CHINESE CONTRACTORS IN THE UNITED STATES

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Executive Summary

1. Chinese contractors' international presence has expanded in recent years. According to Engineering News-Record (2011), 51 Chinese companies are among the top international contractors in the world and account for about 14.9% of the international revenues of the Top 225 international contractors.

2. In 2010, Chinese contractors earned two-thirds of their revenues from low and lower middle income countries. Stories of resources-for-infrastructure swap deals between the Chinese and resource-rich developing countries to secure China's long-term sources of oil and minerals were common in the popular press.

3. Chinese contractor presence in the US has not been studied in detail. Combining publicly available US and Chinese data sources, the best estimate is that Chinese contractors accounted for 1.6% of total revenues reported by the US affiliates of foreign firms in 2007-2010. The small presence means that the US construction market is a significant opportunity for the Chinese.

4. A 2009 report by the American Society of Civil Engineers (ASCE) indicates significant underinvestment in the maintenance and upgrading of US infrastructure. Based on performance and existing capacity, ASCE grades US infrastructure a "D".

5. The group estimates a five-year investment of US$2.2 trillion. This presents an exciting opportunity for the Chinese construction and engineering firms in the coming years.

6. Chinese involvement in the US construction sector takes three forms: 1) supplier of construction materials; 2) project financier; and 3) general contractor.

7. Although there are no limitations on both market access and national treatment of foreign-owned business commercial presence in the US construction and related engineering services sector, the US construction sector is highly regulated.

8. Foreign contracts need to comply with industry regulations and standards, recognize the role labor union plays in the sector and the regulation on the temporary entry and stay of natural persons in the United States, which may prohibit entry of cheap Chinese labor.

9. Chinese contractors are reputed to compete only on price, with no design or technological advantage in construction work. Their ability to operate in environments with strict regulations has been questioned. The quality of their work has also been scrutinized. Besides, as the largest Chinese contractors are state-owned enterprises, their motivations would be under constant scrutiny.