Developmental States: How Algeria makes the best of China to promote its development

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THE BRICS COUNTRIES: INTERNATIONAL INSTABILITY, GROWTH TRAJECTORIES AND STRUCTURAL TRANSFORMATIONS

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ABSTRACT

Socialist Algeria had friendly relations with Maoist China; it is paradoxically during the 1990s and the 2000s, while Algeria abandoned the official reference to socialism, that the two countries began experiencing an unprecedented expansion of their economic, commercial and human relations in such a way one could feed fantasies about the Chinese presence and expectations in Algeria. This contribution will examine the sudden acceleration of the Sino-Algerian economic relations to show how Algeria's government has been making the best of the Chinese presence to lead its development drive and to pursue new industrial policies.

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A “developmental state” – Japan being paradigmatic — is a catalytic organisation in which economic agents are responding to incentives nurtured by the state to boost economic and social development (Johnson, 1999). China and Algeria, both are experiencing “modernising authoritarian regimes” (Malloy, 1977:3-4) which governments are performing “a strategic role in taming the domestic and international forces and harnessing them to national economic interests” although it has meant and could still mean a “severe repression of popular groups and the exclusion of labour from the political arena” (Öniș, 1991:112, 118). The role of the Chinese State as of the Algerian State is characterised by a developmentalist political determination embodied by a strong bureaucracy which is embedded in society through its connections with the business community.

In the very case of the Chinese economic presence in Algeria, both “developmental states” are conducting different strategies to foster their own economic development. China is hustling its enterprises to “go out” (*zouchuqu*)[1] whereas Algeria is opening its market to technologically advanced products and to cooperation by engaging in joint projects with foreign partners.

CHINA AND ITS ENTERPRISES “GOING OUT” TO ALGERIA

It is extremely difficult to assess the number of Chinese enterprises in Algeria and to appraise their actual activity and their size. Furthermore, it is rather delicate to accurately determine the Chineseness of an enterprise; the mere fact that its manager looks “Chinese” is definitely not a criterion. Those “Chinese enterprises” which are incorporated in Algeria, paying their business taxes to the Algerian treasury, managed or owned by a Chinese citizen… most often should be considered as plain Algerian enterprises. Algerian *de jure*, some of them could nevertheless be regarded *de facto* as Chinese when they are the subsidiaries in Algeria of enterprises incorporated in China: Huawei Telecommunications Algeria Sarl and Huawei Technologies Algeria Sarl are two Algerian subsidiaries of Huawei incorporated in 2006. It should be emphasised that this assertion is not related to the stock ownership structure but to the *locus of decision-making*. From that point of view, the enterprises of those Chinese petty entrepreneurs who have settled in Algeria and who are struggling for life by doing business are definitely not paradigmatic of the internationalization of Chinese firms.

If we refer to the data gathered by the Algerian Ministry of Commerce, the number of “Chinese enterprises” (*i.e.* enterprises registered by one or several Chinese nationals) listed in the Commercial Register was 817 at the end of September 2013 – of which 711 were legal entities and 106 were individuals (CNRC, 2013:10-11). From 1997 to today the increase was continuous with acceleration between 2003 and 2007, years while which Algeria embarks on major projects with the assistance of China. It comes as no surprise that the spatial distribution of these enterprises shows a concentration in Northern Algeria with an overwhelming presence in Algiers – about 70.1% (Pairault, 2014b:106-107). Mid-2013, the enterprises registered by French, Syrian or Tunisian nationals in that order outnumber those by Chinese nationals: respectively 21.9%, 19.1%, 13.2% and 10.0% of all enterprises registered by foreign nationals (Hammou and Pairault, 2014:161).

[1] “Going out” is the precise meaning of this Chinese phrase so often made unnecessarily emphatic when translating it by “going global”. There is some uncertainty about the date when this policy was adopted. It seems clear that the history of this policy of active openness was launched by Jiang Zemin in July 1996 on his return from a trip to Africa. The use of the term itself, however, could not be older than his speech during a working session on the 24th of December 1997. The official launching could date to 1999 without any explicit reference to a specific decision of the CCP (Chen, 2009:63-69). For a chronological account of the opening policy from 1979 to today, see *inter alia* Gloria Ge and Daniel Ding (2009:46-sqq).

The data provided by the Algerian Centre national du registre du commerce (CNRC)[2] tell us which Algerian enterprises are managed or owned by Chinese nationals but are unable to show how their activities might be linked with the Chinese economy or related to decisions taken in China. Thus, the China State Construction Engineering Corporation (CSCEC) — which is in charge of the construction of Algiers's Great Mosque – just appears as an Algerian company named "SPA CSCEC Immoblier". As for the CITIC-CRCC consortium — which won in 2006 the public bid to build two sections of the East-West Motorway – and which filed an application for registration on the 25th of July 2006 under the name "GRP CITIC/CRCC Groupement" but has never confirmed registration. Not only none is sure whether a listed enterprise is the subsidiary of a Chinese company registered in China, but on top all Chinese subsidiaries operating in Algeria might not be registered.

It brings another viewpoint by looking at the on-line database of the MOFCOM (Chinese Ministry of Commerce). This database provides unprocessed raw information relating, not to the amount of investment, but to investment projects. It is therefore not exactly a list of names of Chinese firms investing abroad (formal designation of the database[3]) but a list of projects that have been authorised and properly recorded[4]. During the period from 2002 to mid-July 2014, it would be 88 companies that could have invested in Algeria. According to the definition proffered by international authorities like the OECD: foreign direct investment (FDI) "…is an activity in which an investor resident in one country obtains a lasting interest in, and a significant influence on the management of, an entity resident in another country. This may involve either creating an entirely new enterprise (so-called "greenfield" investment) or, more typically, changing the ownership of existing enterprises (via mergers and acquisitions)." (OECD, 2003:157, box VI-I). Therefore, this definition implies that the MOFCOM database is not only listing Chinese enterprises which are allowed to invest abroad in OECD's narrow sense, but also recording those which are carrying out actions of publicity and commercial prospecting, or are opening a representative office… abroad.

Hence, available information from the MOFCOM database might give rise to misleading interpretation unless it is clearly stated that a given enterprise is to open a representative office (*daibiaochu*), a local office (*banshichu*) or a branch (*fengongsi*). In all three instances, there is neither investment in the narrow sense nor even the creation of any autonomous entity – which of course does not exclude operating expenses such as renting premises and the payment of wages to local workers for which an outflow of foreign exchange may be necessary. Too often, such expenses are mistakenly considered as "investment" when they are only operating costs. A clear illustration is the case of SINOPEC. This company registered under number 06B0972363 in the Algerian Commercial Registry in 2006, then changed its registration in 2009; it appears as a "branch" (*succursale*)[5] acting as "commercial representation or agency of a foreign public institution" (*représentation ou agence commerciale des établissements publics étrangers*)[6]. A SINOPEC Group communiqué[7] stresses that its

Filiale = 子公司 = subsidiary

2 National Commercial Registry Centre.

3 *Jingwai touzi qiye (jigou) minglu*: full translation of the title is "name list of enterprises (institutions) investing abroad"; wszw.hzs.mofcom.gov.cn/FeCp/emf/corp/fem_cert_stat_view_list.jsp.

4 For a more minute description of this database, see our analysis of Chinese direct investment (Pairault, 2013a:264-265).

5 Under the name "SUC China Petrochemical Corporation North Africa Representative Office 'Sinopec'".

6 Code 615002 in the Algerian classification of economic activities (*nomenclature algérienne des activités* or *NAA*).

7 "Zhongguoshihua zhu A ge danwei juban daonian huodong bing wei zaiqu juankuan [SINOPEC entities in Algeria held a memorial service and raise fund for the disaster area], 29 April 2010, www.sinopecnews.com.cn/shb/content/2010-04/29/content_800150.shtml.

representative office in Algiers supervises a number of enterprises which are not all plainly named but all are its Chinese subsidiaries or sub-subsidiaries whose activity in Algeria is neither necessarily related to the exploration and exploitation of oil and gas deposits, nor to the processing, transport and marketing of oil and gas.

Actions of commercial prospecting could — but not necessarily — involve the creation of an autonomous entity such as a local limited liability company (LLC) for example. It is the case of FOTON and JMC, two automobile manufacturers which come under the control respectively of the Beijing Automotive Group and of the Jiangling Motors Group. This is also the case of Dapeng Tea Co which sells tea under the brand ASKIA and that of UPTOP (a subsidiary of a Sino-US joint venture also in Egypt) which distributes shoes it manufactures.

Another category is that of transactions resulting in the creation of production units. Benebo from Shijiazhuang (Hebei) has created at Jijel (north-eastern Algeria) two plants processing cork (BNB and ESSOR) and exporting their production to China[8]. A public consortium from Henan, under the label Shaolin (from the monastery where kung-fu — a broad term for all Chinese martial arts — is supposed to be born) is operating zinc mines at El Abed, copper mines at Boukais, manganese mines at Guettara and is prospecting for gold in the Hoggar[9] under a partnership agreement (49%/50%) with ORGM-Sonatrach (MEM, 2007:15). A small private company from Yangzhou (Jiangsu) set up a boiler joint venture at Tissemsilt named UCMAC[10]. An Anhui company specialising in copper metallurgy has settled at Annaba and El Tarf under the name Copper Shuang Cheng Annaba[11]. This enterprise, which production had for outlet the sites of the East-West Motorway, is the subject of a criminal investigation to determine whether it is appropriate to prosecute it for corruption and money laundering[12].

However, some operations are much more difficult to detect when, for example, large Chinese public enterprises mandate their subsidiaries and sub-subsidiaries to complete the contracts that they have signed. This was the case of the CRCC in charge of the building of two sections of the East-West Motorway; some of its subsidiaries and sub-subsidiaries were involved as subcontractors acting externally in the name of their parent company. This gives quite a different picture of the Chinese industrial landscape. The Chinese government would like its major enterprises resemble "modern" incorporated companies when, in fact, they are often operating as the direct descendants of former industrial complexes under branch-type agencies emulating the Soviet administration of the economy.

The analysis of the 88 records of enterprises listed by the MOFCOM shows that representative offices are largely dominating among Chinese enterprises operating in Algeria (39.8%). Adding those enterprises to these which reported engaging in business development, it is almost two-thirds (63.6%) which are involved while a quarter of them (25.0%) has an activity that is most similar to an investment in the OECD's narrow sense (see table 1).

8 These companies are registered in the Algerian Commercial Register (hereafter CNRC) under the following numbers: 08B0442923 and 07B0973875. Investment are authorised by MOFCOM under the following numbers: 2008-001616 and 1300201200006.

9 CNRC: 05B0108207 (Travaux hydrauliques Shaolin) and 08B0981468 (Shaolin Mines) ; MOFCOM: 2009-000364, 4100201300073 et 4100201000018.

10 CNRC: 10B0702396 ; MOFCOM: 3200200900163. The establishment of this joint-venture was announced in the *Midi Libre* classified ads (n° 876, 27 janvier 2010, p. 21).

11 CNRC: 10B0365096 ; MOFCOM: 3400200900018.

12 « Des soupçons sur la société chinoise 'Cuivre Shuang Cheng' », *L'Est républicain*, 12 mars 2013, p. 4.

Table 1. – Chinese enterprises in Algeria according to their activities

Representative offices	Business development	Creation of production units	Services
39.8%	23.9%	25,0%	11,4%

Very significantly, it should be noted that almost three quarters (72.8%) of these enterprises are totally or partially publicly funded enterprises which are either under the supervision of the central government or under that of provincial governments. From that point of view, the presence of Chinese enterprises in Algeria does not differ essentially from its presence elsewhere in Africa; they are first and foremost characterised by their proximity with the Chinese authorities — does not matter whether they are centrally or locally supervised.

CHINESE PUBLICLY FUNDED ENTERPRISES IN ALGERIA

Wholly or partly (foreign or Chinese) publicly funded enterprises are generally designated in the literature as SOEs (state-owned enterprises). Actually it is very unlikely that Morgan Stanley would be classified as SOEs just because the Chinese Investment Corporation acquired in 2007 a 10% interest in this U.S. investment bank. How should be designated the Sino-French Alcatel-Lucent-Shanghai-Bell Company, a 51%/49% joint venture which is under the direct supervision of the central government? Hence, the appellation SOE is somewhat misleading because it refers strictly speaking to enterprises that should be under public law (no legal personality separated from the state, no financial autonomy) whereas they actually are limited liability companies under private law — even if (wholly or partly) publicly funded. Such a designation is ideologically aroused and more Cold War reminiscent than factually descriptive. Conversely, in China references to state-ownership is rather neutral for they convey neither such an anti-statist preconception nor such an ideological contest. In April 2003, the State-Owned Assets Supervision and Administration Commission (SASAC)[13] is established under the direct supervision of the central government. SASAC holds functions previously poorly performed by several structures in charge of publicly funded enterprises. Its main objective is to achieve the separation of assets management from business management in order to foster the change of enterprises legal status, and thus to complete the dematerialisation of their assets. As a rule, SASAC supervises all enterprises holding public assets (*i.e.* publicly funded enterprises) but distinguishes between those under the direct supervision of the central government ("central enterprises") and those under the direct supervision of local governments ("local enterprises"). However, some publicly funded enterprises and other entities as financial institutions remain under the control of ministries such as Finance or Trade (Pairault, 2013b:3-4).

By searching the SASAC website (www.sasac.gov.cn), it has been possible to draw up a list of eighteen publicly funded enterprises which presence in Algeria was considered particularly significant to the Chinese authorities (see Table 2)[14]. All these companies are central enterprises, which do not mean that the SASAC ignore *a priori* other Chinese publicly funded enterprises which are working in Algeria either directly or through their subsidiaries and sub-subsidiaries. This situation suggests a *de facto* monopoly[15] enforced by these enterprises particularly in developing countries.

13 It should be noted that the English translation – following the original Chinese wording – does not refer to SOE but to state-owned *assets*.
14 This search was conducted in July 2013.
15 On average, 80% of Chinese FDI is due to these central enterprises (Pairault, 2013b:11).

However it comes as no surprise that SASAC, which is in charge of publicly funded enterprises, does not mention the achievements of private companies such as Huawei.

Table 2. – Ranking of Chinese central enterprises in Algeria (year 2013)

Usual name or acronym	Enterprise name	Fortune	FEC	ENR Global	ENR Int'l
SINOPEC	China Petrochemical Corporation	3	1	61	91
CNPC	China National Petroleum	4	2		
CSCEC	China State Construction Engineering	52	9	3	24
CRCC	China Railway Construction	80	11	1	34
CREC	China Railway Group	86	12	2	53
FAW	China FAW Group	111	17		
CSGC	China South Industries Group	169	19		
CCCC	China Communications Construction	187	29	6	10
Baosteel	Shanghai Baosteel Group	211	30		
MCC	China Metallurgical Group	354	40	9	51
CNBM	China National Building Materials Group	267	43		
Sinomach	Sinomach [China National Machinery Industry]	278	48	55	25
CPI	China Power Investment	393	52		
CNMC	China Nonferrous Metal Mining Group	398	86		
CTGPC	China Three Gorges [Sinohydro et CWE inclus]		203	36	82
CNEC	China National Chemical Engineering Group		311	206	110
CECIC	China Energy Conservation Investment Corp.		389	14	20
WRI	Wuhan Research Institute				

Sources: Fortune Global 500: www.fortunechina.com/fortune500/c/2014-07/07/content_212535.htm.
CEC (Chinese Enterprise Confederation): http://www.cec1979.org.cn/c500/chinese/content.php?id=145&t_id=1.
ENR [Engineering News Record]: enr.construction.com/toplists/.

Note: The 250 Global Contractors list ranks the largest world construction contractors, both publicly and privately held, based on total construction contracting revenue regardless of where the projects were located. The Top International Contractors list ranks the largest world construction contractors, publicly and privately held, based on general construction contracting export revenue — generated from projects outside each firm's respective home country.

In 2013, three-quarters (fourteen) of the above listed eighteen central enterprises (16% of the 113 central enterprises then) were among the 500 largest companies in the world as published on the 7th of July 2014 by *Fortune Magazine*. They represent a third of the 44 central enterprises listed by Fortune on a total of 100 recorded Chinese companies. The choice of this criterion is dictated by the SASAC, which since 2003 has strived to merge as much as possible the enterprises under its supervision to generate entities that can enter the list of Fortune 500 biggest companies classified by importance of their turnover. This obsession is perfectly reflected too in more scientific studies (see *inter alia* Liu, 2011). The classification of the Chinese Enterprise Confederation (CEC) also emphasises the outstanding make-up of this listing: in 2013, seventeen of these enterprises were among the 500 largest Chinese enterprises and the first twelve of them were among the fifty largest. Chinese enterprises operating in Algeria therefore are the pride of Chinese enterprises and, at the same time, are the spearhead of the “going out” policy launched in 1996 by Jiang Zemin.

These eighteen central enterprises primarily act as service providers rather than investors in the narrow sense (with some exceptions); they sign Engineering, Procurement and Construction (EPC) contracts for the supply of industrial and infrastructural turnkey equipment. Consequently, Table 2 quotes the rankings established by *Engineering News-Record*, the contractors’ bible. The top three world global contractors and the sixth one are all Chinese central enterprises present in Algeria. The mere fact that these enterprises are globally the most significant by their turnover does not mean they are necessarily the most important by their international activities. Chinese enterprises are first Sino-centric as the case of the three leaders shows: China Railway Group (CREC), China Railway

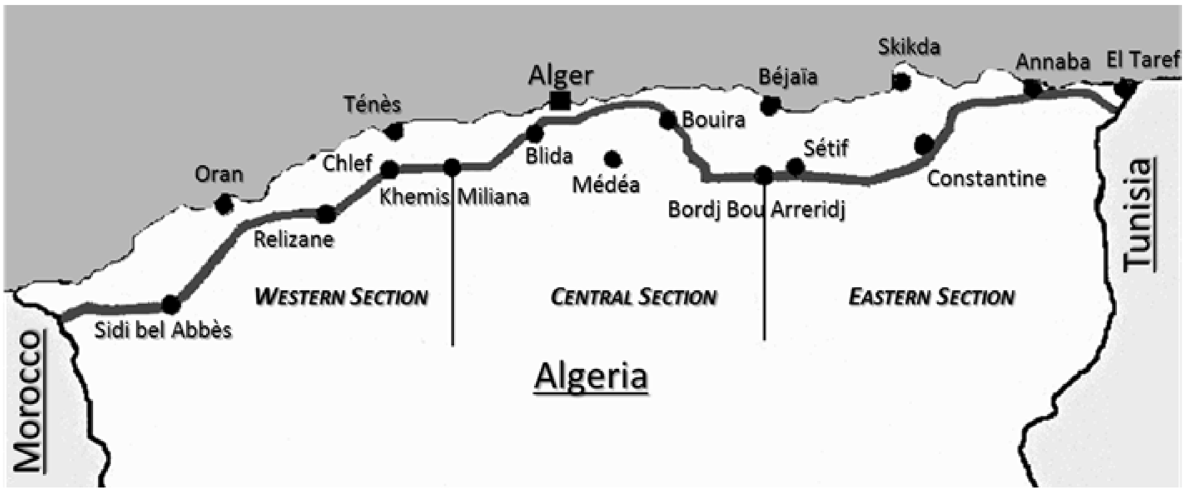
Construction Corporation (CRCC) and China State Construction Engineering Corporation (CSEC) only achieve abroad 2.5%, 3.5% and 6.1% of their turnover respectively. It is far from specialised structures in international projects such as, for example, Grupo ACS (ranking 5th, 54.4% of its turnover generated abroad), HOCHTIEF (ranking 7th, 94.8%) or Technip (ranking 29th, 98.1%)…

Obviously there is a state strategy fostering Chinese enterprises to internationalise their activities so to boost China's economic development. This statement does not mean that Chinese enterprises can gain a foothold in a country without taking into account the host country's development strategy. Furthermore, host countries, as Algeria, may take this opportunity and exploit forthrightly the Chinese determination in order to reach their own developmental goals. In this sense, the story of East-West Motorway is paradigmatic.

ALGERIA, CHINA AND THE EAST-WEST MOTORWAY

The realisation of the Algerian East-West Motorway was a crash construction program on an unprecedented scale. The project has been agreed in 1987 but was on the Algerian government's agenda since the 1960s; it was considered as the "projet du siècle" according to a phrase attributed to Amar Ghoul, the Minister of Public Works in charge of its implementation. The motorway runs 1,216 km from the Moroccan border to the Tunisian border connecting Algeria's major coastal cities (see Map 1). The award of the construction project was the result of international biddings confronting fifteen bids from six international groups (Italian, Franco-German, Portuguese, American, Japanese and Chinese). A consortium of Japanese contractors, COOJAL[16], won the bid for the construction of the eastern section (399km). A Chinese consortium consisting of two large firms, CITIC and CRCC, has been chosen to build the central and western sections (169km and 359km respectively)[17]. The legal framework was a "task contract" in which both consortia were to be responsible for the design and the building of the motorway sections they were respectively awarded (CACI, 2006:18-22). In the Design-Build model, the enterprises which won the bids are to design and build the infrastructure to meet the client's performance specifications, often for a fixed price, so the

Map 1. – The Algerian East-West Motorway's three sections



[16] COJAAL is for "Consortium japonais pour l'autoroute algérienne"; Japanese contractors were Kajima, Taisei, Nishimatsu, Hazama et Itochu.

[17] The three figures do not add up to 1.216km but to 927km as several small stretches of motorway were already built.

risk of cost overruns is transferred to the selected enterprises. However, the flexibility that the design control given to the contractors can also enable unscrupulous adjustments and small arrangements between friends as suggested by the corruption investigation that is currently opened by the Algerian public prosecutor on the construction of this motorway[18].

It has never been written any minute account relating the conception of the invitation to tender for the East-West Motorway construction. Information gleaned here and there allows drawing up a broad outline of the steps taken. On the Algerian side, the project history can be traced back to the late colonial period. On the Chinese side, the concern dated back to the early 2000s.

From what is known, there would have been in 2002 an alliance between CITIC Construction and China Railway Construction Corporation (CRCC) to apply for the three sections of the East-West Motorway. CITIC Construction is a wholly owned subsidiary established in 1986 by the CITIC (China International Trust and Investment Corporation) a public investment company specially designed in 1979 by the Chinese government to deal with foreign partners on financial issues. The initiators of the intense lobbying for building the motorway are some of CITIC Construction leaders who did not hide their pride to have prevailed over Western leading contractors and, to a certain extent, over the Japanese consortium (Dong, 2006). The CITIC Construction formerly aimed at establishing a strategic partnership with the China Civil Engineering Construction Corporation (CCECC). The latter company originally was the spearhead of the Ministry of Railways for its aid projects abroad — its flagship achievement completed in 1976 being the Tanzania-Zambia Railway which runs between Dar es Salaam and Kapiri-Mposhi. Its African experience as well as its Algerian experience caught the CITIC Construction interest when seeking to enter the Algerian construction market. In September 2003 the CCECC was merged by the SASAC into the CRCC – a central enterprise – which became the official partner. The CRCC is heir to a long tradition where the *esprit de corps* (the soldier-railwaymen from the Fourth Field Army led by Marshal Lin Biao) and the Chinese Communist Party history (Lin Biao then in his splendour after defeating the Kuomintang) are mutually supportive to go down in History. Consequently the Groupement CITIC-CRCC was a consortium in which CRCC – represented by the CCECC – held a 51% share and CITIC – represented by CITIC Construction – held a 49% share (Xu, 2012; CRCC, 2006). *Offshore Leaks* documents — available on-line on the website of the International Consortium of Investigative Journalists (ICIJ) — give some more information[19]. The Chinese consortium was incorporated on the 26th of November 2006 in the British Virgin Islands precisely under the name *Groupement CITIC-CRCC Ltd*. Both shareholders are represented by their Hong Kong subsidiaries. This arrangement is certainly not innocent especially since CITIC appears many times as the ultimate beneficial owner of offshore entities in the *Offshore Leaks* documents.

The Algerian government was approached in 2003 by a team of CITIC Construction leaders who was responsible for negotiations[20]. In 2004 negotiators reportedly tailored a working draft memorandum

18 Kickbacks, rigged bids, overcharging for goods and services and cost overruns... are all mentioned with, in the background, the nagging presence of Pierre Falcone, see *inter alia* « Chinese companies named in anti-corruption probe », *Africa-Asia Confidential*, 3(5), 2010.

19 See offshoreleaks.icij.org/nodes/152476.

20 Several stories are overlapping to tell the CITIC-CRCC epic. In this paper, it is tried to marry them together. The following paragraphs are based on numerous references, in particular two important documents that complement each other. One is a file of documents from a Chinese journal called *Zhongguo qiyejia* [The Chinese entrepreneur] (He, 2011), the other is an equally remarkable document published by the Algerian daily *El Watan* (El Kadi, 2009). The journal of the Algerian Chamber of Commerce and Industry is also enlightening (CACI, 2006). A television talk show to celebrate CITIC's thirty years achievements is worth looking at (Wu, 2009).

of understanding with the Algerian authorities for works amounting to 10.8 million dollars (two years later, after bidding, the amount became 11.2 million dollars) on the basis of studies carried out since 2000 by Western consulting and engineering firms at the request of the Algerian government. Under this working draft, the construction of the motorway's three sections would have been entrusted to a Chinese contractor designated by CITIC which was put in charge of organising the project financing. Moreover, it was understood that the Chinese consortium would be paid back with crude oil – a privileged access to natural resources is the solution that China very usually put forward to its African partners when building infrastructure (*infrastructure for resources*) – this policy is said to have been devised by the CITIC itself. In January 2005, Wang Jun – then chairman of the CITIC – paid a visit to Algeria's President Abdelaziz Bouteflika. The visit was not trivial as Wang Jun – son of the China's revolutionary elder Wang Zhen, one of the Eight Elders of the Chinese Communist Party – was a powerful man in and outside the Party, he founded the Poly Group (a central enterprise stemmed from the Chinese military complex) and headed the CITIC for twenty-five years. According to Hong Bo (chairwoman of CITIC Construction), it would be during this visit that the Chinese delegation would have felt they got the green light to embark in this project.

Chinese contractors were not the sole foreign contractors which were lobbying in Algeria. Contractors from Korea, France, Italy, Kuwait, Malaysia, Saudi Arabia, South-Africa and Turkey are said to have proposed Build-Operate-Transfer (BOT) solutions. In such a type of concession, the contractor builds then operates a public facility for a fixed period of time after which the ownership reverts to the licensor. As a result, the contractor bears a significant share of the risks, the higher the risks, the higher the cost for the government which in turn means underlying fiscal costs to the government. Furthermore, a BOT concession would have meant to finance the motorway by charging its users instead of funding it by taxpayers' subsidies. In others word, the first solution would have been to impute the cost of an economic development strategy to a fraction of the population – maybe the most proactive part – instead of distributing its load over the entire population through taxation. The fact that today the Algerian government operates toll is not contradictory because tolls can correspond to the cost of a public service and not to the amortisation of foreign direct investment. Moreover, operating profits (if any) can be used to finance Algeria's economic development policy. A draft agreement with the Chinese consortium might have been possible precisely because the Algerian government was eager to avoid the BOT solution.

The Algerian government challenged its former strategy later in mid-2005 when it became aware that higher oil prices were allowing to finance infrastructure investments with its foreign exchange reserves and, thus, to proceed by call for tenders. The announcement of this procedural change seems to have been sorely felt by CITIC which was originally to play the role of a mere *construction manager* hiring the CRCC services. In the rehashed version of the project, the Algerian authorities asked the tender winners to act as *project manager* and thereby to assume the project design. The panic seems to have been real; the Chinese consortium tried unsuccessfully to retrieve the studies conducted previously by Western consulting and engineering firms. What "rescued" the Chinese consortium was the low priority the Algerian government gave to the quality of the work and, conversely, the high priority it gave to the speed of its completion (fast-track EPC project). Consequently, the project was not to be necessarily designed before answering the call for tenders, but as and when its completion needs it; the consortium then had time to conduct engineering studies. Furthermore, the Algerian government, consistent with its prerequisite of speed even at the expense of quality, did no longer require in its final version of the specification that bidders should have achieved some linear kilometres of motorway in countries demanding class A standards as

European countries, USA... The removal of this constraint allowed not to exclude the Chinese consortium and to some extent to meet the word that had previously been given. On the 16th of April 2006, the Chinese consortium won only two of the three sections of the motorway (West and Centre sections), the third section (East section) being won by COJAAL, a Japanese.

MAKING CHINA SERVE ALGERIA

The experience of the consortium CITIC- CRCC in Algeria suggests a reversal of an old Chinese phrase: *wai wei zhong yong* (making foreign countries serve China). Here, China is to serve Algeria's economic development, China has to abide by Algerian convenience.

In the 2000s, Algeria heavily appealed to Chinese contractors to implement the Programme of Support for Economic Revival (2001-2004) and the follow-up Economic Growth Support Programme (2005-2009) which were financed by soaring oil revenues. The goal was to make up for the time lost during the 1990s, *i.e.* during the "black decade" marked by the Structural Adjustment Programme (1994-1998) that Algeria had to endure when oil prices were low and when the "struggle against terrorism" was setting expenditure priorities and budget allocations. The Algerian government had to face two pressing issues: housing and unemployment – both being the cause of endemic social unrest. To tackle them, it adopted two distinct approaches: on the one hand, it resorted to foreign companies to speed up the construction of housing; on the other, it promoted what in France is called a "traitement social du chômage" (social treatment of unemployment) by implementing policies that make waiting for economic growth more bearable (Bouklia-Hassane and Talahite, 2008:423-430). Once the legislation on foreign investment liberalised under the constraint of structural adjustment programs, Chinese contractors became very competitive, won easily numerous public tenders and took the best share of the loot. Thus, China could have secured 80% of the recent infrastructure contracts in Algeria (Castel *et al.*, 2011:5). Algerian contractors which are mainly small and medium enterprises cannot *de facto* compete with these large Chinese public groups (Souiah, 2011:8). That is how Chinese contractors have taken a step ahead by positioning themselves on the Algerian construction market and how tens of thousands of Chinese workers landed in Algeria[21].

At first, the presence of a large Chinese labour force on construction sites was not disputed. Then, Chinese enterprises were accused of increasing unemployment by importing their own workforce. In the end, it turned out as an obvious sign of the political leaders' inability to provide employment for the unemployed Algerians – although few of them could have agreed to work with wages and working conditions as those offered by Chinese enterprises to their own workers[22]. Without importing their own labour force, Chinese companies could not take on a commitment to such low costs and such short time. Moreover, exemptions from labour laws were granted by the Algerian authorities themselves to "foreign companies with foreign employees recruited on contract who do not contribute to the National Social Security Fund and are not affiliated with any union" (Bouklia-Hassane and Talahite, 2010:129). Facing this discontent, the Algerian government imposed a threshold of 20% of national workers in Chinese construction projects. It is not clear whether this measure came into effect on all construction sites and, when it was, to which extent it was actually

[21] The highest number of Chinese workers in Algeria was met in 2009 with 49 631 workers (Hammou and Pairault, 2014:162).

[22] The social discontent might explain why brawls between Algerians and Chinese that burst during the summer 2009 in Algiers suburbs were understood as the resulting anger of young unemployed uttering their hostility towards Chinese workers (Hammou and Pairault, 2014:165).

implemented (Dzaka-Kikouta *et al.*, 2014:208; Kpetigo, 2014:147-148). That is also why the 2010-2014 five-year plan holds that the construction of the Hauts-Plateaux Motorway should be entrusted to Algerian companies. For this project, the launching of which has been postponed till June 2014, the government is said to count on the lessons that Algerians subcontractors have learnt from the Chinese consortium CITIC-CRCC and the Japanese consortium (Ferhi, 2014).

It is often speculated on China making the most of the withdrawal of Western companies from Africa to boost projects they have abandoned because of their low return (*inter alia* Hugon, 2009:164-165). Thinks are more intricate. For instance, the current Minister of Housing, Abdelmadjid Tebboune, seems somehow to admit that choosing Chinese contractors was a political decision as he apparently regrets past choices and is now urging French contractors to respond to tenders. He adds that “the timeliness and quality required in the completion of our housing projects require us to explore new solutions.” (Lamriben H., 2014). The part the Algeria as a developmental state is expecting to play should not be undervalued. Two examples will help to value the speculation about the withdrawal of Western companies.

The Algerian government has apparently been solicited since 2006 by FAW (First Automotive Works – one of the main Chinese central enterprises) to install an assembly line but high tariff and land policies make direct imports of finished products not more expensive than the local assembly. So it comes as no surprise that the presence of the Chinese automakers mainly goes through imports of Chinese vehicles and that their investments are limited to the opening of representation bureaux. That is also true of the Shaanxi Automobile Group (publicly funded enterprise under the supervision the Shaanxi province government) that would have planned to set up in Sétif an assembly unit scheduled to be operative in 2010 but actually only opened in 2011 a representation bureau. Similarly Higer and JMC only opened such bureaux (Pairault, 2014a:50-52). Conversely, the French car maker Renault, which was said to be reluctant to invest in Algeria, ultimately accepted in 2012 the proposal to create a new production unit at Oued Tlélat near Oran (Chaal, 2012). In that very case, Algerian government voiced a political choice (rapprochement between Algiers and Paris) as well as it conveyed an obvious industrial preference (veteran carmaker versus newcomers)[23].

On the 8th of October 2011, the Algerian Minister of Health, Djamel Ould Abbès, organised in Algiers a lavish ceremony to entertain the best of Western pharmaceutical industry and announced a “mega-project” for the manufacture of drugs which will be undertaken at the technopole located in the new city of Sidi Abdellah near Algiers (Merabet, 2011). A few days later, Djamel Ould Abbès reported that foreign direct investment in the pharmaceutical sector amounted to 420 million dollars in 2011 – of which 320 by European companies and 100 by Indian, Egyptian, Jordanian, Turkish and Saudi companies (Ould Abbès, 2011). A few more days later, Algeria and China agreed to set up a joint committee for the technical study of this “mega-project” which aims at enabling Algeria to eventually become "a hub for the Middle East and North Africa" in medicine, as stated the Algerian Minister of Health Djamel Ould Abbès (Haider, 2011). Subsequently, the press did not mention such a prospective Sino-Algerian partnership again. Conversely, in December 2013, the French pharmaceutical leader Sanofi, which achieves for a long time about 25 per cent of its turnover in Africa on the Algerian market, undertook the construction of a plant in Sidi Abdellah which is to become the largest Sanofi unit in Africa (Smati, 2013). Hence, speculations about the supposed

[23] A year later, in December 2013, the Chinese automaker FAW could finally sign a memorandum of understanding for a partnership with Arcofina, a private Algerian group that is already marketing its vehicles.

withdrawal of Western enterprises and about their alleged unwillingness to invest should be balanced with the capabilities as well as the (alleged or proven) behaviour of Chinese firms and, last but not least, with the industrial and political choices of African partner countries – in our case, Algeria.

When it comes to the military, Algerian authorities are also making China serve Algeria. Algeria's government is not looking for cheap and low-quality weapons like most of developing countries which absorb arms and military equipment surplus that the Chinese army is getting rid of. Instead, it is primarily looking for high-tech equipment to make its army one of the most modern in Africa. That is why the international community is concerned about a possible collaboration with China on nuclear weapons that dates from 1980 and which continues today. It is noted that in November 2005, Jing Zhiyuan – commander of the Second Artillery Corps which controls the Chinese nuclear forces and member of the Military Affairs Commission – went to Algeria to discuss military cooperation. It is also observed that in March 2008 China and Algeria signed a contract for the construction of a nuclear power plant. Western militaries are worried about these activities since they could attest Algeria's nuclear ambitions (Zarnadi, 2014:97). Regarding conventional weapons, the modernisation and professionalisation of the People's National Army (PNA) was frozen during the civil war. Since 2000, it has been back on the political agenda. Sino-Algerian military relations were the least developed part of the relations between both countries until 2007 when the Algerian military started acquiring defence equipment from China which is progressively becoming a significant partner. Algeria has obviously made an effort to diversify its suppliers in the defence sphere and China appears to be one of the main beneficiaries of this process (Zanardi, 2014:93-94). Military purchases from China have several advantages: they should reduce the Algerian military dependence on Russia and should afford to buy less expensive but modern equipment. As a result, competition in the sector of high-tech military equipment is no longer limited to Russian and Western companies; moreover it allows negotiating with military equipment suppliers for technology transfer.

Algerian policy-makers try "walking on two legs". On the one hand, they tend to confine the Chinese presence in areas not competing with their traditional partners as the construction sector. On the other hand, they could be tempted to benefit from Chinese economic and technological performance to boost Algeria's economic growth by engaging in Sino-Algerian joint projects. "China has expressed a strong will to enhance multilevel cooperation with Africa. That is in accordance with Algeria's development strategy" claimed Abdelkader Bensalah, president of the Council of the Nation of Algeria when attending the Bo'ao Forum in 2013 (Li, 2013).

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