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**Research Report**

## French and Chinese Business Cooperation in Africa

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## POLICY POINTS

**Continue familiarization**

between French and Chinese companies to diversify and evolve their business strategies.

**Further development and definition of the division of**

**labor** amongst Chinese and French companies, although this division is not fixed and roles can sometimes be reversed.

**Involve African partners** in attempts to establish official cooperation between China and France.

## French and Chinese Business Cooperation in Africa

Thierry Pairault

WHEN I FIRST LANDED IN BRAZZAVILLE'S MAYA-MAYA AIRPORT in 2011, the Congolese colleague who welcomed me delightedly shared that "it was the Chinese who built the airport." I was not surprised because at that time everyone thought Chinese companies had already superseded French companies in the whole of French-speaking Africa.

Shortly afterwards I found out that the "Chinese" had not built the airport at all. Instead, a subsidiary of Weihai International Economic and Technical Cooperative Company (WIETC), supervised by a French engineering firm (BCEOM), had only built a new terminal building. In fact, a French company, Vinci, built the technically more complex portions like runways and taxiways. SOCOTEC, a French engineering firm, was contracted as consulting engineers to supervise the project. Upon completion in 2010 and in partnership with the Congolese government and other Congolese shareholders, another French company, Egis, was ultimately appointed to manage the Maya-Maya Airport.

### STAGE I: FORMAL AND INFORMAL ENGAGEMENT

LITTLE RESEARCH EXISTS ON BUSINESS ENGAGEMENT BETWEEN French and Chinese companies in Africa. Yet, there are significant examples of French and Chinese engagement. In the early stage (2000 to 2015) of China's recent presence in Africa, French and Chinese firms operated on the same projects but without formal ties, as with the Maya-Maya Airport. Most often, these arrangements were initiated by African governments themselves, who selected actors for a specific project based on comparative advantage. While African governments want to carry out infrastructure projects at a lowest cost, they also want to ensure projects are carried out according to certain technical standards they are familiar with. Hence, at least in French-speaking countries, we see the choice of Chinese contractors to build and French engineering firms to supervise and manage.

The Great Mosque of Algiers and the Soubré Dam are examples of the aforementioned choices. Awarded in 2011 and completed in 2019, the Algiers Mosque project involved a German architect who worked in China, a French consulting and engineering firm (Egis again) with considerable experience in Algeria, and a Chinese firm, the China

State Construction Engineering Co. Another French engineering firm, SOCOTEC, advised on the minaret and seismic standards. Between 2013 and 2017, the Ivory Coast government brought together Tractebel-Engie (a French contractor), the Chinese subsidiary of Alstom (a French turbine manufacturer), and Sinohydro (a Chinese hydropower engineering and construction company) to construct the Soubré Dam.

During this same period, while some French contractors were losing market share, unable to compete with Chinese firms on price, other French companies managed to take advantage of the infrastructure boom in Africa to work alongside Chinese companies. This learning process has gone both ways, with Chinese companies learning to work like French companies in Africa. The Maya-Maya Airport case illustrates this well.

WIETC, the Chinese firm that built the terminal building, had no previous expertise in airport construction except with the Impfondo terminal project which was completed in 2005 in collaboration with the same French firms from the Maya-Maya project. The previous partnership with those French firms is what enabled WIETC to compete successfully for the Maya Maya terminal and then for its extension project - a new terminal and an extended runway funded by a US\$ 180 million loan from China's Exim Bank, completed in 2014.<sup>1</sup> WIETC subsequently won the tender to modernize the Lomé Airport in Togo, completed in June 2015. Since China's Exim Bank was financing the project, WIETC was able to easily bring in another Chinese company dedicated to airport runways, the China Airport Construction Group Corporation. However, Togo chose the French firm SOCOTEC to supervise the construction site.

During this earlier stage, informal and formal collaborations (not partnerships *per se*) enabled French and Chinese companies to get to know each other better and build ties. The division of labor was typically driven by African governments, with the Chinese taking on heavier chores and the French handling the more technical ones. In the second stage, the companies themselves are the main drivers, and true partnerships are the result.

## STAGE II: PARTNERSHIPS BETWEEN MULTINATIONALS

THE SECOND STAGE INVOLVES PARTNERSHIPS between French and Chinese multinationals, each pursuing their own complementary entrepreneurial strategies. A telling illustration of this partnership stage comes from container terminal operators. Here, Chinese firms have moved from acting as mere service providers in their first contracts to becoming designated

terminal operators and partners of globalized French groups in several African countries.

The shipping industry of today brings little profit, so carriers are supplementing their traditional activities by serving as terminal operators. Establishing such stevedoring companies at all ports of call is a considerable investment, even for the largest carriers. As such, carriers are often obliged to enter into partnerships with competitors. Owning a 50 percent stake in six terminal operating companies is more advantageous than owning a 100 percent stake in three of them, for example. Hence the partnership between French multinational CMA-CGM (a very active player along the maritime silk road I'll come back to further on) and China Merchants Port (CMPort).<sup>2</sup> In June 2013, CMA-CGM sold a 49 percent stake in its subsidiary Terminal Link (a terminal operating company) to CMPort which opened the ports of Tangiers, Casablanca, and Abidjan (together with twelve European and Mediterranean ports) to the Chinese carrier. On March 25, 2020, Terminal Link merged with CMA Terminals (another subsidiary of CMA-CGM), opening more ports to CMPort. This might explain why the French carrier has obtained a 45-year concession in the new deep-water facility at Lekki (Nigeria), whose port is also operated by CMPort.

A less complicated example is the 2016 partnership between Bolloré (a French transport and logistics group), CMA-CGM, and China Harbour Engineering Co (CHEC) for the Kribi port in Cameroon.<sup>3</sup> The Kribi Autonomous Port Authority (KAPA) originally intended to grant the concession for Kribi Terminal management to a Bolloré-CMA-CGM consortium.<sup>4</sup> However, in order to access Chinese finance, China Eximbank requires a Chinese firm (CHEC in this case) to have the contract. Later, CHEC joined the French consortium to oversee management. The French companies reassured KAPA about the quality and long-term viability of the work, while the Chinese companies brought finance to the table.

Whether long-term informal associations or formal partnerships, these forms of collaboration are gradually becoming more and more numerous. The design and operation of the Pointe Noire Special Economic Zone in the Congo is another example. Egis and Chinese firm CSEC, which first met on the Algiers mosque and other projects, formalized their partnership in 2019 for a joint public service concession in Congo for national roads RN1, RN1bis, and RN2.<sup>5</sup> Additionally, French oil major TOTAL and China National Offshore Oil Corporation worked together on the Lake Albert development project in Uganda and

on the East African Crude Oil Pipe Line project launched in 2017; they then consolidated their partnership in April 2020.

It is important to note that these are not simply collaborations between French and Chinese companies. First there is collaboration between an African government and some consortium benefiting from a public service concession. Then, there is a second collaboration between the African government and a foreign government granting a loan through one of its financial institutions. Finally, there are additional collaborations either indirectly imposed on the members of the consortium by the African government or, in some cases, the partnerships that they freely form among themselves.

These collaborations build on an interesting shared history. The CMA-CGM (*Compagnie maritime d'affrètement – Compagnie générale maritime*) – the world's third-largest container shipping company, based in Marseilles, France – is a very active player along today's maritime silk road (the "road" in the Belt and Road Initiative). Created in 1851 its forerunner, the *Messageries maritimes*, operated the maritime silk route from the opening of the Suez Canal in 1869. It was the initiator of the port of Djibouti in 1888 as well as one of the promoters of the 1897 Franco-Ethiopian railway. It is on one of its ships, the *André Lebon* liner, that the young Deng Xiaoping boarded for France on August 27, 1920, along with 80 students from the Work-Study movement. CMA-CGM has never discontinued its business relations with China and reopened an office in Shanghai in 1992 after the Cultural Revolution. Since then, it has continuously strengthened its ties with China. Besides its partnership with China Merchants, it has entered into a strategic alliance with COSCO (Ocean Alliance). In 2015, CMA-CGM also raised US\$ 2 billion from China Eximbank to finance the purchase of container ships from Chinese shipyards.

At a time of speculation about industrial relocation, are we currently witnessing the future of these sorts of collaborations taking shape in Morocco? Some 20 years ago, Morocco inaugurated a development strategy through special economic zones (SEZs). As part of their globalization strategy, two French car manufacturers moved to China in the 1980s and 1990s. Both are now in the process of relocating to Morocco, closer to their markets. In 2008 Renault moved to the Tangier Med SEZ, while Peugeot moved more recently in 2019 to the Kénitra SEZ. Both car manufacturers also moved some of their Chinese subcontractors with them to Morocco.<sup>6</sup> Ultimately, the preeminence of global entrepreneurial strategies explains these choices, not engineering by either the Chinese or Moroccan government.

## OFFICIAL FRANCO-CHINESE COOPERATION IN AFRICAN MARKETS

ALTHOUGH COLLABORATION AMONG COMPANIES appears to be growing, official Franco-Chinese cooperation in African markets must be deemed a failure. This is primarily because the Chinese approach has failed to meet France's own political and commercial objectives. Cooperation was first proposed in 2013 by Xi Jinping to French President François Hollande. In 2015, without much French enthusiasm, a Joint Declaration on Franco-Chinese partnerships in third markets was issued.<sup>7</sup> After this declaration, the differences became clearly apparent. Where China wanted to create a financing fund of around US\$ 10 billion, France conceded only two billion. China envisioned financing French and Chinese business consortia, while the French government prioritized intergovernmental operations including African partners. Furthermore, the French private sector was unenthusiastic. In December 2016, Pierre Gattaz, the head of the largest French employers' organization *Mouvement des Entreprises de France*, explicitly rejected any attempt of official cooperation with China in Africa, although he agreed to cooperating with Chinese companies.

In July 2020, France and China held their 7<sup>th</sup> high level Economic and Financial Dialogue. Afterwards, China released (in English) a "joint fact sheet" on the results of the dialogue.<sup>8</sup> One line mentions that "both sides expect the China-France Third Market Co-operation Fund to develop viable projects in line with sustainable development approaches. The Chinese side welcomes more proposals from the French side for such co-operation in Africa and in Asia." France did not issue its own document. No projects have yet been developed. The future of any cooperation would seem to lie with the business sector, and with individual firms.

## POLICY RECOMMENDATIONS:

1. French and Chinese companies should continue getting to know each other in order to diversify and evolve their business strategies, as part of each respective company's global strategy.
2. French and Chinese companies need to further develop and define their respective division of labor. Currently, the French usually provide technical skills and local knowledge and the Chinese help lower costs and find financing. However, this division is not fixed and roles can sometimes be reversed.

3. Even though official cooperation between France and China in third markets is difficult to establish, given the nations divergent political and economic objectives, perhaps the best way to address these differences would be to involve African partners in this cooperation. ★
6. Thierry Pairault, “*La Chine dans la mondialisation: l’insertion de la filière automobile chinoise en Algérie et au Maroc*,” *RIELF* 2, no. 2 (2017): 133-150, <https://pairault.fr/sinaf/index.php/publications/1244>. Similar moves have been observed in Ethiopia with other European firms. See Xiaoyang, Tang. 2019. *Export, Employment, or Productivity? Chinese Investments in Ethiopia’s Leather and Leather Product Sectors*. Working Paper No. 2019/32. China Africa Research Initiative, School of Advanced International Studies, Johns Hopkins University, Washington, DC. Retrieved from <http://www.sais-cari.org/publications>.

## ENDNOTES

1. Thierry Pairault, “*La Chine en Afrique vue par elle-même*,” 2017 see the translation of their interview, October 4, 2017, <https://pairault.fr/sinaf/index.php/les-afriques-et-la-chine/la-chine-en-afrique-vue-par-elle-meme/1137>.
2. CM Port is a Hong Kong-incorporated subsidiary of a China Merchants Group subsidiary, which controls only 34 percent of it.
3. Thierry Pairault, “Kribi Bolloré, CMA-CGM & CHEC,” *ACE: Afrique, Chine, Europe*: March 12, 2019, <https://pairault.fr/sinaf/doc/kribi.pdf>; See also the translation of Interview with Xu Huajiang– Managing Director for Central Africa of the China Harbour Engineering Company (CHEC), 2017, <https://pairault.fr/sinaf/index.php/les-afriques-et-la-chine/la-chine-en-afrique-vue-par-elle-meme/1137>.
4. A concession is a specific term in civil law countries that gives a private concessionaire responsibility not only for operation and maintenance of the assets but also for financing and managing all required investment. Incidentally, in common law countries, projects more closely described as build-operate-transfer (BOT) are called concessions.
5. “*Concession des routes nationales RN1 et RN2 en République du Congo*,” Egis, <https://www.egis.fr/action/realisations/concession-des-routes-nationales-rn1-et-rn2-en-republique-du-congo>.
7. “*Déclaration conjointe entre le gouvernement de la République française et le gouvernement de la République populaire de Chine sur les partenariats franco-chinois en marchés tiers*,” June 30, 2015, <https://www.gouvernement.fr/partage/4648-declaration-conjointe-sur-les-partenariats-franco-chinois-en-marches-tiers>
8. “China-France Joint Fact Sheet on the 7th High Level Economic and Financial Dialogue,” July 21, 2020, <https://www.gouvernement.fr/en/china-france-joint-fact-sheet-on-the-6th-high-level-economic-and-financial-dialogue>.

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