

# How to negotiate infrastructure deals with China: four things African governments need to get right

"You don't negotiate with China!" I was quickly told when I started interviewing African public servants about their infrastructure deals with Beijing. There is a widespread view in Africa that you accept whatever terms are offered, for fear that the money might go somewhere else instead.

By [Folashade Soule](#) 9 Jan 2019



Image source: [Facebook](#)

China is [the leading](#) infrastructure finance provider on the continent – as demonstrated by a recent [pledge](#) \$60bn (£47bn), most of which is for infrastructure projects. Big [projects](#) on the slate [include](#) hydropower plants in Angola and Guinea, an oil refinery in Nigeria, and a new city in Egypt.

Yet, when you look closely at what happens on the ground, some African countries are much better at negotiating with the Chinese than others. Railway projects in East Africa appear to be a good example. In Kenya, the Standard Gauge Railway is the largest infrastructure project since independence from Britain in 1963. China Eximbank [provided](#) most of the finance for the first phase – 472 kilometres of track between Nairobi and Mombasa – at a cost of \$3.2bn.

In neighbouring Ethiopia, an electric train line from Addis Ababa to Djibouti, which is also [Chinese-financed](#) opened two years ago. The cost for this more expensive type of railway was \$3.4bn – for 756 kilometres. Kenya [claims](#) that its railway cost more for reasons like the terrain and the need to carry higher volumes of cargo. At the same time, however, many believe other issues to have been at play – including failures around the negotiation process.

My [ongoing](#) research into China-funded infrastructure projects [is confirming](#) that African governments can learn from best practice in this area. The best deals depend on the following four conditions being met.

## 1. Involve everyone

The process in Chinese deal-making tends to go like this: Beijing will begin by making financial pledges,

often aimed at a number of countries; these are followed by meetings at state level between a Chinese delegation and the African head of state and their senior officials. Infrastructure projects under discussion have often already been passed over by Western donors.

Once a project is broadly agreed, the relevant Chinese contractors, mostly state-owned enterprises, will typically contact African civil servants in the relevant branches of government to get detailed negotiations underway – with support from the Chinese trade mission and local embassy. Topics to be discussed will include costs, but also the use of materials and workers; technology transfer; and the effect of national regulations in areas like labour, construction and the environment.

In countries like Togo and Cameroon, key ministries like finance, planning or even the cabinet will lead the negotiation. In the likes of Benin and Senegal, the relevant technical ministry, such as transport or housing will lead instead or take over. They are supposed to consult with departments like finance and planning, but [they often](#) press ahead on their own to speed up the process – sometimes without any experience of dealing with China.

In practice, such deals can be less beneficial to the country in question. Where one arm of government is not clear about what another is doing, it increases the potential for corruption – there has been a [corruption investigation](#) in the case of the new Kenyan railway, for example, and I have been told during my research that this was also linked to coordination failures during the negotiations.

When all relevant government departments are involved in a negotiation, it does take longer. The process more coherent, however, and the resulting project is less likely to breach national regulations.

## **2. Empower the negotiators**

The president or his senior advisors also frequently intervene during negotiations. This is likely to be politically motivated – a need to fulfil electoral promises around infrastructure development, perhaps, or pressure from the Chinese authorities.

Where civil servant negotiators are being pressed to hurry up, it can mean that national regulations get ignored. In Benin, for example, during negotiations over road projects several years ago, the Chinese contractors were unhappy about certain conditions being imposed. Then president Yayi Boni agreed to intervene on their behalf to bypass national regulations in areas including labour and construction. Such situations are best avoided.

On the other hand, some outside interventions can be positive. In Togo, Senegal and Tunisia, and the current government in Benin, I've seen examples of the cabinet hiring international law firms with experts who have worked in the Chinese government and its development banks. This can bridge the differences in Chinese and African negotiating styles.

The Chinese often adopt a take-it-or-leave-it approach. In many cases, Africans are not confrontational enough in return. They don't appreciate that China [has a surplus](#) of domestically produced materials they are seeking to offload, for example. Wiser negotiators will play China off against other countries seeking to finance infrastructure projects on the continent, such as South Korea or the United Arab Emirates.

## **3. Keep the public onside**

China [tends to be](#) popular in Africa – more so than the US in around 60% of countries on the continent. Yet

the public also see negatives: many think Chinese products are poor quality, while there is a growing perception that dealing with China tends to favour Chinese labourers.

African governments need to bear these concerns in mind. If not, they risk being denounced by the media civil society organisations – as [has happened](#) in Kenya over the railway, for instance.

#### **4. Increase knowledge**

African governments are still relatively new to dealing with China; they should take every opportunity to share lessons with one another. There is a role for African universities here. They should set up more centres of Asian studies to close the gap in information and knowledge.

Some have argued in the past that many African governments fail to negotiate successfully with the Chinese because they [lack a strategy](#). I actually see plenty stratagems and tactics on the African side. What is required is a more coordinated and coherent approach – something China has [been working on](#) from its own perspective. It is better for African governments to have no deal than a bad deal. With the right approach, they can achieve much more than is often thought to be the case.

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