese steel company, and China First Heavy Industry, a state-owned industry group focusing on heavy machinery manufacturing. As a first phase of multiple Virtue Dragon industrial plants planned and in production, VDNI is headquartered in Jakarta and has an operating plant in Konawe, Southeast Sulawesi.¹⁰⁸ The Konawe factory plant focuses on ferronickel smelting and stainless steel production, receiving a total investment of US\$1 billion, with a capacity of smelting 600,000 tons of ferronickel per year. Within the factory plants are three major projects including smelting plants, power plants, and a seaport.

As of the time of writing, the operations of VDNI have been handed to Xiamen Xiangyu, a shareholder of PT Obsidian Stainless Steel, an industrial plant discussed below:

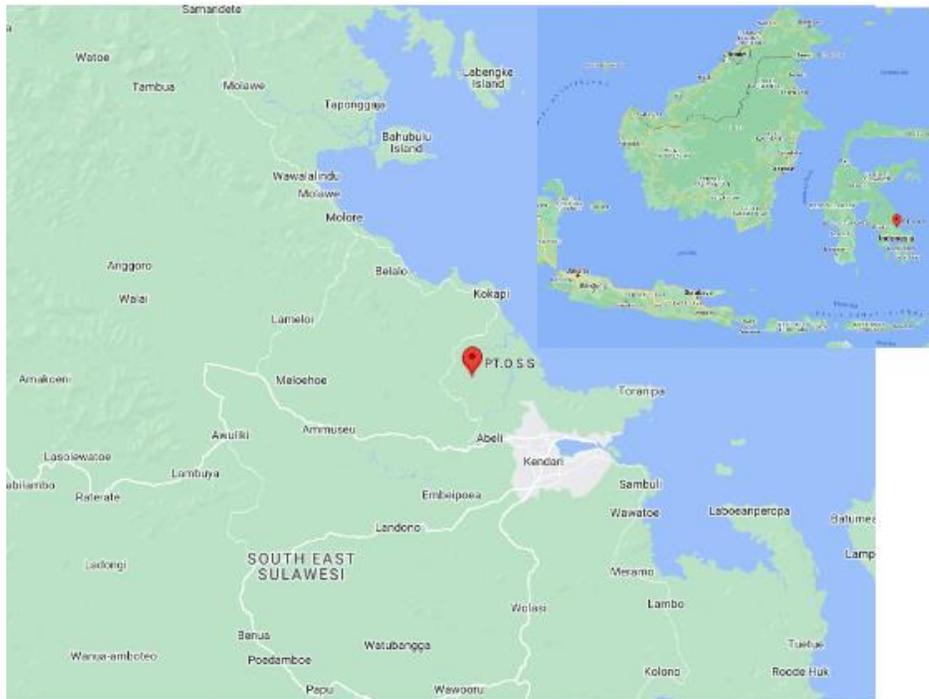


Image 4. PT Obsidian Stainless Steel's location

Virtue Dragon cooperated with the Xiamen Xiangyu Group—a SOE under the Xiamen province local government with over 400 subsidiaries¹⁰⁹—and invested in an integrated project, PT Obsidian Stainless Steel (PT OSS). Often colloquially called Virtue Dragon Industrial Plant second phase, the industrial park is also located in Morosi District, Konawe, Southeast Sulawesi, built right next to VDNI.

¹⁰⁸ 中新网. “中印尼共建“一带一路”重点项目德龙工业园二期投产走出去公共服务平台.” *Fec.mofcom.gov.cn*, 14 May 2020, <http://fec.mofcom.gov.cn/article/fwtydy/zgzx/202005/20200502963990.shtml>.

¹⁰⁹ 百度百科. “百度百科——全球领先的中文百科全书.” *Baike.baidu.com*, 20 Nov. 2022, <https://baike.baidu.com/item/%E5%8E%A6%E9%97%A8%E8%B1%A1%E5%B1%BF%E9%9B%86%E5%9B%A2%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8/6847432>.

With a total investment amount of US\$2 billion, it focuses on ferronickel and stainless-steel smelting with a capacity of 2.5 million tons per year.¹¹⁰ As of the time of writing, the operations of OSS has been wholly handed to Xiamen Xiangyu, and workers were told to avoid continuing reference to the management of the industrial park as “Delong” (or Virtue Dragon) to avoid the bad press associated with Virtue Dragon.

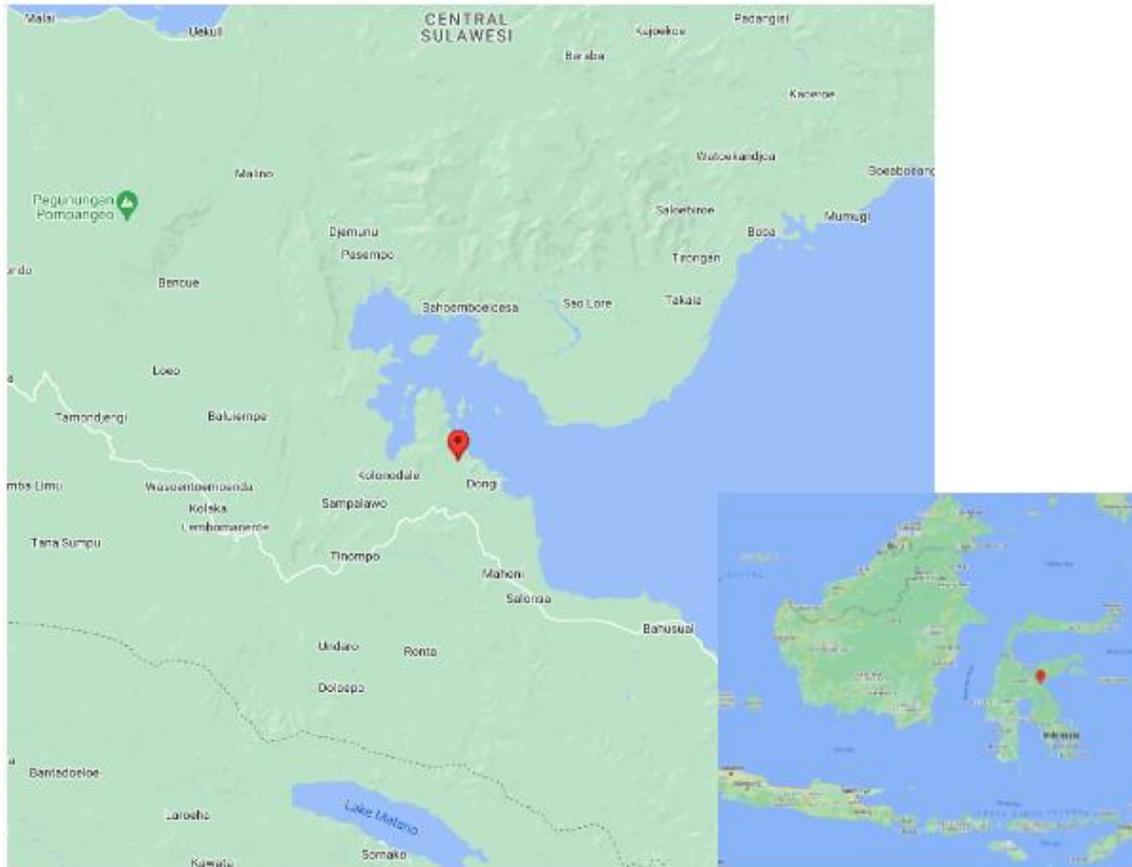


Image 5: PT Gunbuster Nickel Indonesia’s location

In 2021, Virtue Dragon’s third industrial plant, PT Gunbuster Nickel Indonesia (PT GNI) was built in Morowali, Sulawesi, colloquially referred to as Virtue Dragon Industrial Park third phase.¹¹¹ Despite that the industrial park’s construction was carried out by Virtue Dragon’s subsidiary, state capital still plays a role in GNI’s operation. Its investors are Sinosure, Bank of Jiangsu, and Jiangsu Huihong International Group Zhongding Holding Co., a subsidiary of Jiangsu High Hope International Group Corporation, all Chinese SOEs.¹¹² A US\$2.7 billion investment, this ferronickel factory plant has a

¹¹⁰PT Obsidian Stainless Steel. “Home.” *Www.oss.co.id*, www.oss.co.id/index.php.

¹¹¹ 中国新闻网. “中印尼又一共建“一带一路”重点项目投产-中新网.” *Www.chinanews.com.cn*, 13 Dec. 2021, <https://www.chinanews.com.cn/cj/2021/12-13/9628773.shtml>.

¹¹² 广东省不锈钢材料与制品协会. “青拓集团 2021 年产值、印尼德龙签约、玉林年产 10 万吨冷轧项目开工、甬金甘肃项目动工时间....” *View.inews.qq.com*, 15 Jan. 2022, https://view.inews.qq.com/k/20220115A002CA00?web_channel=wap&openApp=false. ; 搜狐. “原来这家企业是江苏德龙出口代理商_印尼_项目_公司.” *Sohu.com*, 27 Feb. 2022, https://www.sohu.com/a/525726548_199710.

production capacity of 1.8 million tons per year, with built-in auxiliary facilities.¹¹³ Operated by Virtue Dragon, the industrial plant is located in an area even further removed from the rest of the Indonesian population in the remote island of Sulawesi compared to the plants discussed above.

Table 2. Industrial Parks built under Virtue Dragon's Name

Name	Stakeholders	Location	Total Investment	Annual Capacity
PT. Virtue Dragon Nickel Industry (PT VDNI)	China First Heavy Industry, De Long Nickel Co. LTD	Morosi District, Konawe, Southeast Sulawesi	US\$1 billion	600,000 tons
PT Obsidian Stainless Steel (PT OSS)	Xiamen Xiangyu Group, De Long Nickel Co. LTD	Morosi District, Konawe, Southeast Sulawesi	US\$2 billion	2.5 million tons
PT Gunbuster Nickel Indonesia (PT GNI)	De Long Nickel Co. LTD	Morowali, Sulawesi	US\$2.7 billion	1.8 million tons

Moreover, according to some workers' testimonies and the limited information online, Virtue Dragon is building a fourth facility in Morowali.

In more than seven years, Virtue Dragon Industrial Estate has built a total of four projects spread across Kendari and North Morowali, as well as operating 55 ferronickel production lines. The total accumulated revenue from the Virtue Dragon Industrial Area was recorded at US\$ 7.73 billion.¹¹⁴ The factory plants are reported to be a boost to the local economy.¹¹⁵ Plagued by negative press recently, however, VDNI and OSS has experienced a management change, with the two industrial plants' operations wholly handled to Xiamen Xiangyu, a Chinese SOE. Virtue Dragon is rumored to have divested from the two industrial plants because of "bad management practice."

¹¹³ Reuters. "印尼提升在价值链中的地位 总统主持中国企业巨资新建镍铁厂落成典礼." *Reuters*, 28 Dec. 2021, www.reuters.com/article/indonesia-ferronickel-plant-1228-idCNKBS2J7033.; 中国—东盟传媒网. "巨盾镍业项目正式投产！中印尼又一共建“一带一路”重点项目 - 东盟传媒网." *Www.china-Asean-Media.com*, 14 Dec. 2021, www.china-asean-media.com/show-107-24439-1.html. Accessed 15 Dec. 2022.

¹¹⁴ 见道网. "中国印尼共建德龙工业园成为印度尼西亚国家级大型产业区--见道网." *见道网*, 28 July 2022, www.seetao.com/details/172915.html.

¹¹⁵ Kendari Aktual. "PT OSS Dan VDNI Menjadi Perusahaan Penyumbang Devisa Terbesar Di Sultra." *KendariAktual.com*, 5 Oct. 2022, www.kendariaktual.com/pt-oss-dan-vdni-menjadi-perusahaan-penyumbang-devisa-terbesar/.

Within each industrial park are different nickel smelting, disposal, power, and infrastructure projects carried out by other companies. CLW is unable to get a full list of the companies involved as of the writing of this report.

As mentioned previously, despite the initial investor, Virtue Dragon's private ownership, the Chinese-run industrial plants in Indonesia is supported by multiple sources of Chinese state capital and policy measures from both governments, as the industrial plants are marked as key projects in China's BRI and Indonesia's PSNs.¹¹⁶ The state support is also evident in high profile state officials' visits to the factory plants and mentions in officials' speeches over recent years. To name a couple of notable examples, in December 2021, Indonesia's President Widodo attended the opening ceremony of GNI and commended its impact on the local economy.¹¹⁷¹¹⁸ The Indonesian National Police Chief General Pol Listyo Sigit Prabowo visited the same factory plant that year. And yet the same year, members of the House of Representatives visited OSS's factory floor. Members of the National Energy Council of Indonesia visited VDNI too.¹¹⁹ On China's side, too, officials have repeatedly praised Virtue Dragon's Indonesian industrial parks as a key project along the BRI.¹²⁰

The industrial plants' security forces cannot be divorced from state support, either. In March 2022, Virtue Dragon signed a safety agreement with the Indonesian national police to "establish a security system" for the factory plant areas.¹²¹

¹¹⁶ 陈树森. "德龙集团：响应“一带一路”倡议 布局开发海外市场-河北频道." *长城网*, 4 May 2020, <https://heb.hebei.com.cn/system/2020/05/04/100297564.shtml>.; detikFinance. "Kawasan Industri Virtue Dragon: Panutan Kerja Sama Indonesia-China." *Detikfinance*, 6 Aug. 2022, <https://finance.detik.com/berita-ekonomi-bisnis/d-6220431/kawasan-industri-virtue-dragon-panutan-kerja-sama-indonesia-china>.; Indonesia Investment. "Virtue Dragon Nickel Industry Invests in Nickel Smelter in Indonesia." *Indonesia Investments*, 15 Jan. 2015, www.indonesia-investments.com/news/news-columns/virtue-dragon-nickel-industry-invests-in-nickel-smelter-in-indonesia/item5215.; 中新网. "中印尼共建“一带一路”重点项目德龙工业园二期投产走出去公共服务平台." *Fec.mofcom.gov.cn*, 14 May 2020, <https://www.chinanews.com.cn/gj/2021/12-13/9628827.shtml>

¹¹⁷ Public Service of Go-Global of Department of Commerce of Guangdong Province. "德龙工业园：为中印尼合作共赢树标杆 - 走出去公共服务平台 - 广东省商务厅." *Public Service of Go-Global of Department of Commerce of Guangdong Province*, 28 July 2022, <http://com.gd.gov.cn/go/article.php?typeid=31&contentId=23432>.

¹¹⁸ 中国新闻网. "印尼总统佐科为共建“一带一路”重点项目投产揭幕_中国经济网——国家经济门户." *中国经济网*, 28 Dec. 2021,

http://intl.ce.cn/sjj/qy/202112/28/t20211228_37209460.shtml.; 新浪财经. "印尼德龙三期 GNI 镍铁项目首船万余吨镍铁启运中国." *新浪财经*, 21 Jan. 2022,

<https://finance.sina.com.cn/money/future/roll/2022-01-21/doc-ikyarmz6612912.shtml>.;

人民网. "印尼总统出席巨盾镍业项目投产庆典--国际--人民网." *World.people.com.cn*, 27 Dec. 2021,

<http://world.people.com.cn/n1/2021/1227/c1002-32318333.html>.

¹¹⁹ Dewan Energi Nasional Republik Indonesia. "Kunjungan Kerja DEN Ke PT. Virtue Dragon Nickel Industry [*DEN Working Visit to PT. Virtue Dragon Nickel Industry*]" *Dewan Energi Nasional Republik Indonesia*, 25 Sept. 2021, <https://www.den.go.id/index.php/dinamispage/index/1120-kunjungan-kerja-den-ke-pt-virtue-dragon-nickel-industry.html>.

¹²⁰For example, in a 2022 speech, Chinese ambassador Lu Kang praised Virtue Dragon as a good measure of the BRI http://www.gov.cn/xinwen/2022-11/13/content_5726662.htm.

¹²¹ "中企印尼德龙工业园和印尼国家警察机构签署合作协议--见道网." *见道网*, 14 Mar. 2022, <https://www.seetao.com/details/144242.html>.

Despite the appraisals of the companies' roles in boosting the local economy,¹²² the arrival of Chinese workers has also been viewed as threatening to local employment, and the perceived discrepancy between the Indonesian government and Chinese companies' treatment of local workers and Chinese workers has also instigated local discontent.¹²³ Environmental groups have raised issues with Virtue Dragon industrial parks' conduct over the years regarding the industrial pollutants in the local river.¹²⁴ Labor and safety malpractices¹²⁵ and organized labor actions¹²⁶ in response are widely reported in various media platforms. CLW has also found countless workers' complaints and warnings against Virtue Dragon scattered across different corners of the internet.¹²⁷

¹²² See, for example, Tempo.co. "Melihat Pertumbuhan Ekonomi Di Virtue Dragon." *Tempo*, 5 Aug. 2022, <https://nasional.tempo.co/read/1619491/melihat-pertumbuhan-ekonomi-di-virtue-dragon>.

¹²³ Leo, Suryadinata. "Tensions in Indonesia over Chinese Foreign Workers during COVID-19 Pandemic." *Yusof Ishak Institute*, 6 July 2020, https://www.iseas.edu.sg/wp-content/uploads/2020/06/ISEAS_Perspective_2020_73.pdf; Business & Human Rights Resource Centre. "Indonesia: Chinese Worker at Nickel Smelter Face Trial over Allegation of Killing Colleague." *Business & Human Rights Resource Centre*, 10 Aug. 2020, <https://www.business-humanrights.org/en/latest-news/indonesia-chinese-worker-at-nickel-smelter-face-trial-over-allegation-of-killing-colleague/>.

¹²⁴ See "Diduga Perusahaan PT VDNI Dan PT OSS Di Morosi Cemarkan Sungai Konawehea, Banyak Limbah B3." *Hallo Sultra*, 24 Nov. 2021, <https://sultra.hallo.id/sultra-rama/pr-1351910429/diduga-perusahaan-pt-vdni-dan-pt-oss-di-morosi-cemarkan-sungai-konawehea-banyak-limbah-b3>; "PT VDNI Dan PT OSS Di Morosi Resmi Dilaporkan LINK Sultra Ke Mabes Polri Dan Gakkum KLHK." *Hallo Sultra*, 27 Nov. 2021, <https://sultra.hallo.id/politik-hukum/pr-1351923673/pt-vdni-dan-pt-oss-di-morosi-resmi-dilaporkan-link-sultra-ke-mabes-polri-dan-gakkum-klhk>; "Aktivis LINK Sultra Desak Mabes Polri Tangkap Pimpinan PT VDNI Dan PT OSS Di Morosi." *Hallo Sultra*, 1 Dec. 2021, <https://sultra.hallo.id/nasional/pr-1352037752/aktivis-link-sultra-desak-mabes-polri-tangkap-pimpinan-pt-vdni-dan-pt-oss-di-morosi>.

¹²⁵ See, for example, Lenterasultra, Redaksi. "Kecelakaan Kerja, Dua Karyawan PT OSS Tewas Terlindas Kendaraan Crane." *Lentera Sultra*, 22 May 2020, <https://lenterasultra.com/web/2020/05/22/kecelakaan-kerja-dua-karyawan-pt-oss-tewas-terlindas-kendaraan-crane/>; RFA. "【独家】为女儿挣公主床 张强"一带一路"上打工返乡的恶梦." *Radio Free Asia*, 6 Sept. 2022, <https://www.rfa.org/mandarin/yataibaodao/jingmao/kw-09062022105029.html>; 叶靖斯. "讨薪被殴打 印尼"一带一路"项目中国工人的惨痛遭遇." *BBC News 中文*, 10 Jan. 2022, <https://www.bbc.com/zhongwen/simp/world-59412754>; 张楠茜. "印尼中国劳工实录: "我们是岛上的隐形人."" *Weixin Official Accounts Platform*, 31 Oct. 2021, <https://mp.weixin.qq.com/s/TJvpBEnUL3HRQvky06m29Q>.

¹²⁶ See, for example, VOA. "在印尼德龙工程项目打工的中国工人 9 月 22 日群聚抗议." *www.voachinese.com*, 2 Oct. 2021, <https://www.voachinese.com/a/6254326.html>; Amy, Chew. "Protest at Nickel-Smelting Firm in Indonesia Turns Violent." *South China Morning Post*, 15 Dec. 2020, <https://www.scmp.com/week-asia/economics/article/3114095/protest-china-backed-nickel-smelting-firm-indonesia-turns>; Suryadinata, Leo. "Indonesia: Why China-Funded Companies Are Targeted by the Anti-Jokowi Camp." *ThinkChina*, 8 Jan. 2021, <https://www.thinkchina.sg/indonesia-why-china-funded-companies-are-targeted-anti-jokowi-camp>;

¹²⁷ See, for example, "想来印尼德龙镍业项目上班的慎重【江苏德龙吧】." *百度贴吧*, 5 Dec. 2022, web.archive.org/web/20221205205208/tieba.baidu.com/p/7108705528.