ON THE TRAIL OF CHINA'S DRAGON HEAD COMPANIES IN EAST AFRICA

By Bob Wekesa

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Chinese 'dragon heads' are the state-owned multinationals considered role models of China's outbound trajectory. Most of these companies emerged after 1979 when the Chinese party-state embarked on sweeping reforms marked by commercialisation of productive functions of government ministries. However, some private Chinese enterprises have earned their place in the grand 'dragon heads' category precisely because they are seen as flying the Chinese five-star red flag internationally.

At the outset, it is worth pointing out that the presence of Chinese companies in East Africa is too extensive, multi-layered and intricate to be covered comprehensively in one fell swoop. With over 1,000 companies engaged in fields as diverse as mining, infrastructure, telecommunication, hospitality and manufacturing, any attempt at providing a holistic picture is over-ambitious and the best attempts can only offer snippets of understanding.

Historical links

It may be true that China-East Africa links have grown exponentially since 2000. However, the Chinese Silk Road to East Africa is today a matter of rising magnitude rather than being entirely new. Even without factoring in ancient links dating back 600 years, evidence abounds showing that the Chinese have been active in the East African economic sphere for more than 50 years.

The 1,800 km Tanzania-Zambia Railway (Tazara) is well-known as a trailblazer, not just in East Africa but as a poster child of historical Sino-African links, with construction commencing in 1967 and ending in 1975. Following a lead from the Tanzanian Ambassador to China, Philip Marmo (recently transferred to Germany) , in the harbour city of Tianjin this writer met elderly Chinese engineers who worked on the Tazara project. They all speak flawless Swahili with a sophisticated Tanzanian turn of phrase, evidence if any was needed that the ties are historical.

But the Tazara has perhaps been over-studied. Li Jianbo, the country manager of China Road and Bridge Company in Rwanda is a quintessential illustration of the less known side of China-East Africa links.

"I was hardly out of my teens when I first arrived in Kigali in 1972," he reminisces. "Even during the genocide (between April and July 1994) we remained here and we were not targeted at all." Li is also the chairman of the Chinese business community in Rwanda. He adds that the only moment of heightened tension during the genocide was when Chinese employees had to be evacuated from the Gitarama and Kibuye road project sites which were under construction at the time.

"As soon as the conflict was over, we went back to the construction work and even World Bank officials who funded the project were amazed by our courage," Li recollects, an architectural map of a new road project linking north western parts of Rwanda to the south spread across his desk. A testament to the longevity of China Road and Bridge Company in Rwanda is writ large over the ageing red bricked compound in the upmarket Kiyovu suburbs of Kigali where Li has been based for 41 years. In his office, pictures of road projects dating back to the 1970s adorn the walls, a phenomenon visible in other projects by Chinese entities throughout the East African Community (EAC) region.

Providing insights into how China Road and Bridge Company has come to dominate road contracting works in Kigali specifically and Rwanda generally, then outgoing Ambassador of China to Kigali, Shu Zhan, attributes this to the longevity of the company in Rwanda.

"They constructed the Kigali-Ruhengeri road way back in the 1970s and I think they have gained valuable experience since then," he says, pointing out two multi-multimillion dollar Chinese-financed infrastructure projects in 2009 and 2011 as an indication of China's continued relations with Rwanda in the infrastructure sector.

In response to a question about any other illustration of long standing Chinese engagements in Tanzania over and above Tazara, Ouyang Daobing, a counsellor at the Chinese Embassy in Tanzania, referred this writer to Andrew Huang, a Chinese national who has been in Tanzania since the 1980s.

"I am a living example of Chinese who have seen Tanzania grow over the years partly with the support of Chinese investments," Huang says, taking time out in the interview to oversee the fixing of a closed-circuit television in his tastefully furnished home-cum-office in the Mikocheni suburbs of Dar es Salaam.

"Of course there are administrative challenges when working with our Tanzanian friends, as well as some Chinese nationals, who arrive here without proper papers or with criminal intentions and therefore spoil the reputation of the majority of honest Chinese nationals," says Huang, whose portfolio of roles includes serving as leader of the Tanzanian Overseas Chinese Association.

Multilayered entities

Even for seasoned East African corporate analysts, China's huge multinationals are a maze not readily decipherable. Part of the reason for this is that most of the large Chinese state-owned enterprises have many subsidiaries, holding companies and partnerships handling mind-boggling business lines at home and abroad.

The fact of the bewilderment for the average East African about Chinese companies came to light in the most dramatic of circumstances in the case of the bidding for the Karuma hydro-electric power dam in Uganda. When I sought out Ma Li, Deputy Director of China International Water and Electric Corporation in Beijing in late 2012, he was still grappling with the fact that a tender awarded to his company was causing so much controversy in the Ugandan parliament and was the subject of multiple investigations.

"Our company is associated with the Three Gorges Dam Corporation (the company that constructed the world's largest hydro-electric power plant of the same name on the Yangtze River). However some of our competitors (including Chinese companies) who lost the tender would like to cast our company as incapable of undertaking the US$1.6 billion project", Ma elucidates, citing the 6000 GWh annual output Merowe Dam project on the Nile in Sudan as a signature project of his company in Africa. Ultimately, Ma's company lost the project in July to Sinohydro, the same company that has also been involved in road infrastructure in Kenya such as the Thika Superhighway. A deal to streamline the knotted project seems to have been struck by Uganda's President Yoweri Museveni and his Chinese counterpart Xi Jinping during the March 2013 Durban BRICS summit.

Shedding light on the complexities of Chinese companies, Du Fei, Vice President of China Road and Bridge Company in charge of Africa, explains that the company is a subsidiary of China Communications Construction Company which was established in 1979 as an offshoot of the Foreign Aid Office of the Ministry of Communications.

"The confusion about Chinese companies arises out of the fact that state-owned conglomerates often bid for projects using their parent or subsidiaries as circumstances dictate. For instance, while China Road and Bridge Company won contracts for the eastern and northern Nairobi ring roads (bypasses) and the Nairobi-Mombasa trunk road projects, it is the parent company (China Communications Construction Company) that recently structured the deal for the construction of the 51 km (US$350 million) Entebbe-Kampala highway," Du explains at his office in downtown Beijing as he fishes out certificates showing accolades the company has been fêted with in and out of China. Knowing this writer is Kenyan, Du points out that "our company is not new in Kenya as some would like to suggest. We established our office in Nairobi in 1984 and in fact, in Kenya the Mtito Andei-Voi road (World-Bank funded) which we completed in 1998, was at the time one of the best quality roads in Africa," he gushes.

In addition to the multiplicity of subsidiaries and affiliates, large Chinese companies also have the capacity to undertake a wide variety of business lines. For instance, China Sheng Li Engineering Construction Group is active in the Nairobi urban infrastructure sector but has a longer track record in hydrocarbon extraction and chemical engineering fields.

Indeed, one of the companies that built the Tanzania-Zambia railway project, China Railways Construction Company, has mutated over the years, amalgamating entities formerly associated with the Chinese foreign aid department of Ministry of Railways and the People's Liberation Army's railway engineering brigade. Today, the company has well over 30 subsidiaries, some of them still active in the rehabilitation of the Tazara project, which has been dogged by financial and managerial challenges since its 1975 completion. Yet, in the specific case of the Tanzania-Zambia Railway, China Railways Construction Company is partnering with the Fortune Global 500 Rankings-listed China Railways Engineering Construction Engineering Company, a completely different entity, as well as the Designing Institute of the Ministry of Railways.

"The different companies and organisations play different roles and while it may look complex for our Tanzanian brothers, we actually work smoothly," Xue Sanping, a project co-ordinator tells this writer at the dilapidated headquarters of the Tazara in Dar es Salaam. By contrast the Tanzanian and Zambian end of the bargain is not as smooth, as the joint management has lurched from one altercation to another over the years. As of mid-2012, a feasibility study was underway to concession the historically symbolic project to a Chinese company.

In the case of the China National Aero-Technology International Engineering Company (CATIC) the series of subsidiaries reaches dizzying proportions. "The parent CATIC entity was established in 1980 and has over the years grown to encompass real estate, hotels, engineering works, supply of construction and other equipment, civilian and military aviation supplies." Wang Qixing, the Vice President of one of the CATIC subsidiaries ticks off the various fields in a wing of the CATIC Plaza sitting side by side with a five-star hotel owned by CATIC and overlooking the famous Bird's Nest stadium in Beijing. "I am the vice president of Aviation Industry Corporation (AVIC) International Project Engineering Company and this should not be confused with CATIC, which is our parent company", he explains.

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"I believe many people in Kenya know more about our construction works on the second phase of Jomo Kenyatta International Airport in Nairobi for a new terminal and a 1,500-car three storey car park. We have done a lot of other projects including supply of equipment and training for the National Youth Service in Kenya", he says.

"Often, our company seeks projects for which governments need solutions and structures innovative plans either directly funded or requiring long-term loans from Chinese financial institutions of our own investments."

Policy banks

It has been pointed out time and again that the success of Chinese companies in securing infrastructure projects rests on their capacity to marshal resources from Chinese policy banks, particularly China Export Import Bank (Exim Bank) and China Development Bank. Indeed, the China Africa Development Fund, a subsidiary of China Development Bank, was established in 2006 for the express purpose of financing African projects. In 2012, the China Africa Development Fund was boosted with a US$20 billion kitty announced by former president Hu Jintao during the Forum on China Africa Co-operation

(FOCAC). These two institutions are often joined by other financial institutions to negotiate long-term financing for feasible projects in Africa.

These institutions have been labelled policy banks precisely because they implement broad multilateral and bilateral agreements made between Chinese and African leaders. In multiple interviews with corporate chiefs of Chinese companies, it became evident that Chinese companies are often in fierce competition for funds from these policy banks, putting paid to the monolithic view that Chinese officials favour some state-owned companies over others. Intriguingly, competition is sometimes fiercest between subsidiaries of a 'mother' company engaging in battles in East Africa as an ongoing case of railway construction works in Uganda demonstrates.

A case in point to demonstrate the policy-based approach to project financing is the Entebbe-Kampala Highway now under construction. Records indicate that the 51 km project was broached at a bilateral discussion between Ugandan President Yoweri Museveni and former Chinese Premier Wen Jiabao on the sidelines of the fourth Sharm el Sheikh FOCAC meeting in 2009. This is when Premier Wen pledged a concessionary loan support from Exim Bank for the toll road among other projects.

"To win the contract, we had to offer the best plan against competition from other Chinese firms. For many months, I worked day and night to figure out the best architectural and financial plan," an official at the China Communications Company (parent company of China Road and Bridge Company) explains, adding that East African managers of Chinese companies prospect for business by reviewing agreements made by Chinese and East African leaders and analysing development plans in the region, over and above initiating projects with governments based on proactive discussions.

Chinese labour

One emotive issue that has refused to go away is the charge that Chinese companies come along with their own labour in a putative scheme to dump unemployed Chinese people in Africa. Virtually all managers of Chinese companies pushed back on this allegation. But perhaps the most sober explanation was provided by the British-educated, young and suave Chief Representative of AVIC International in Uganda, Sun Jingfeng. "Let's face it. When you come to a country like Uganda and you want to put up a nice modern building to high standards, you definitely need some of the best professionals in the field. Now, what do you do when you find that there are very few local technical professionals to hire? You have to make a choice and often, we bring in Chinese technicians only because there are no local architects or engineers to meet high standards," he says, adding that if there were local engineers, architects, surveyors and other construction professionals, his company wouldn't hesitate hiring them, as this would reduce the costs of bringing staff from China, paying for their periodic travel to China besides the cultural challenges that Chinese workers have to contend with.

"In Kenya for instance, we have hired engineers who take charge of certain complicated functions on projects because they are available and able. But if you want to bring them over to Uganda it becomes a problem, because locals here want to be employed in those positions even if they don't qualify. The alternative is usually to get Chinese professionals to start training locals so that in future we can cut down drastically on the number of skilled Chinese workers," Sun explains as he takes this writer around a huge 12-storey complex his company is building for the Kenyan insurance firm, UAP Insurance, in Kampala's Nakawa area. Not far away in Butabika suburbs abutting the shores of Lake Victoria, his company is in the final phases of putting up a campus for an international school owned by Indian investors.

One of the rumours about Chinese construction workers doing the rounds in East Africa is that most of them are Chinese prisoners. The Spartan, sweat-shop demeanour exhibited by Chinese construction workers is often presumed as evidence that they could be prisoners. Peking University Professor and noted Africanist, Li Anshan, gives some of the reasons for such perceptions citing his own research work in Africa. "Failing to distinguish between a Caucasian and an Asian, many an African considers all Chinese as white people. 'White' is tantamount to affluence. Long hours of back-breaking labour and residence in construction camps are not affluence and therefore the labouring Chinese must be under some form of punishment, the kind meted out to unwilling prisoners," he says, amid the comings and goings of African students into his office at the Centre for African Studies at this foremost Chinese university.

Regional integration

While it is often thought that Chinese companies are in a zero-sum competition with other economic powers as well as multilateral financial institutions, others see lots of opportunities for trilateral collaboration. EAC Secretary General Richard Sezibera, for instance, cites the recently completed Nairobi (Athi River)-Arusha highway as an exemplar of multiple partners converging to deliver an infrastructural artery that feeds into EAC integration goals.

"The expansion and revamping of this road was funded to the tune of US$164.3 million by the Tanzanian and Kenyan governments with financial support from Africa Development Bank (in conjunction with the World Bank) and Japan International Co-operation Agency, while China Geo-Engineering Corporation undertook part of the construction work," he explains, pointing out that the fact that funding comes from a non-Chinese source but a Chinese company wins the contact is an indication of healthy co-operation.

More significant, perhaps, is the fact that the Chinese infrastructure companies are seen as contributing to regional integration. Flipping through a picture album featuring the launch of the Nairobi-Arusha highway, EAC communications manager, Richard Owora Othieno, points out presidents Mwai Kibaki (Kenya), Jakaya Kikwete (Tanzania), Yoweri Museveni (Uganda), Paul Kagame (Rwanda) and Pierre Nkurunziza (Burundi) digging shovels into the ground in 2009 and launching the road at its completion in 2013.

"Our long term objective is to build infrastructure linking the five countries, a plan in which Chinese agencies are playing a crucial role whether as contractor or as source of funding and often as both contractor and funder," Dr Sezibera explains, throwing in other infrastructural projects such as a ring road around Lake Victoria and the so-called central corridor linking Tanzania to Uganda and on to Rwanda and Burundi.

Part of the 967 km A2 highway from Nairobi via Isiolo and Turbi to Moyale is being built by China Wu Yi, which clearly forms part of this integration vision as it links Kenya to landlocked Ethiopia. When I sought out the Kenya-based Chinese manager of Wu Yi, he was upbeat about work on the section of road farmed out to his company. "We are working very hard, we work day and night. We actually hope to complete everything ahead of time," says the manager, Wu Bao as he reclines on a wall at the makeshift construction site in northern Kenya.

Holistically, the recent road rehabilitation and fresh construction from Dar es Salaam to the Kenya-Ethiopia border stands at 1,720 km, most of the sections having the dragon's footprint and a major cog in the Trans African Highway network.

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Provincial governments

The huge portfolio of China Wu Yi's projects in East Africa introduces yet another less appreciated fact about Chinese companies. While many might imagine that all Chinese state-owned companies are Beijing-based and national, a good number of companies are actually international contracting arms of provincial governments. China Wu Yi is for instance associated with the Fujian Provincial Government in south east China.

In Uganda, the Chongqing International Construction Corporation, the international contracting arm of the south western China municipal government of Chongqing City – the fourth largest city in China – has been involved in major road projects. Speaking to Ms Wang, country manager, at the company's Namanve headquarters on the Kampala-Jinja Highway, one learns that the company has been in Uganda for over two decades with infrastructure works such as the ongoing road linking Fort Portal to the border of the Democratic Republic of Congo to mention but one. The compound has several construction machinery and vehicles, an indicator of the longevity of Chongqing International in Uganda.

As Chinese Ambassador to Burundi, Yu Xuzhong, explains, some of the most active companies in the construction industry in the country are Jiangsu International Economic and Technical Corporation and the Anhui Foreign Economic Construction Group, both of them associated with their respective provincial governments. "Between them, these two companies have had a lasting footprint on paved roads in the country since 1981," says the ambassador at his chancery-cum-residence sharing a fence with the presidential palace.

Private companies

To demonstrate that not only Chinese state-owned enterprises are active in large projects in Rwanda, Chinese Ambassador Shu Zhan walked this writer out of his Kigali Chancery and pointed at massive steel and iron scaffolding right across the road. "You asked about the concept of win-win and mutual benefits between China and Africa. This project says it all since it is a joint venture by Chinese and Rwandan investors (known as New Century Development Ltd) and discussions are on for it to be acquired by Marriot Hotel (a US hospitality chain)," he says of the US$60 million project on course for completion at the time of writing.

Not too far away in the Kimihurura area of Kigali, the Beijing Construction Engineering Company is undertaking the 126,000 m^2 Kigali Convention Centre, a joint initiative between the government of Rwanda (51%) and private Rwandan investors. "This facility is aimed at boosting Rwanda's conference tourism capacity as the facilities we are working on include a five star hotel, amphitheatres, shopping malls and others," Wang Zheng, the general manager, explains. However it was apparent as of March 2013 that the project that started in 2009 was behind schedule and Wang attributes the delays to back-and-forth consultations on architectural and structural designs with a German company responsible for the entire project.

In Bujumbura, the Beijing Urban Construction Company is an illustration of private 'dragon head' companies undertaking foreign aid development projects. When this writer visited the site, Hu Xiaohe, the project manager was overseeing deep excavations on the site where a technical training institute will soon stand, next to the US Embassy. "When we first started work here, US Embassy officials were curious to understand what we were working on so close to their building. After our explanation and assurances by the Burundian government, they have left us alone to do our work," he says.

Some of the Chinese-owned companies indeed operate in the hinterlands of East Africa. Travelling well over eight hours from Nairobi to Awendo in western Kenya, this writer met one Mr Yu, a general manager at Danaff Kenya Ltd, a medium-sized infrastructure development company incorporated in Kenya in 2005. Yu and his colleagues are overseeing a US$1.6 million Korea International Cooperation Agency funded water supply project to supply water to a small town called Awendo, a stone's throw away from the South Nyanza Sugar Company. On inquiring if Danaff had waterworks as its specialty, Mr Yu, a sociable man with a knack for photography, opens his laptop to show photographs of projects his company had done in the past including housing, roads, schools and dams.

Government buildings

China's embracing of East Africa has all the hallmarks of soft power for which stadiums and 'friendship' hospitals in Kenya, Uganda, Tanzania and Rwanda are perhaps better known. In recent times, however, East African states have benefitted from superlative government buildings donated by China. In the heart of Kampala city stands the Ministry of Foreign Affairs office block, a grey edifice with an elegant foyer where VIPs can be received, and boasting a glazed frontal view to complete the image of modernity. A few blocks away sits the even more glamorous 10-storey, twin-tower Office of the President set in wooded, mowed grounds. When this writer visited the twin towers in March 2013, it was virtually a throwback to the government buildings one sees in Beijing.

Explaining construction work on a presidential palace in Gisenyi, on the outskirts of Bujumbura, Ambassador Yu says that the project was requested by the Burundian government based on the fact that the current president's residence is old and small.

When the new US$200 million African Union building was inaugurated during a meeting of heads of state in Addis Ababa in January 2012, all African leaders were unanimous in their praise for the Chinese donation. One voice of dissent from the African continent was Rwanda's President Paul Kagame, whom *The East African* newspaper quoted as saying the project was but a tip of the iceberg of Africa's dependency syndrome. Whether President Kagame, often frank and uninhibited, was quoted out of context or was reacting on the spur of the moment is today a matter of conjecture. Notwithstanding the veracity of Kagame's comments, Rwandan officials have been using the Chinese-built US$8.5 million Ministry of Foreign Affairs office block from 2008, four years before the handover of the AU headquarters. In addition, a recent grant will see to the construction of a new government complex in Kigali.