



RESEARCH BRIEF

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Linglong and the Case of 750 Workers from Vietnam in Serbia

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Key Points:

- Nearly 52% of all Chinese dispatched labor in Serbia work for a single company: Linglong Tire Co., the first Chinese tire producer in Europe.
- Due to local shortages of workers in Serbia, Linglong began to outsource labor requirements to loosely regulated Vietnamese agencies during the first phase of the factory's construction.
- While Serbia rarely checks labor rights abuses, its wish for EU membership and international pressure from the European Parliament could change this; on March 10, 2021, Resolution Pg_TA (2021) 0073 on corporate due diligence and accountability was adopted by the European Parliament.

Introduction

In November 2021, around 750 workers from Vietnam were found in a cold production hall in the outskirts of the city of Zrenjanin, Serbia. They had been living without hot running water or sufficient food for a long period of time; reportedly, some of them went hunting for wild

animals in the forest to feed themselves. When news of their strike on November 17 reached the media, their wages had not been paid for months. Thus, the infamous case of the 750 Vietnamese workers became known to the general public in Serbia and beyond.

The case raises important questions: how did the workers get to Serbia, under whose authority, and perhaps most starkly, how could such abuse of labor happen in Europe?

This Research Brief attempts to answer these questions by analysing and comparing data from various sources, including legal regulations, investigative journals, and labor data obtained from the Serbian Labor Agency and the company itself.

Workplace

As in many cases of Chinese investment abroad, the first phase of the construction of the Linglong Tire plant in Serbia involved the dispatch of foreign workers to the Chinese company. Yet little to no attention has been paid to the questions of how they came to Serbia in the first place and under whose authority. There is virtually no material addressing these questions, either

empirically or in terms of research and analysis, despite widespread media coverage with a clear focus on 'human trafficking' or 'modern slavery'. Therefore, this Research Brief looks to provide a first account of the origins of this case.

The first issue is what exactly is labor dispatch in China? Named 'temporary agency work' (TAW) in the West, the International Labor Organization defines TAW as "employment in which the worker is hired by the temporary employment agency and then loaned to (and under the supervision of) the user firm to perform his or her work. There is no employment relationship between the temporary worker and the user enterprise. However, the user enterprise may have legal obligations to the temporary worker, particularly with respect to health and safety". According to Article 66 of China's 2007 Labor Contract Law, the term 'dispatched workers' often refers to casual labor and includes three different categories: temporary workers, unskilled workers, and substitute workers.¹ As noted by authors such as Halegua & Ban,² China has also introduced two models for sending workers abroad:

- a worker can get a job with a foreign employer through a labor agency in China (called a 'foreign labor service cooperation enterprise' or FLSCE) This is done under the supervision of the Ministry of Labor and Social Security.
- a Chinese enterprise contracted to carry out a project outside China (called an 'overseas

project contracting enterprise' or OPCE) can send its workers abroad. This is done under the supervision of the Ministry of Commerce (MOFCOM).³

Sino-Serbian relations and Linglong

Serbia is by far the largest destination for Chinese direct foreign investment in Southeastern Europe. At a regional level, Serbia accounts for 52% of all Chinese investments in Southeast European countries. Within Serbia, both Sino-Serbian diplomatic relations and labor migration from China follow the dynamics of Chinese investments into Serbia. A specific issue here is that, in addition to Serbian domestic law on the employment of foreigners, Chinese workers are also subject to the Law on Ratification of the Agreement on Social Security between the Government of Serbia and the Government of the People's Republic of China, adopted in 2018. Article 7 of this law deals with 'dispatched persons' from China and according to the agreement, the Serbian Social Security Law does not apply to Chinese nationals being dispatched into Serbia and vice versa. This is important because, with this agreement, double taxing is avoided (i.e., a Chinese national need not pay social contributions such as healthcare and pensions to both the Chinese and the Serbian state, but only the Chinese. So, for Chinese nationals working in Serbia, healthcare, for

¹ Tenth National People's Congress, Labor Contract Law of the PRC, INTERNATIONAL LABOR ORGANIZATION (June 29, 2007), <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/76384/108021/F755819546/CHN76384%20Eng.pdf> (accessed Dec. 1, 2021).

² Aaron Halegua and Ban Xiaohui, *Labor Protections for Overseas Chinese Workers: Legal Framework and Judicial Practice*, THE CHINESE J. COMP. L. 8 304 (2020).

³ The practice has existed since the beginning of the PRC in a state-led form to do with economic and technical support for liberation struggles in developing countries in Asia and Africa. But the rise of overseas dispatch labor *via agencies* came much later, with China's reform and opening-up policy and the Chinese citizen exit and entry control act at the end of 1985. Hence, when it comes to sending workers abroad, one must distinguish between sending by agency and early state-directed sending of workers.

example, is covered by their payments to the Chinese state).

A clear upward trend of increasing labor inflow to Serbia can be seen after 2018 (reaching 5,535 workers in 2021), largely in parallel with the increase in Chinese FDI. But, according to official data from the National Labor Agency of the Republic of Serbia, the number of *dispatched* Chinese workers increased from 193 in 2019 to 494 in 2020 and 2,374 in August 2021 – a *twelvefold increase in a three-year period*⁴. Significantly, at its peak in 2021, 51.97% of all dispatched Chinese laborers in Serbia worked for Linglong as it constructed its first factory in Europe in the northern city of Zrenjanin. Linglong invested in Serbia after China started tightening environmental regulations⁵ and it now accounts for the greatest Chinese investment in Serbia of €816,294,480 (the factory will be the largest in Serbia with a capacity of 13 million tires per year). Not only does this investment dwarf other Chinese investments, but it is sufficiently large to have profound legal implications for Sino-Serbian labor relations. For example, the crucial law ratifying the social security agreement was passed on September 25, 2018, the same week that Serbian President Vučić visited Beijing to sign another agreement with Linglong Tire (Matković 2020). Also, with the benefit of hindsight, we now know that the majority of Chinese dispatched workers came into Serbia after that date, with more than half being employed by Linglong. Hence, the fact that the law was both proposed and signed within a single week – an unusually fast pace – with labor dispatch into Serbia

increasing twelve-fold thereafter, especially thanks to Linglong's factory near Zrenjanin, all signal that the Chinese company might have helped alter Sino-Serbian legal relations. This could also explain why labor rights were only loosely applied by the Serbian authorities in the case of the Vietnamese workers, who, unlike their Chinese counterparts, were not legally protected in any case.

The Case of Vietnamese Workers

As mentioned above, the increased use of dispatched labor in Serbia tends to follow the investments of Linglong and other Chinese companies. Also, given that in the last 10 years, Serbia has experienced a shortage of manual workers – especially in the construction sector – the increased need for labor that followed from greenfield Chinese investments such as Linglong's, prompted a greater influx of Chinese workers after 2018. From this perspective, it is understandable why there were an increasing number of labor violations against Chinese workers in Serbia starting in 2020 (or, conversely, there could be virtually no labor violations prior to this year, as the dispatching of Chinese workers was simply not common in Serbia before 2019). As a result, cases of worker mistreatment increased, consistent with a pattern that Halegua & Ben have already noted among Chinese workers in other countries.

However, the situation gets more complex once we account for the fact that workers of other nationalities also used by Chinese companies began to arrive in Serbia following increased Chinese investment. This is precisely what

⁴ Aleksandar Matković, *Nekoliko statistika povodom kineske radničke klase u Srbiji* [Some statistics on the Chinese working class in Serbia], RESEARCH & ALTERNATIVES, (2021), <https://aleksandarmatkovic.wordpress.com/2021/>

08/24/nekoliko-statistika-povodom-kineske-radnicke-klase-u-srbiji/ (accessed Sept. 29 2021).

⁵ In 2014, China declared 'war' on pollution, and in 2015, China's Environmental Protection Law was tightened.

happened in the case of the 750 Vietnamese workers. In fact, they ‘export’ of their own relations into Serbia could not have happened without Linglong. The case occurred when Chinese companies working for Linglong began to outsource their labor dispatch to Vietnamese agencies – which, in practice, are loosely regulated – revealing the true extent of the hardship of the process that dispatched workers often have to go through. As expected under such triangular employment, the workers did not sign employment contracts directly with Linglong, but with Tianjin Electric Power Construction Company (TEPCO), a wholly owned subsidiary of China Energy Engineering Group Corp. Ltd (CEEC), founded in 1964 and registered in Serbia on September 19, 2018, and Sichuan Dinglong Electric Power Engineering Co. Ltd which was registered on November 24, 2020 (the companies reflect the first phase of construction which included two substations and a network of local power grids). However, in order to find enough construction workers these companies decided to outsource their workers through two Vietnam-based labor dispatching agencies: Bao Son labor Export Company [Công ty Xuất Khẩu lao Động Bảo Sơn] and Song Ho Gia Lai International Company [Công ty trách nhiệm Hữu Hạn Quốc tế Song Hỷ Gia lai].

In this example, Linglong was an OPCE that contracted other Chinese companies to build part of its factory in Serbia. Since the companies themselves are registered in Serbia, they are also OPCE's. At the same time, the two Vietnamese agencies could be considered Vietnamese FLSCE's – but of course not under Chinese law, since they

are based in Vietnam. The two Chinese companies signed similar one-year labor contracts with the workers, who were all male and from the Hanoi area.

According to the Balkan Investigative Reporting Network (BIRN), these contracts violated both Serbian law and international labor standards. The journalists from BIRN took photographs of a document called “Rules at Work”, which specified 'regular working hours' as being up to 234 hours over 26 working days per month if needed. However, this is contrary to Serbian labor law that limits working hours to 192 hours per month, including overtime. Also, during the 12-month contract period, the Vietnamese workers were only entitled to 12 vacation days, far less than required by Serbian law. Absence from work, even in case of illness, costs an employee about five euros per day in fines. Failure to show up for work without permission from a supervisor could result in a wage deduction of 150% of the daily rate for each day missed.⁶ In addition, "workers who exhibited symptoms of Covid-19 were prohibited from seeing a doctor even though they had health insurance under their contract." (ibid.). Their passports were also taken from them and workers were made to believe that the right to strike did not exist in Serbia and that they faced corporal punishment, death sentences, and bodily mutilation if they violated the law.

Despite all this, due to the wage differences between Vietnam (where the average wage is about €132.78) and Serbia (where they were allegedly promised €701.77 per month), finding workers was not a problem. Unfortunately for the Vietnamese workers there is no Vietnamese

⁶ Saša Dragojlo, *Documents reveal extent of exploitation at Chinese tire site in Serbia*, BALKAN INSIGHT (Nov. 29, 2021), <https://balkaninsight.com/2021/11/29/documents-reveal->

[extent-of-exploitation-at-chinese-tire-site-in-serbia/](https://balkaninsight.com/2021/11/29/documents-reveal-) (accessed Dec. 1, 2021).

embassy in Belgrade (the embassy responsible for Vietnamese citizens is in the Romanian capital Bucharest) and they were in a duty-free free trade zone (FTZ) in Zrenjanin where labor rights are rarely controlled. The FTZ is one of 15 in Serbia and was one reason why Linglong came to Zrenjanin in the first place, according to its internal documents made available to the author of this article.⁷ Given Serbia's lax attitude toward labor rights violations, it is not surprising that such a case happened there and went unnoticed from March to November 2021.

Conclusion

As has been made clear in this Research Brief, the process for labor dispatch in Serbia has both expanded and diversified very rapidly and given unchecked violations of labor law in Serbia and the specific implications of bilateral agreements with China, it is not surprising that the mistreatment of foreign workers occurs.

But Serbia will have to make changes to its approach if its EU integration process is to remain

on-track. Not least, it would be prevented from allowing forced labor in the manufacturing of those goods which would be exported into EU's market. This would be required by the Resolution Pg_ TA (2021) 0073 on corporate due diligence and accountability which was adopted on March 10, 2021, by the EU Parliament with the European Commission being asked to prepare concrete guidelines on the subject to be implemented within two years.

Therefore, the issue of violating human rights, both identifying those responsible and improving the situation, is likely to require further investigation both within Serbia and further afield. Researchers and government officials in the countries involved should be prepared to seriously consider putting more effort and resources into research in cases like the one mentioned above⁸.

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⁷ Ironically, according to the State Aid Control Commission for Linglong, which monitored the land awarded to Linglong in Zrenjanin, one of the reasons why Zrenjanin was chosen over Pančevo, which was supposed to be the initial site for the plant, was precisely because of its FTZ and sufficient unemployment to provide labor. Document No. 401-00-00049/2020-01/7 from June 5, 2020, of the State Aid Control Commission for Linglong, made available to the author by N1 television network journalist Maja Nikolić, p.7.

⁸ For more information on the case of 750 Vietnamese workers and how it relates to Chinese investments into Serbia, please consult the longer version of this article, "Unfree Labor, from Hanoi to Belgrade: Chinese investment and Labor Dispatch in the Case of 750 Workers from Vietnam" in: "Značaj institucionalnih promena u ekonomiji Srbije kroz istoriju", Institute of Economic Sciences, Belgrade, p. 114–137, also available online at RESEARCH & ALTERNATIVES (2021): <https://aleksandarmatkovic.wordpress.com/2021/12/23/3008/> (accessed May 11 2022).