

# German Business Wants To Work with China in Africa

*The following is an edited translation, from the original German, of an interview with Stefan Liebing, Chairman of the Afrika-Verein der deutschen Wirtschaft (Africa Association of German Business), which was conducted July 5, 2018, on the sidelines of the German-African Business Day, organized by the Afrika-Verein in Berlin. The interview was conducted by EIR's Stephan Ossenkopp.*

**Stephan Ossenkopp:** In your introductory speech [at the German-African Business Day] you mentioned the BRICS countries, as possible competitors in Africa. How are German or European relations proceeding with the BRICS countries vis-a-vis Africa? Are there any possibilities for cooperation?



conjuncta.com

Stefan Liebing

African governments. In Africa, economic decisions are always politically driven, there are very close links

**Stefan Liebing:** There are a lot of things that we can learn from the Chinese. There are also things we should not learn. As far as standards are concerned, and perhaps quality, I believe that Germany is already more in the lead. But there are a number of things we can learn from the Chinese, and one of them is establishing closer links with



Voith Hydro

*Voith, a German engineering company, provided turbines such as this one for joint projects with China.*

between government and the private sector. I believe that we are not so good at this—not only in insuring private investments, securing them, and issuing guarantees, but also, for example, in speaking with one voice, and presenting concepts and package deals as “Germany, Inc.”

Many of my African friends tell me that they would like to work with the Germans, and not only with the Chinese, but they often have no choice. If African nations advertise for bids—“Who can build us a large infrastructure corridor with road, pipeline, refinery, and port?”—they find no one in Germany who can do it all. What the Chinese government does is—they turn around and say: “Here’s the Ex-Im Bank for financing; here’s the construction company; here are oil and gas companies—we can pull this together.” There are structural things we can learn here.

### **Tackle Some Things Together with China**

In addition, I believe that we have things that we can tackle together, too. Above all, I see infrastructure projects that always have a large building component, and then a high-tech component. Look at Voith [a large German mechanical engineering firm], it has established cooperation with the Chinese such that the high technology components and turbines come from Germany, and the construction capability to build a big dam—which is often 70-80% of the order for a hydroelectric power plant—is what the Chinese construction companies are providing. Incidentally, in Germany we

hardly have construction companies active in Africa any more. So that’s why it makes a lot of sense to join forces where you have strengths that complement each other, rather than compete directly.

**Ossenkopp:** A report by the Federal Ministry of Economics makes it fairly clear that we have lost the ability to deliver turnkey projects. Is that not a big loss, and shouldn’t we actually be able to restore those skills?

**Liebing:** Yes, of course it’s a loss, but one must say that plant engineering is something that is technologically, in many cases, no longer the pinnacle of established technologies. And in many

areas there are things that the Chinese and Asians can do, that you can get just as well in South Korea as in Germany. That’s been the course of development. At one point we were also at the top of the textile industry. We are not any longer, because we are too expensive and there is no technological edge. So there will always be industries that move from Germany to the emerging markets, because the emerging countries will eventually be able to handle these industries. Then we will often be too expensive with our standards of quality.

That is why I believe that this is not a bad thing, per se, in a world that is still hopefully driven by multilateral free trade, if we cannot deliver turnkey projects from a single source. But it will be important to reflect on how we can cooperate with companies and other countries in such a way that our high-tech components, where we continue to be leaders, are compatible with what others may offer more cheaply.

For example, nobody in the world needs Germany to screw a car together. Any Indian company can do that too. So can Russia, and the Chinese. But no other nation can build an S-Class automobile. That’s why the [Mercedes-Benz] S-Class continues to be driven by all governments, because it’s the best car in the world.

In other words, we need to carefully maintain our strengths and take advantage of the technological leading edge to bring it all together in one package. The VW [automobile] plant in Rwanda works in cooperation with the CFAO [an automotive distribution firm in Africa, subsidiary of Toyota], which arose from an Afri-



can-French company, as regards the concrete implementation on site. There are many such partnerships, and there is much more to be done with Asia than before.

**Ossenkopp:** A big China-Africa summit will take place in September. There is evidence that Africa is turning away from established industrialized countries, to China, regardless of the political model, as China has managed to lift 700 million of its people out of poverty over the past 40 years, which is also Africa's primary goal. How do you see this development?

### Africa Not Turning Away from Europe

**Liebing:** There are several aspects. I do not see the development as Africa turning away from Europe toward China. On the contrary, I have the impression that, as far as economic cooperation is concerned, the links are weakening: China is diverting funds to the Silk Road Initiative, which only marginally affects Africa, in East Africa and the ports, but is otherwise largely ignored. My feeling is there are less soft loans, less concessional financing from China in Africa for the big infrastructure projects. At the same time, I see people turning back to Europe for both quality and political reasons. Look at the change of power in South Africa, which certainly has not led to more orientation to China but rather, under the new president, is more likely to head back toward Europe.

If you ask whether Africans are guided by the Chinese model as a blueprint for their own development,

then the question is, do Africans want to implement a similar political and economic model, state-sponsored capitalism, so to speak? I would say there are some cases, yes—Ethiopia is such an example. And maybe there are things that make sense. To get things rolling with a little more economic coordination, a big push for infrastructure—I wouldn't exclude that. But in general, I don't actually see such a tendency, but the opposite.

**Ossenkopp:** You mentioned the Silk Road Initiative, which has changed the attitude of many countries which were previously critical of China. I'll bring up Japan, which is making relatively strong overtures to China. There was a Silk Road Summit in Beijing last year, to which Prime Minister Abe sent the chairman of his party. It is believed that Abe will visit China this year to negotiate foreign trade rules in order to work with China to develop third countries such as in Africa. Is this development relevant for Western European countries, which often have reservations about China?

**Liebing:** To be honest, I think we should do something similar. We should push that too. I have simply said that it makes a lot sense for Germany and similar countries to do something together with China in third countries, because there are certain areas that the Chinese can cover well, while we hardly do them any longer, or at least we can only compete with difficulty. When we get this collaboration, it's ultimately a very similar model.

I call them "trilateral approaches." Two developed countries or regions working together to bring something meaningful to Africa. Last year, we did a whole series of events to which we invited Japanese representatives and said, "What can we do, Germany and Japan, together in Africa?" We did something similar with China. I am in contact with the Chinese Ambassador and the German government, and I hear that the Chinese government also regularly makes the same proposals to the German government: Let us work together to jointly develop third markets. I believe that one has to get away from the sort of assessment which says: "Look at the wicked Chinese; they want to take Africa away from us."

Again, there are things that can be improved when it comes to standards: safety, labor, health and environmental standards, and quality standards. We can certainly contribute something to the cooperation. But we must get away from this demonization of Chinese in-

volvement on the continent. If we do it together, it can only get better—better for the Africans, because we may also bring a different view of things as far as the form of cooperation is concerned. Therefore: [in English] *if you can't beat them, join them*. Let us tackle it together and bring our strengths.

## Africa Infrastructure Funding Alternatives

**Ossenkopp:** The Asian Infrastructure Investment Bank (AIIB) has now developed into a comprehensive, multilateral financing organization. Even the European Council on Foreign Relations (ECFR) says it is not the counter-model to the World Bank or the counter-model against the West, as it has often been described in the press. It's a \$100 billion fund, and the Contingent Reserve Arrangement (CRA) adds another \$100 billion. Also, the Silk Road Fund, which is important for Africa with \$55 billion, has already been visited by a Bundesbank representative. Can we use such multilateral instruments through the Federal Ministry of Finance and the Bundesbank to jointly finance projects in Africa?

**Liebing:** That's a start. It is really only a beginning. I myself am a big fan of this Africa50 initiative, where the Africans themselves set up such an infrastructure fund. Half of the African governments have since joined. They have already put together a billion. The "Friends of Africa50" were also here, talking to the German government. The plan is to start with three billion. If you expect that you can manage now with an equity ratio of perhaps 30%, that means you can build 10 billion worth of infrastructure.

I do not think we have a shortage of funds for infrastructure, but we have a bottleneck on bankable projects. And for that you need funds, high-risk capital, which you can put into early stages of development. Once you have a project that is ready for construction, complete with all contracts, warranties, and insurance, you will find much more money in the world than you can use. The problem is the phase from idea to construction, and financing that is what Africa50 does with its budgets.

We have suggested to the German government that it offer insurance for German companies for the project development phase. A German project developer for a wind farm in Africa, has to pay out 4-5 million euros, before he even knows whether he can invest and make



money: This is the cost of studies, securing land, lawyers, flying out there, and whatever else. We said, "Let's create an insurance model." If this investor succeeds, he will of course pay an insurance premium and reduce his profits a bit. If the investment does not succeed, he will be reimbursed part of his upfront costs from this insurance. . . .

I am relatively sure that this will easily multiply the number of infrastructure projects that we will do with relatively little money. . . . With a constant probability of success, that would mean, yes, we will also double the number of projects that are built in the end, with relatively little money.

These are things we are currently trying to discuss with the German government. Of course you can do that multilaterally. Africa50 may spend and invest 10% of the funds for such early stages. To be honest, I couldn't care less how we organize it. Whether we give German development money to an Asian development bank, which then works through the Chinese with our partners in Africa—there are others who may have better ideas on how to structure it, and I have no idea how best to save on taxes or other such things.

For me, the point is, we have to do it! We have suggested how such things can be organized. But I am very open—if someone comes along who is smarter and has better suggestions, then we can do it in a different way. It just has to be done now. And we have been discussing this for a year. One year ago today we met with the president [President Alpha Condé of Guinea] on the eve of the G-20 summit. One year ago we started to discuss this with the German government. For a year none of this has been implemented, and that's what I find so annoying for the German entrepreneurs.