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China is Not the Answer to Construction Recovery

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When something is stamped, "Made in China" no one believes that is a mark of quality. Considering China's notorious construction history, we would have to pause if we saw that same stamp on a construction project. If Chinese construction causes us to pause, then why, at a time when the U.S. infrastructure is aging and our construction industry is struggling to find opportunities and recover, are significant projects being awarded to foreign construction companies, particularly those from China?

In light of notable construction failures, I would worry about the quality of the construction performed by Chinese construction companies, and I would worry about what corners were cut in favor of speed and cost-savings. For example, I would think long and hard before staying in a Chinese hotel assembled in 15 days.

Nevertheless, in 2009, Chinese construction companies were awarded in excess of **\$2 billion** worth of construction projects in the United States. These projects included a high school in South Carolina, rail stations, and the Chinese embassy. Of these projects, only the Chinese embassy makes any sense for Chinese contractors.

By 2011, Chinese construction companies were awarded in **excess of \$100 billion** in foreign construction projects. One Chinese state-owned construction company had 31 overseas offices and projects in 70 countries worth at least \$9.5 billion. These projects included significant projects and investment in the **Caribbean** staffed by flotillas of Chinese workers.

Some of the American projects awarded to Chinese construction companies included:

- The Bay Bridge in San Francisco, worth \$7.2 billion;
- **The Alexander Hamilton Bridge in New York City**, worth \$400 million; and
- Ventilation systems on the New York City subway, worth \$100 million.

These other projects should have been awarded to U.S. based construction companies. If the Chinese cannot even properly construct pavement, how do we expect them to construct large buildings and infrastructure projects in the U.S. to the quality we expect.

We have protections in the U.S. that should prevent the worst construction failures experienced in China, particularly more stringent inspection, permitting and code requirements. As more and more Chinese construction companies attempt to make in-roads in the U.S. construction industry, government entities and private companies in the U.S. need to be wary about awarding large contracts to low-cost Chinese construction companies and need to put protections in place to ensure the work performed meets quality requirements for the long-run.

Another concern is that low-cost, low-quality, government subsidized Chinese labor may overwhelm the U.S. construction industry, even through outsourcing.

We have protections here, labor unions and immigration statutes, but we must remain vigilant.

Our domestic construction industry shed some players who may not have been prepared for foreign competition. The strong survivors should be better positioned to compete with Chinese competition by providing better quality at a competitive price.

Chinese contractors are here and it looks like they want to stay, so companies and government entities need to be prepared for the competition and challenges that will inevitably follow.