

SAIS-CARI Webinar
French-Chinese Business Cooperation in Africa
Coopérations Entrepreneuriales Franco-Chinoises en Afrique
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Speakers:

- **Thierry Pairault**, Director Emeritus of Research, French National Centre for Scientific Research; Director, Research Center on Modern and Contemporary China, School for Advanced Studies in the Social Sciences (EHESS)
- **Jérémy Rubel**, Director of International Business Development, SETEC ITS (Société d'études techniques et économiques/Technical and Economic Studies Company, Intelligent Transportation Systems division)
- **Amadou Sy**, Director of Investments, Meridiam; Founding Member, Afrikamaono

Welcome by **Deborah Brautigam**, Director, SAIS-CARI

Moderated by **Marie Foster**, Program Coordinator, SAIS-CARI

KEY POINTS

Thierry Pairault

- In general, the popular media narrative of direct competition between Western and Chinese businesses in Africa is oversimplified. The same is true with trade with Africa: “competing” goods from the EU and China are actually highly specialized.
- French and Chinese firms often cooperate on projects, with the Chinese contractor in the construction role and a French partner firm in a consulting role, or vice versa; many of these partnerships are accidental and/informal, as they reflect decision-making on the part of the African governments rather than that of the contracting firms. This type of cooperation was especially prevalent from 2000-2015, but less so in recent years as companies have started taking the lead in setting up concrete partnerships.
- As Chinese companies in Africa diversify their holdings, they have naturally partnered with many other foreign contractors, for instance when it comes to ports; the Kribi port, for example, featured proactive collaboration between CMA CGM (France), Bolloré (France), and CHEC (China); CGA CGM and China Merchants Port (China) also co-manage a number of other ports.
- A complex economic landscape and extensive networks of formal and informal connections mitigate direct contention between French and Chinese firms; for example, subsidiaries of BNP Paribas helped fund the relocation of French and other foreign firms from China to Moroccan Special Economic Zones along with their Chinese subcontractors.

- The French and Chinese governments have taken a slightly more active role in encouraging business cooperation, but French companies and government officials have expressed little enthusiasm for this due to their preference for informal cooperation. See Xi-Hollande agreement in 2013 and 7th French-Chinese Summit in July 2020. Commercial cooperation between France and China tends to be far more successful.

Jérémy Rubel

- Case study: BRT (Bus Rapid Transit) line in Dakar, Senegal organized as a PPP with the World Bank, the private sector, and Dakar government.
- In 2019, Chinese firm CRBC won the World Bank contract to implement the infrastructure and systems portion of the project; CRBC subcontracted systems work to FARECO (France) and Jiangsu Huimin Traffic Facility Co. Ltd (China).
- Two European firms are currently competing for the private-sector operations portion of the PPP, one French and one British-Spanish.
- The Senegalese government's choice of electric buses for the BRT means they will likely be sourced from a Chinese firm due to China's leadership in the market.
- The Chinese framework is increasingly attractive for African public transit projects — it includes infrastructure financed multilaterally or unilaterally by China, Chinese systems tech (less normative but highly innovative), and operation by new but highly ambitious Chinese government-backed firms (which commit to maintaining presence in the destination country for years of operations to come).

Amadou Sy

- Mr. Sy's decade-long career working with Chinese firms in Africa has included provision of services, accompaniment, and work with contracting authorities.
- At French company Egis, he worked with Chinese contractors in the Congo to pioneer a rigorous new program that sent bilingual, highly-trained Chinese engineers to Beijing, Paris, and the Congo.
- The program led to the signature of a strategic partnership agreement in Beijing between Egis and Chinese firms encompassing development and provision of services in Africa, which allowed Egis to work directly for Chinese contractors rather than for African governments, and in turn helped these contractors secure bigger projects thanks to their improved knowledge of French business norms.
- In 2014-2015, competition increased on the Chinese side with the arrival of new private actors in the region, signaling a shift away from the previous phase of delineated spheres of influence for different contractors.
- The still-widespread belief that Chinese companies are less competitive is mistaken: Mr. Sy now helps launch large and technically complicated ITTs in Africa, several of which have gone to Chinese firms thanks to recent cutting-edge advances in Chinese technology.

Q&A

- Q: Why hasn't France done more to publicize its involvement in French-Chinese business partnerships and boost its reputation in Africa?
 - A: No strong narrative on the French side from firms or from the government, which reduces visibility of French activities. For example, Bolloré did not immediately publicize its role in the Kribi port project.
- Q: Do Chinese firms create jobs in Africa for each of their projects?

- A: In the past, most labor on Chinese projects came from China, but this has changed. Because Chinese firms now compete on more equal footing with other international contractors, their sources of labor are dictated by wage levels, and recent salary increases in China mean that African labor is usually less expensive. Some Western companies, however, continue to go further in training local workers.
- Q: Do technology transfers occur in projects contracted to Chinese firms?
 - A: Historically, there were limited tech transfers, but they have become more consequential with the arrival of Chinese firms, more aggressive competition, and greater African demand for tech transfers.
- Q: Are there channels of influence for French embassies in Africa aside from the AFD (French Development Agency), more akin to those used by China?
 - A: French embassies and the AFD are two distinct channels. Chinese embassies, on the other hand, have both an ambassador and a minister counselor (who depends on MOFCOM). The minister counselor adds another dimension to Chinese presence that French presence lacks. French embassies are mostly political, while Chinese embassies can be economic tools. Also, unlike China, Turkey, or the United States, France has no Export-Import Bank.

FULL SUMMARY

- Welcome from Dr. Deborah Brautigam, Director of SAIS-CARI, and Marie Foster
- **Prof. Pairault**
 - French-Chinese business cooperation in Africa, like most other issues in Sino-African relations, often receives biased media coverage
 - Though many former colonial powers have seen their market share in Africa decrease, there has been an increase in their total volume of trade
 - EU-Africa trade has grown by a larger amount than China-Africa trade in the past 10 years (\$220 billion vs. \$150 billion), but this does not necessarily put EU and China directly at odds with one another because the traded goods are highly specialized — complex economic ties between China and the West
 - Mr. Pairault first visited Congo-Brazzaville in 2011 and learned that while many projects in Francophone Africa are built by Chinese contractors, some involve French engineering firms and other European partner companies on a managerial or consulting basis
 - Some projects in Africa also feature French firms in the contractor role and Chinese firms in a consultant or supplier role
 - Many of these partnerships are accidental and/informal, as they reflect decision-making on the part of the African governments more than that of the contracting firms themselves. African governments look for project partners that are simultaneously low-cost, capable of rapid implementation, and endowed with the necessary technical know-how. This type of cooperation was especially prevalent

from 2000-2015, but less so in recent years as companies have since taken the lead and tend to now set up actual partnerships of their own initiative before the start of a project

- Example: Because maritime transportation is becoming less and less profitable, it must be tied to more profitable businesses, like port management; companies prefer to invest in as many different ports as possible → this has led to the partnership between CGA CGM and China Merchants Port, co-managers of a number of African ports, which help each other access new markets.
- In the Kribi port case, CMA CGM (French), Bolloré (French), and CHEC (Chinese) decided to collaborate on the project before the deal was even finalized
- In Morocco, French/American/other foreign firms relocated from China to Moroccan special economic zones along with their Chinese subcontractors, which sometimes receive loans from subsidiaries of French financial institutions like BNP Paribas → very complex landscape
- Almost never direct contention between French and Chinese firms due to these extensive formal and informal networks of connections
- In 2013, Xi Jinping and François Hollande formally inaugurated an era of increased official partnership between French and Chinese firms in Africa
- Two years later, an agreement was reached on the creation of a \$2 billion fund for that purpose – the Chinese had originally proposed \$10bn, but the amount agreed upon was greatly reduced to the French government's lack of enthusiasm. The French major business union also expressed a lack of interest in formal cooperation as they feel that they're doing well enough cooperating informally with their Chinese counterparts.
- In July 2020, the seventh high-level French-Chinese summit was held, with little impact except for a single English-language document vaguely expressing a desire for France and China to work together more in Africa – likely drafted by the Chinese side only.
- Purely political cooperation between China and France in Africa does not work very well, but commercial and economic opportunities thrive
- **Mr. Rubel**
 - Case study of French-Chinese business partnerships: construction of the first BRT (Bus Rapid Transit) line in Dakar, Senegal
 - The BRT project is organized as a PPP, with a World Bank-funded infrastructure component and a private sector-funded component supplying the buses and operating the system, both overseen by the Senegalese authorities through the Executive Council of Urban Transportation in Dakar (CETUD)
 - In 2019, Chinese firm CRBC won the World Bank contract to implement the infrastructure and systems portion of the project – this makes BRT only the second major Chinese public transportation infrastructure project in Africa (after Addis Ababa)
 - The project systems proposal had originally been developed through French and Brazilian cooperation with the World Bank following European public transit norms, prompting questions about whether CRBC would conform to these norms or break from them

- CRBC decided to subcontract much of the systems work to FARECO (French) – for the stoplight system – and Jiangsu Huimin Traffic Facility Co. Ltd (Chinese) for the ticketing system
- 2 European firms are currently competing for the private sector operation portion of the PPP, one French and one British-Spanish
- The Senegalese government chose electric buses for the BRT project, and it is likely they will be sourced from a Chinese firm due to China's leadership in the electric bus market
- The Chinese framework is increasingly attractive for African public transit projects: infrastructure financed multilaterally or unilaterally by China, less normative but highly innovative Chinese systems tech, operation by new but highly ambitious Chinese firms backed by the Chinese government, which commit to keeping a local presence in the destination countries for the years of operation to come
- In today's market we could see any kind of configuration for these types of projects – 100% Chinese funded and implemented, or featuring multiple foreign partners and financiers in addition to China
- **Mr. Sy**
 - 3 phases in Mr. Sy's decade-long career working with Chinese firms in Africa:
 - Provision of services for Chinese firms
 - Accompaniment
 - Serving as the contracting authority working with Chinese firms
 - First phase: worked for French company Egis in the Congo, looking for strategic partnerships with Chinese firms
 - At first there were significant difficulties in communicating with and understanding Chinese firms working on publicly financed projects, but there was a sense that they had the potential to deliver large projects while maintaining quality
 - Egis' strategy in the Congo was to get closer to Chinese firms to get to know them better and eventually position the company as their service provider
 - They recruited 3 Chinese engineers which were bilingual and had been educated both in China and in Europe: one was sent to Beijing, one stayed in Paris, one was sent to the Congo.
 - This program led to the signature of a strategic partnership agreement in Beijing between Egis and Chinese firms, encompassing development in Africa and provision of services, which allowed Egis to work directly for Chinese contractors in Africa in a relatively comfortable arrangement (more so than working directly for local African governments)
 - This partnership, in turn, allowed these Chinese firms to secure bigger and better contracts in Central Africa by giving them thorough knowledge of the prevalent French normative system.
 - In 2014-2015, things began to get more competitive on the Chinese side with the arrival of new private actors in the region, signaling a shift away from the previous phase of delineated spheres of influence for different contractors

- Mr. Sy was a finance and strategy consultant with Deloitte at this point and had cultivated contacts based in China, through which he was contacted by a number of major Chinese firms, not only for typical projects but also for the financial planning of more complex projects
- Now, in the 3rd phase, Mr. Sy helps launch invitations to tender in Africa, several of which have gone to Chinese firms
- These ITTs are large and extremely technically complicated, with high barriers to entry, and until recently most Chinese contractors would not have qualified, but now they can compete due to advances in Chinese technology
- The BRT example in Dakar, previously mentioned by Mr. Rubel, shows that Chinese contractors have become seriously competitive and demonstrate cutting-edge capabilities
- There are still many who believe that Chinese contractors are not competitive, but this is mistaken
- **Q&A**
 - **Q:** What is the perception by African governments of their French and Chinese business partners? Is it positive or negative? Has it changed?
 - **Prof. Pairault:** Political vs. economic aspect. French firms don't express the need to be politically supported by the French government; the official French-Chinese partnership's failure to thrive is due to a misunderstanding on the part of the Chinese of the role of the French government with respect to French companies and what they can/cannot be made to do. At this time, the French government does not have an official economic policy with regards to African states. The official actions being taken by the French government (e.g. by the AFD) are political or targeted; even though they have economic impacts, these impacts are not short-term (e.g. women's empowerment). Official French-Chinese cooperation could not have worked because the French approach is so different from the Chinese one, but as seen in today's presentations, there is a vitality and energy to the partnerships between French and Chinese firms themselves. From the French side, the political aspect is unimportant; from the Chinese side, the government's role is very important, especially with large firms; from the African side, the governments in question are automatically involved because they are the ones issuing the ITTs. So the role of governments in all 3 of these types of actors is different. A 'common interest' cannot be forcibly created out of nothing by inadequately assimilating purely political and economic motives.
 - **Mr. Rubel:** African countries face a variety of options for business partnerships today, and Chinese offers are some of the most persuasive. African states are pragmatic and prioritize their economic development. On the other hand, Chinese firms know that partnering with other non-Chinese foreign businesses gives them a leg up on the other Chinese firms they are competing with. The African economy is becoming more and more globalized.

- 10 years ago, when there was a majority of Chinese workers on construction sites.
- **Mr. Rubel:** Also, salaries in China have risen substantially over the past decade, so it gives African workers an advantage relative to Chinese workers. It no longer makes sense to bring over a Chinese worker just to do manual labor.
 - **Q:** What about price competitiveness? Has the cost of Chinese infrastructure projects increased along with their technological capabilities?
 - **Mr. Rubel:** Technology is a small factor compared to the cost of a poorly planned project. For example, with the Addis Ababa project, which is a good general point of reference for Chinese infrastructure projects in Africa, the project required a lot of concrete; concrete is expensive. More advanced technology is a bit more expensive, but it's not necessarily what's going to make your costs that much higher when you view it as part of the overall project cost.
 - **Mr. Sy:** The difference between Western prices and Chinese prices diminishes by a lot as soon as you give a precise framework for a project. The more precise and well-defined the framework, the smaller the variation will be. You can see that in the BRT example, with only a very small difference in cost between Western and Chinese proposals.
 - **Q:** Are there managers who are in charge of intercultural difficulties on these projects?
 - **Mr. Sy:** Obviously, yes. The structure of Chinese firms can be a bit peculiar. Sometimes the top management is a little more bi-cultural, with French language etc., but not always. They will often be accompanied by interpreters whose job it is to ensure cross-cultural connections. Cultural differences still exist after that, but there are more and more African professionals trained in China who are able to make careers in Chinese companies.
 - **Q:** For Mr. Sy - what does the use of Chinese technology mean for the African governments who choose them as contractors? Does this mean technology transfers are happening? Are there technology transfers in projects undertaken by Western firms?
 - **Mr. Sy:** It's a complex question. It gets into the politics of infrastructure projects and technology transfers, with the possibility of having to build factories or perform maintenance on site. Naturally, technology transfers happen in technology-heavy projects, like the electric BRT project in Dakar. There will have to be people available in Dakar who are able to repair and perform maintenance on electric buses, and that starts to create an electric "cluster" in Dakar, extending potentially to other electric vehicles. That's just one of many examples. It's always connected to the politics of the host government that is in charge of facilitating technology transfers. Historically, there was some tech transfer from foreign contractors, but it was limited. The arrival of Chinese firms and the ferocious competition they have brought with them, as well as the

realization on the African side that tech transfers are needed, have created more consequential tech transfers.

- **Q:** For Mr. Rubel - China seems to have an advantage in electrical and digital mobility/flexibility. Are there demands from the African side for transfers of technology and knowledge to be added to project contracts?
 - **Mr. Rubel:** Right now, those demands aren't explicitly part of project contracts. That's different from French projects — the AFD finances big infrastructure projects, like the BRT and in Addis Ababa, which involve local operation and CSR (corporate social responsibility), things that the Chinese aren't doing. The Addis Ababa project is operated by Shenzhen Metro, and they had to extend their contract because they hadn't trained local people who could take over operation of the project. So right now, few African countries have strategies for tech transfers, or the academic ecosystem to absorb these transfers. Western firms do these types of things a bit more nowadays, like GE in oil, where they train expert engineers. The Chinese don't do this enough yet.
- **Q:** For Prof. Pairault - Do French embassies get involved only in the case of the AFD (Agence Française de Développement), or are there other channels of influence akin to what China is doing in Africa?
 - **Mr. Pairault:** Embassies do not go through the AFD channel. They're two different channels that can sometimes work together. What's interesting is that this question raises the role of Chinese embassies vs. the role of French embassies. With Chinese embassies, generally, you have two "heads" - the ambassador and the minister counselor (who depends on MOFCOM). These two people don't necessarily always work together, but the fact that they're both there adds another dimension to the Chinese presence that the French presence lacks. French embassies are primarily political, even if they're able to support economic activity. Sometimes the Chinese minister counselor has more influence than the ambassador, which makes the Chinese embassy more of an economic tool. This helps explain the lower visibility or representation of French activity in African countries that we touched on earlier.
 - **Mr. Rubel:** With French embassies, you have the input of the AFD, but also directives from the Treasury, which is very active and can deploy grants/subsidies as financial tools to finance studies or prototypes for projects. There's also the ecosystem that an embassy can articulate with Business France, which is the international trade promotion agency of France, or MEDEF, the employer federation, which leads missions on the ground and whatnot. In China, on the other hand, that is all typically managed by the provinces. The activity is of a different nature.
 - **Mr. Sy:** There is a fundamental difference in approach between China and France. China, Turkey, and the US have an Eximbank, but France doesn't. This creates a divergence in practices between the two countries.